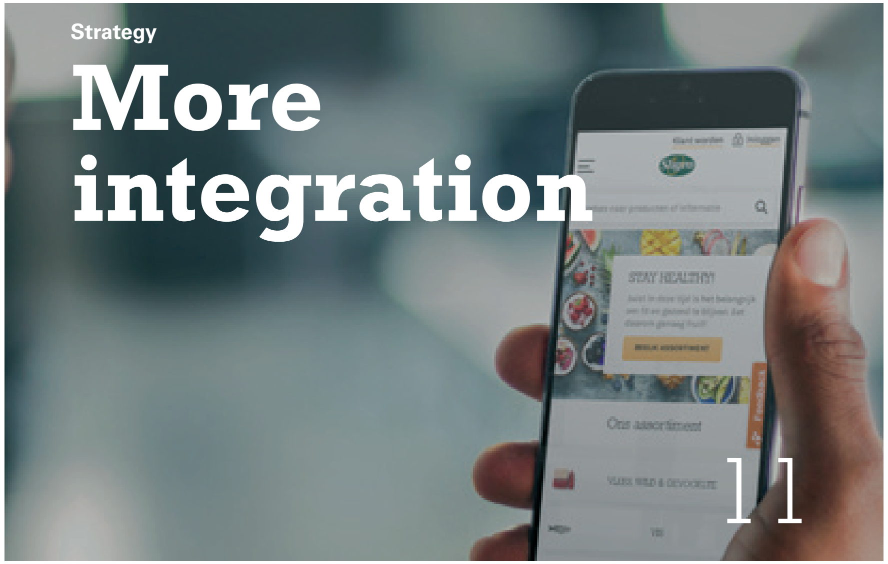
2020 Annual Report
Sligro Food Group

Sligro Food Group N.V.


Sligro
Groots in genieten




Sligro

Contents

> ‘From the moment we became aware of the impact of COVID-19 on our net sales and results, we shifted the organisation’s emphasis to cash flow.’

Rob van der Sluijs
CFO

Key figures for 2020[1]

x € million

1,946
Net sales
2019: 2,395
Change: –18.7%

75
EBITDA
2019: 127
Change: –40.5%

(70)
Net profit (loss)
2019: 34
Change: –304.3%

(76)
EBIT
2019: 44
Change: –272.3%

67
Free cash flow
2019: 38
Change: +77.6%

-
Dividend per share proposed (x € 1)
2019: 0.55

22.7
Carbon reduction since 2010 (%)
2019: 27.7

10.8
Sustainable product range (% of net sales)
2019: 11.6

4,116
Employees (full-time annual average)
2019: 4,100
Change: +0.4%

73/27
Male/female ratio (%)
2019: 74/26

---

[1] Continuing operations

‘Our teams have demonstrated flexibility and vigour and our market position has been consolidated’

Koen Slippens
CEO

Foreword

Economy and market
As regards economic developments and our sales markets, 2020 was entirely defined by COVID-19. The outbreak of the pandemic and the measures governments took to combat it seriously affected our markets. The hospitality industry, sports clubs, stadiums, leisure facilities, corporate catering and events were all hit hard. The delivery channel was affected again and again suffering periods in which net sales fell by as much as 75%. In contrast, cash-and-carry gave many entrepreneurs a good alternative and net sales there even increased.

FoodService Instituut Nederland (FSIN) estimates that the market as a whole, which was redefined more broadly last year, saw wholesale value net sales drop by 33%. In this light, we considerably outperformed the market and gained market share. The combination of cash-and-carry and delivery service, the broad and varied customer base, and our company’s entrepreneurial culture all contributed to this feat.

As pointed out earlier, we have little information on the Belgian market. A survey by Foodservice Alliance suggests that the hospitality industry in Belgium saw net sales drop by 51% in 2020, based on consumer spending. Much like in the Netherlands, net sales did not drop as sharply in the institutional market in Belgium. Given our assessment that the Belgian market was hit slightly harder than the Dutch market, we ultimately outperformed the market in Belgium.

At group level, the total drop in net sales (excluding tobacco-related and acquisition-related revenue) due to the impact of COVID-19 measures came in at approximately €0.5 billion over the whole year.

‘We have made substantial progress in our Next-Gen Cash-and-Carry programme, which has enabled us to stimulate net sales this year and make our cash-and-carry more future-proof.’

Koen Slippens
CEO

Netherlands

In the Netherlands, our short-term focus was to offset the drop in net sales and adjust costs and investments to keep the cash in the organisation. We were successful in that regard and have also decided to still push ahead with a number of strategically important processes. The physical integration of the Heineken operations into our delivery service network has been completed and, as of the fourth quarter, all the functionality is operational, offering our joint Sligro-Heineken customers the ‘one order, one delivery, one invoice’ experience. Our ordering platform has been migrated to SAP and all our customers have been transferred to that new platform. The integration of De Kweker, which was acquired in 2019, was accelerated and completed and we have made substantial progress in our Next-Gen Cash-and-Carry programme which has enabled us to stimulate sales and make our cash-and-carry more future-proof.

Belgium

The fall in net sales in Belgium was likewise offset by specific interventions in costs. The preparation for the arrival of a new ERP landscape was and still is high on the agenda for Belgium. Numerous preliminary processes have been completed to make the transition easier and more controlled in 2021. Work has naturally also been done on further expanding our commercial capability by developing and introducing concepts targeted at specific customer segments, harmonising the range of products in Belgium and continuing to integrate the logistics network into that of the Group. In the fresh groups, Belgium has taken over responsibility for ‘Game and Poultry’ from our partner Ruig and the transition of fresh fish from Belgium to the Netherlands commenced following the announced closure of Océan Marée. In an operational sense, there has been clear improvement and embedding at cash-and-carry stores, which will benefit both the quality of our service to our customers and the returns for the Group.

Organisation and employees

We realise that happy, engaged, and professionally strong employees and teams are the basis for success in business. While we have had a good position in this respect for many years now thanks to our family culture, a growing and changing organisation still has to keep working to retain that position. To give this effort the attention it deserves, we developed our People Strategy in 2020, which we have meanwhile started to pursue step by step, focusing on the areas of people & teams, leadership, culture, and organisation. Through ongoing dialogue with our employees, we address our employees’ specific needs and questions and come up with adequate solutions. Using StakeholderWatch, we continuously monitor our employees’ experience of these efforts, and we are already seeing the first positive impact on our employee engagement scores.

CSR

The world is changing at rapid pace. In 2020, with our motto of ‘Going for sustainability together’ in mind, we have looked at several key themes that play regarding and alongside our sustainable 'eerlijk & heerlijk' product range. These include the steps we have taken with respect to our organic range, products made with respect for animals, our plant-based products, targets in terms of packaging, healthy food, and collaborations with stakeholders such as Good Fish, TSC, and BSCI. In this annual report, we publicise, as we do every year, our performance in our key CSR focus areas, assessing it against our sustainability targets for 2030. For more details about the above subjects, we refer you to our website.

Results

In 2020, our net profit was down €104 million, resulting in a loss of €70 million. This result is due partly to the direct impact of the drop in net sales caused by the COVID-19 pandemic and partly to the ensuing one-off non-cash impairment that we recognised in Belgium in the interim figures. On a positive note, we posted an operating profit (EBIT) in the second half of the year, despite the second lockdown. Plus, the focus on cost savings and limiting CAPEX has produced a positive free cash flow totalling €67 million. As a result, the net interest-bearing debt position (not including lease liabilities) was down €71 million to €165 million, meaning that we ended the year with a leverage ratio of 2.8. Like at the half-year point, the temporary broadening of the ‘basic covenants’ agreed with the banks and USPP financiers turned out not to be necessary at year-end. Thanks to the support of our main bank and the USPP financier, there is also additional leeway for 2021 to bridge the period until the market starts to recover.

Dividend

Given the 2020 results and the uncertainty about the coming months, recovery of our financial position will take priority, as communicated earlier, and there are insufficient grounds to pay a dividend for the 2020 calendar year. Furthermore we took advantage of the Dutch government's NOW wage subsidy schemes, and one of the conditions for NOW 3.1 is a ban on dividends for 2020.

Risk management

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. Like in previous years, the main risks and focus areas were reassessed against our strategic intentions in 2020. The focus was also on COVID-19, the degree to which we were prepared for this kind of event, and how we handled the impact. Our conclusion is that our flexibility, entrepreneurial culture, hands-on management, and long-term relationships with customers and partners were the driving forces behind our response. We look back with satisfaction on the way we have handled the fallout of this unforeseeable phenomenon.

Outlook

The consequences of COVID-19 will also dominate a major part of 2021. If the vaccination strategy is successful, we expect to see gradual recovery from the second quarter on. On the basis of our experiences in 2020, we know that recovery can happen quickly and that consumers will return to hospitality venues as soon as they are permitted to do so. These assumptions lead us to expect that we will approach our pre-COVID-19 net sales levels during the second half of the year. We expect cost-induced inflation not to show any unusual movements and come in at a normal level between 1% and 2%.

High Five

Our five strategic focus areas:

1. Excel in customer satisfaction in the delivery segment.
2. Excel in customer satisfaction in the cash-and-carry segment.
3. Operational excellence and returns in the supply chain.
4. A happy, committed and professionally strong team.
5. Successfully launch SAP.

Furthermore, we continue to focus on our five long-term strategic themes. These themes were launched in 2020 as part of our annual theme of 'Give me Five'. Sadly, 'giving each other five' was precisely what we could not do in 2020. Despite the extreme drop in net sales, our cost base was well budgeted in 2020. We proceeded with a number of strategic programmes or even accelerated them and our five strategic priorities are still standing strong. Our teams have demonstrated flexibility and vigour and our market position has been consolidated. That basis and our expectation that markets will recover during the course of the year ensure that we enter 2021 with boundless energy and our heads held high. Developing the annual theme for 2020, we plan to reaffirm it in 2021 with 'High Five' as our theme.

Koen Slippens
CEO

Key data[1]

x € million	2020	2019	Change (%)
Result			
Net sales	1,946	2,395	(18.7)
EBITDA[2]	75	127	(40.5)
EBITA	7	66	(89.1)
EBIT	(76)	44	(272.3)
Net profit (loss)	(70)	34	(304.3)
Net cash flow from operating activities	101	132	(23.4)
Free cash flow	67	38	77. 6
Dividend proposed		24	(100.0)
Closing capital balance			
Equity	432	500	(13.6)
Net invested capital[3]	802	902	(11.1)
Net interest-bearing debts	402	424	(5.3)
Total capital	1,198	1,455	(17.7)
Employees			
Annual average (full-time)	4,116	4,100	0.4
Workforce male/female ratio	73/27	74/26	
Executive Board male/female ratio[4]	87/13	83/17	
Supervisory Board male/female ratio	80/20	80/20	
Employee expenses[5]	219	218	0.5
Net sales per employee (x €1,000)	473	584	(19.1)
Employee expenses per employee (x €1,000)	53	53	0.1
Corporate Social Responsibility			
Carbon reduction since 2010 as %	22.7	27.7	
Sustainable product range as % of net sales	10.8	11.6	
Customer satisfaction[6]	73	73	
Employee satisfaction[6]	63	56	
Supplier satisfaction[6]	63	67	
Investments			
Net investments[7]	13	85	(84.2)
Depreciation and amortisation[8]	(58)	(54)	9.3

	2020	2019	Change (%-point)
Ratios			
Net sales growth as %	(18.7)	2.1	(20.8)
Profit growth (loss) as %	(304.3)	(25.3)	(279.0)
Gross margin as % of net sales	24.0	24.4	(0.4)
EBITDA as % of net sales	3.9	5.3	(1.4)
EBITA as % of net sales	0.4	2.8	(2.4)
EBIT as % of net sales	(3.9)	1.8	(5.7)
Profit (loss) as % of net sales	(3.6)	1.4	(5.0)
Net profit (loss) as % of average shareholders' equity	(15.0)	6.4	(21.4)
EBIT as % of average net invested capital	(8.9)	5.0	(13.9)
Net interest-bearing debts/EBITDA[9]	2.8	2.2	0.6
Shareholders' equity as % of total capital	36.0	34.3	1.7

Details per share with nominal value of €0.06

x € 1	2020	2019	Change (%)
Number of shares in issue (x million)	44.14	44.11	0.1
Shareholders' equity	9.78	11.33	(13.7)
Profit (loss)	(1.59)	0.78	(304.2)
Dividend proposed		0.55	

[1] Continuing operations.

[2] Gross operating result; the result before financial income and expenses, depreciation, amortisation and impairment.

[3] Excluding associates.

[4] Concerns the International Board, Dutch Management Team and Belgian Management Team.

[5] Salaries, social security costs and pension expenses.

[6] Data based on StakeholderWatch, only for the Netherlands.

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

[8] Excluding impairment.

[9] Excluding IFRS 16 Leases.

Sligro Food Group

B2B food service companies in the Netherlands and Belgium

Wholesale sites for food and beverage enthusiasts

Cash-and-carry
Delivery
Online

Partnership with Heineken Nederland

Wide product range

Food (dry groceries, fresh, frozen food)

Drinks

Non-food (food-related)

Number of articles

75,000

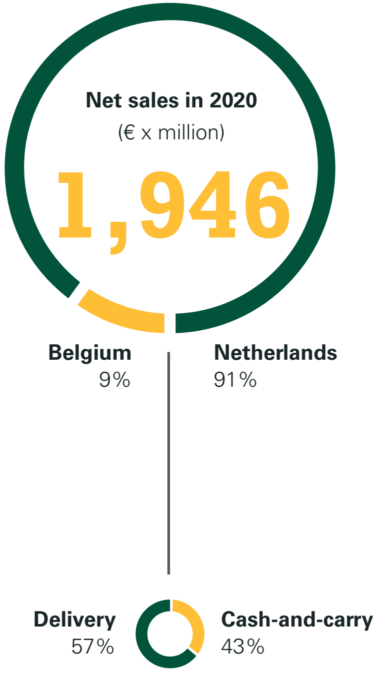
Number of employees

5,284

Our formulas/market approach
Sligro
De Kweker
Van Hoeckel
Bouter
Tintelingen
Sligro-ISPC
JAVA Foodservice

Our production companies
SmitVis
Culivers
Océan Marée

Our fresh partners
Kaldenberg Slagerijen
Ruig, Wild & Gevogelte
Smeding, AGF



History

19

’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 Wunderink, an Arnhem-based family business, saw **the first hospitality industry wholesaler added to the Group**.

’96

Acquisition of Van Hoeckel was completed; this launched Sligro Food Group in the institutional segment of the food service market.

20

’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 Groothandelcentrum 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 servicepartnership** with Heineken Nederland.

’18

Sligro-ISPC store in Antwerp opened its doors, the first Sligro-ISPC store in Belgium.

’19

Acquisition of De Kweker in Amsterdam.

Our strategy

Sligro Food Group focuses specifically on the food service market in the Netherlands and Belgium 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 largely internationally 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. Especially in times of crisis, culture is an important compass. During the COVID-19 crisis, we have found that our 'decency in business' promise enabled us to set ourselves apart from the competition in the market. In a growing organisation, preserving and further conveying our signature culture is a constant focus of attention for us. The influx of new talent, and therefore new 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.

Our strategy focuses on being able to offer shareholders attractive long-term returns. In doing so, 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 collaboration with our partners, 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 Sligro 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

- Acceleration of digitalisation and data-driven applications
- Balance between working from home and working from the office
- Health, but also enjoying treats
- Making food and packaging more sustainable vs. attention to hygiene
- Increase in take-away and deliveries
- Attention to green protein (flex consumers)
- Importance of local and products with a story to the professional Food Service customer

from professional FS customers

- Depleted reserves due to COVID-19
- Increase in dependency on B2C portals (compare, reserve, deliver)
- Increase in format/chain formation
- Required rediscovery of corporate catering
- Persistent need for convenience in connection with costs and expertise of employees

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.

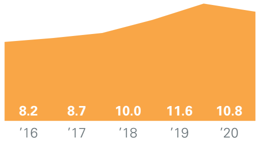
Results

610,000
customers

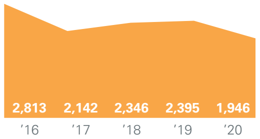
5,284
employees

2,250
suppliers partners

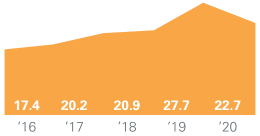
Sustainable product range
% of net sales



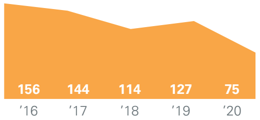
Net sales
x € million



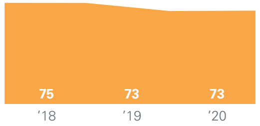
Carbon reduction since 2010
%



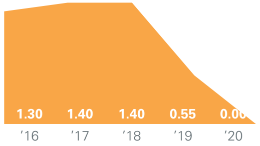
EBITDA
x € million



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.

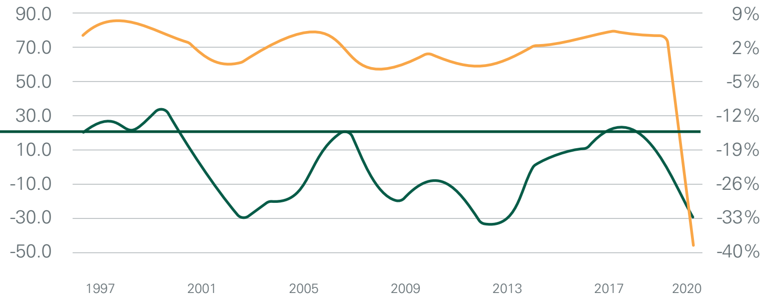
Society benefits as we create jobs, make progress on our integrated CSR targets, and pay taxes.

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 formulas, 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 in each specific segment 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.

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)

Market shares

26.6%

Food service market leader in the Netherlands

3.5%

Food service top five in Belgium

We firmly believe in the power of a strong network made up of an integrated whole of cash-and-carry stores and wholesale delivery services combined with one digital environment, whereby our people make the difference. The power of the network lies in mutual collaboration. Of our delivery service customers, 70% visit their nearest cash-and-carry store on average twice a month for inspiration and advice, or for a last-minute or forgotten purchase. The cash-and-carry stores are ideally suited as a source of inspiration 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 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 26.6% (source: FSIN). In Belgium, we are one of the top five companies 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).

> 'We consider it important to help hospitality professionals become even better at their speciality and their business.'

Hanna Polman
Customer Solutions Manager at Sligro

'A single definition of sustainability? There isn't one. One person might view sustainability as stopping deforestation; another might focus on animal welfare or human rights. That's the nice thing about my work: it's never the same. I love working with colleagues, customers, suppliers and other stakeholders, looking at ways of continually improving sustainability and health in our spectrum, such as through our 'eerlijk & heerlijk' concept. Our goal is always to guide our customers as well as we can in their final choice of products.'

Hilde Snoeijen

Sustainable and Healthy Food Coordinator

Head office Veghel

'Sustainability is different for everyone.'

Synergies

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.

1
integrated company

Passion
for food and drink

Unique
entrepreneurial company culture

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 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. We constantly see new opportunities for further development in this area, through internal benchmarking, but also through successes from other markets. The supporting technology and data management are highly centralised. We believe that data-driven entrepreneurship will be a crucial factor for our future competitiveness.

We organise our procurement management and in particular our 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 own production companies and fresh partners, we are able to offer all our customers products that set us apart from the competition. The wide range of high-quality and innovative Exclusive Brands is another factor that sets our formulas apart in the market. Exclusive Brands are developed primarily in close collaboration and based on long-term partnerships with our suppliers.

The power of our unique company 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 2020

Flexible, decisive and under control

COVID-19

Last year was largely dominated by the COVID-19 pandemic and the impact the measures taken by the government had on our customers' operations and, by extension, those of Sligro Food Group. Although a pandemic did not feature as such in our risk analyses, by drawing on our culture of entrepreneurship and action, our organisation showed great resilience. We are therefore proud of the way in and speed at which our colleagues responded time and again to the new developments around COVID-19. Continually upscaling and downscaling operations while remaining sensitive to employees, customers, suppliers and all our partners took additional effort but in doing so, we were even able to develop some sort of routine as the year went on. Our response was flexible, decisive and always under control, despite the enormous impact. We are grateful for the understanding shown by our shareholders, banks and USPP financiers who backed the company's decisions and provided additional scope where necessary. Particularly in times like these, the investment in long-term relationships and partnerships with all our stakeholders pays off.

We opened our cash-and-carry stores to non-cardholders in the Netherlands and Belgium during several periods. In the Netherlands, this was while hospitality venues were closed. That meant that we and other wholesalers were able to ease the pressure on supermarkets in the Netherlands and Belgium and enable a better distribution of consumers throughout the available retail space. It is therefore incomprehensible to us that the Dutch government chose not to permit this during the busy Christmas period.

The mass drop in demand in our sector has had an enormous impact, especially because of our relatively high fixed costs (IT, data, logistics network (fleet of lorries and DCs)), the cost of wastage ('best before') and customer bankruptcies. Despite repeated requests, the government has not been prepared to help us to alleviate the consequences of this. However, we were able to make use of the NOW and TWO wage subsidy schemes in the Netherlands and Belgium, which really did help to compensate our loss of net sales, but most of all to retain jobs for our permanent employees. We explain the most significant non-recurring effects of COVID-19 on our figures under 'Financial results'.

Netherlands

The Group's loss of net sales and the volatility over the year are represented in the graphs below, which show that delivery services suffered the greatest loss of sales while cash-and-carry actually grew somewhat.

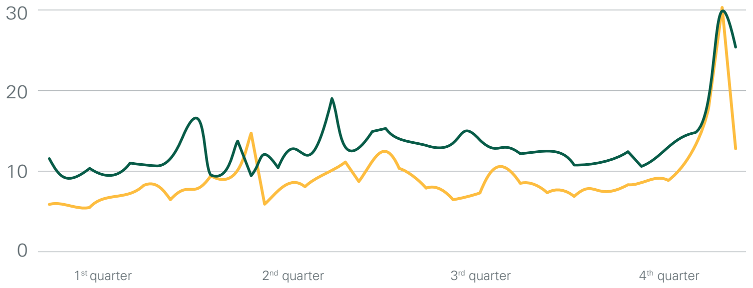
We were unable to influence the general fall in demand due to the COVID-19 measures in our market, but thanks to our broadly-based customer portfolio, the combination of cash-and-carry and delivery services, and an entrepreneurial, positive attitude towards our customers, we performed better than many of our competitors and gained market share.

In the Netherlands, we also focused on the progress and accelerated completion of a number of major programmes. The physical integration of the Heineken activities was completed within the previously estimated time frame of three years. The technology to enable our joint customers to order from one platform and receive a single invoice was delivered and put into service, thus fulfilling our promise of one order, one delivery, one invoice. In the Netherlands, moreover, our new web environment built on SAP Hybris successfully went live in the summer and all 40,000 of Sligro's delivery service customers have now been migrated from the old to the new environment. This platform also serves as the basis for our online activities in Belgium. We accelerated the integration of the De Kweker activities. Following its acquisition in 2019, the cash-and-carry activities,

Netherlands Cash-and-Carry

Weekly development in net sales compared to last year
(x € million)

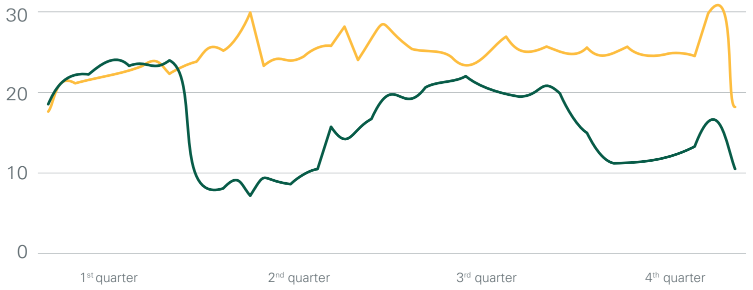
2020
2019



Netherlands Delivery Service

Weekly development in net sales compared to last year
(x € million)

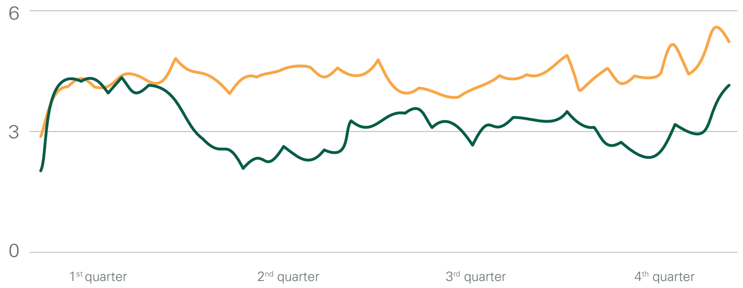
2020
2019



Belgium Cash-and-Carry & Delivery Service

Weekly development in net sales compared to last year
(x € million)

2020
2019



the delivery service activities and the head office activities were merged into the Sligro systems and infrastructure in October 2020 – six months earlier than planned. Cash-and-carry stores had a good year, partly due to developments in the 'Next-Gen Cash-and-Carry' programme. Numerous adjustments to the range of products, promotional campaigns and management were implemented and well received by our customers. We started a delivery service from the cash-and-carry stores for customers who had a need for 'occasional or irregular' deliveries and we have now made our range of products visible online to all our customers, including cash-and-carry customers. It was an important step to further extend digitalisation to the cash-and-carry sites.

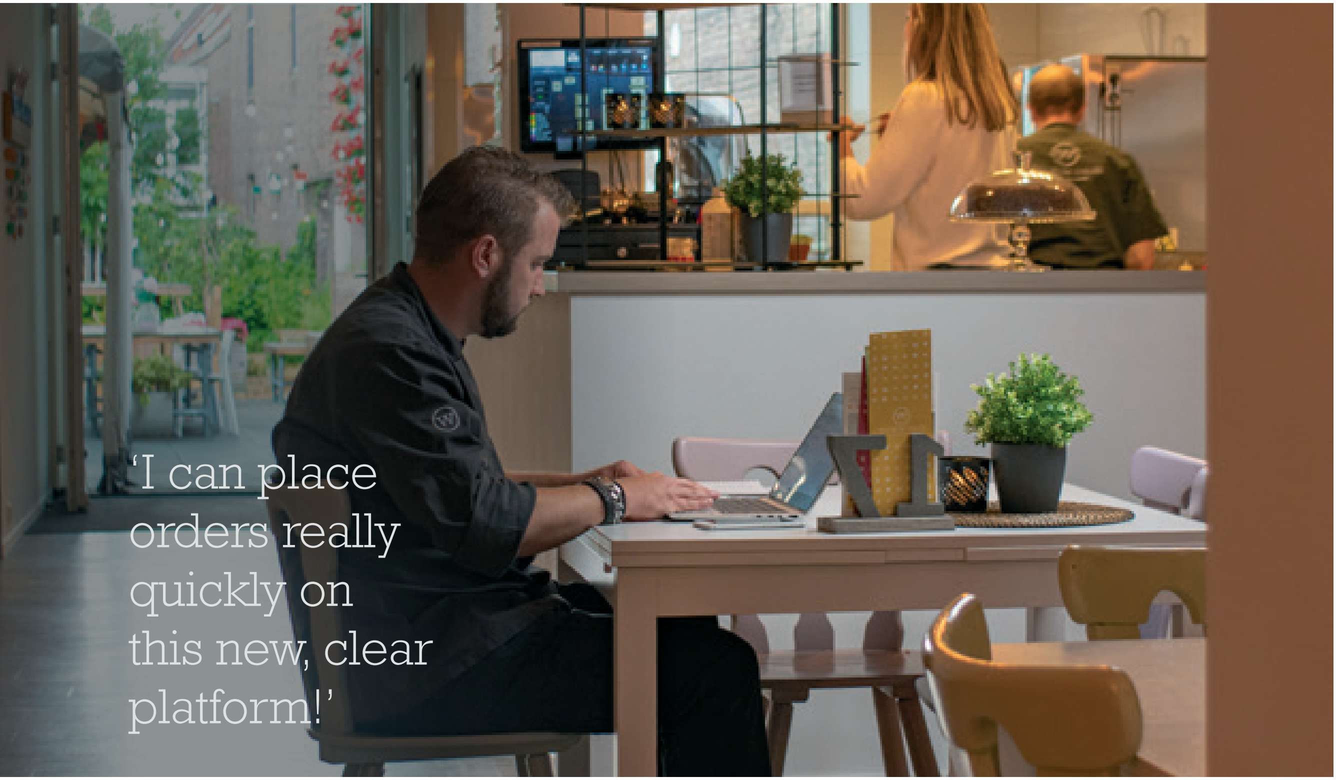
Belgium

We estimate that our net sales developed slightly better in Belgium than in the market as a whole. We continued to implement the integration of our Belgian activities, including the harmonisation of the range of products and prices in Sligro ISPC. The supply chain was further optimised, and the central distribution centre in Veghel is increasingly supplying Belgian sites. The procurement organisation is also transitioning to an international model that will be centrally managed from our head office in Veghel. We announced the closure of the production site Océan Marée in Belgium in the fourth quarter and also that its activities would be transferred to SmitVis in the Netherlands. The transfer is expected to be completed in the first quarter of 2021. This year was of course devoted to preparing for the arrival of SAP. Numerous processes in the old ERP environment have already been brought into line with the processes that will eventually be used in SAP.

Other

Besides the developments that impacted primarily on our food service activities in the countries in which we operate, we also worked on a number of cross-border projects at Group level.

Our People Strategy was launched last year. We believe that a happy, engaged and professional team forms the basis for successfully achieving our goals. This is nothing new and, as a listed family business, is something we have known for a long time, but a strong business culture requires maintenance and continuous attention to retain its strength. The People Strategy provides a solid structure to guarantee that now and in the future.



Dennis Raaijmakers
Lunchroom Welkom Thuis, Helmond

The strategy comprises four elements around people & teams, culture, leadership and organisation, and numerous initiatives were developed and implemented in these areas in 2020.
The transition to a new digital and ERP environment is in full swing. Despite the operational challenges the market presented us with last year, we decided to continue along the planned route as far as possible. And we have tangible results to show for it: our new digital platform in the Netherlands has gone live, our new article master data environment has been put into operation and the build phase of the first version of the new ERP environment has largely been completed. Although we had expected to complete the build phase of the ERP environment earlier in 2020, we are satisfied that we managed to achieve these crucial milestones by the end of 2020, despite the complexity and size of the programme and the physical restrictions due to COVID-19. We will test, train and optimise in 2021 and go live with the first version of the ERP package in Belgium.

'Before I came to work at Culivers a year ago, I worked as a chef in the hospitality industry for many years. I'm enjoying my new job: the rhythm and the higher purpose we aspire to. The meals we create go to hospitals, care homes, etc.; in other words to people who are ill or vulnerable. It feels great to be putting in an effort for them, because even people with allergies, or those who have problems swallowing and can only eat puréed food are entitled to a tasty meal.'

Bastiaan Boevée
Diet Chef at Culivers

'Everyone is entitled to a tasty meal'

‘COVID-proof enjoyment’

‘One of my main tasks is organising events, in-house and for our customers: a fantastic responsibility! That feeling I get when everything comes together and the guests go home satisfied...it puts a smile on my face every time. Many events had to be cancelled in 2020 unfortunately. Nonetheless, we still rolled up our sleeves and set to work to devise new concepts. One was Happy Friday, where colleagues in the office were able to enjoy COVID-proof refreshments or a dinner. Because that’s what we enjoy most: treating others to delicious food and drink.’

Sara Sels
Marketing Assistant at JAVA Foodservice

Organisation and employees

5,284 Employees

4,116 FTEs

Diversity

Male	Female	Nationalities
73%	27%	44

Employment

Average number of years

9.3

Learning and development

E-learning	Classroom
76%	24%

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.

We aspire to be an attractive employer to our current and future employees. We will continue to develop our approach to people management and development 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 keeping our employees interested and securing their loyalty. To do so, we stimulate employees' development by allowing them to self-manage and by offering them structured and challenging training options and career opportunities. Our HR policy will cater more to specific target groups to align it more effectively with the specific needs of different segments of the labour market and of groups of employees.

The four pillars of our employee vision: people & teams, leadership, culture and organisation will be used to develop this. We see this as an integral part of our business strategy. We have embedded and linked the People Strategy and Agenda, and the People Plans, in and to our business strategy and annual planning cycle. This will enable us to achieve active progress in these areas, while balancing them with our other business goals. Last year was devoted to setting up and establishing our plans for each pillar and we began defining and implementing numerous initiatives. Our primary focus was thereby on the Dutch organisation, after which the Belgian business units will soon follow in the same areas.

People & teams

Our goal

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 analysed all our management teams' strengths and the strengthening factors that influence these teams' performance last year, which has given us plenty of information about the qualities these teams already possess, but also about their development requirements. In response, specific development activities were defined, which will help the teams to achieve the organisation's goals.

Learning and development

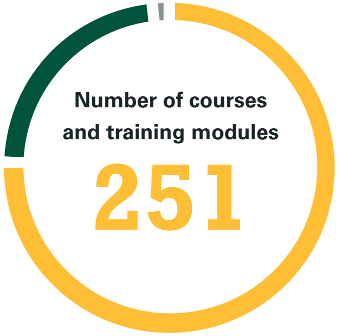
Continuous learning and development is key for all Sligro Food Group employees. Changes within and outside the organisation mean that activities and jobs are subject to constant change. Anyone who does not keep up with changes and does not keep challenging themselves will be left behind in the long run. 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 awarded the annual ‘Jan Hoenselaar Grant’ to the employee or the family member of one of our employees who submitted the best internship report or thesis (intermediate as well as higher vocational education / university level).

We designed a new learning and performance cycle in 2020, which will replace our current assessment cycle from 2021. Its central focus is the development and long-term employability of our employees and informal feedback and coaching will be provided on a continuous basis. Besides this, details of individual and team goals will be described and their progress evaluated, which will provide more clarity and transparency about everyone’s roles and responsibilities.

Learning and development at Sligro

🟨 **6,969**	🟩 **2,269**
e-learning	classroom



🟨 **76%**	online
🟩 **24%**	classroom
⬜ **0%**	individual

🟨 **284**	MBO (vocational education)
🟩 **96**	HBO (higher vocational education)/ WO (university education)

Health and safety

It is key that employees feel comfortable and experience their workplace as a safe and healthy environment. To achieve that, we have to keep investing in tangible measures and tools to increase workplace safety. We raise employees' awareness of safety through training courses and communication and make it a constant priority.

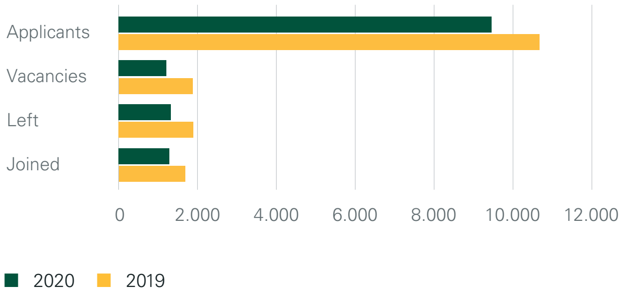
Working safely became even more important in 2020 when COVID-19 emerged in the Netherlands and Belgium. We entered a period of great uncertainty about the consequences for health and we were forced to take measures to protect our colleagues' physical and mental health. Looking back, we succeeded in this. We communicated with each other well, which enabled us to remove people's concerns by taking additional measures. Face coverings, perspex screens, cleaning shopping trolleys, signposted routes, social distancing, communication on-site and security personnel on the door all helped to protect the health and safety of our employees and customers. We take people's temperatures at the gate of our logistics operations, production and office environments to make people feel safe on the work floor. We make use of commercial COVID-19 tests to shorten waiting times for our employees, and we rolled out equipment to enable employees to work from home on a grand scale.

Absenteeism in the Netherlands increased compared to the previous year. That can be largely ascribed to COVID-19, but this upward trend is one we have been seeing for a number of years and it is not in line with what we are trying to achieve. We will intensify our efforts to reduce absenteeism in the years to come.

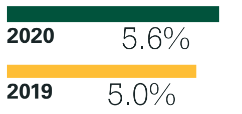
There was once again a fall in absenteeism in Belgium and here too, we will make efforts to continue this trend.

Turnover and sickness absence

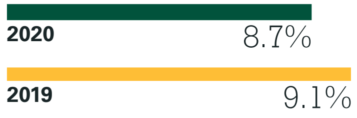
Staff turnover in numbers



Sickness absence in the Netherlands[1]



Sickness absence in Belgium[1]



[1] Average percentage of hours absent due to sickness compared to contracted hours (actual hours for auxiliary staff).

Diversity

At our company, diversity is a subject that is discussed openly, and not a forced process that revolves only around quotas and targets. Diversity covers more dimensions than simply the ratio of men to women and we intend to take that broad view too. We have a clear commitment to diversity, including in higher-level roles. Where candidates are equally suitable for a position, we will always increase diversity, including the balance between men and women. We wholeheartedly endorse the general opinion on gender balance, and are committed to achieving it step by step. The value of diversity also comes to the fore when working with multidisciplinary teams. Taking a broad approach to issues and possible solutions helps ensure high-quality decision-making.

Leadership

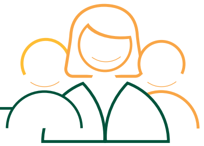
Our goal

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.

As a listed family business, our ambition is to grow further and become even more professional. The basis for this is teams of happy, engaged and professionally strong employees who together work at and on Sligro. That requires leadership and good people management with a positive impact on our employees' engagement, performance and development and by extension, that of our teams too. This approach will enable our employees to maximise their own and each other's potential every single day to really enhance our customers' experience.

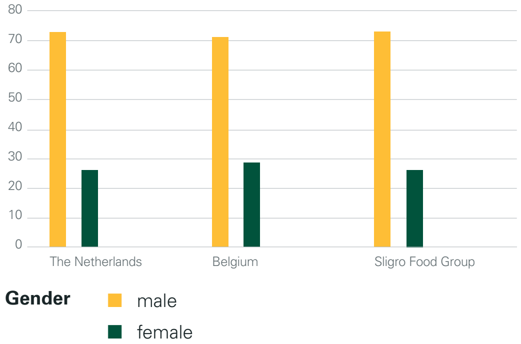
To put this into practice, Sligro Food Group developed a leadership model last year, which will enable us to help our colleagues in managerial roles to get the most out of their employees and teams every day. The model comprises five elements: lead, refine, develop, connect and deliver. It is a structured approach which, for one thing, will help our managers to create clear frameworks and goals for their employees and for another, will help ensure progress and results. We call this from leading to delivering. We are, however, aware that delivering is impossible without identifying and developing people's individual competencies, coaching and guidance and genuinely being interested in each other. That is where refine, develop and connect come in.

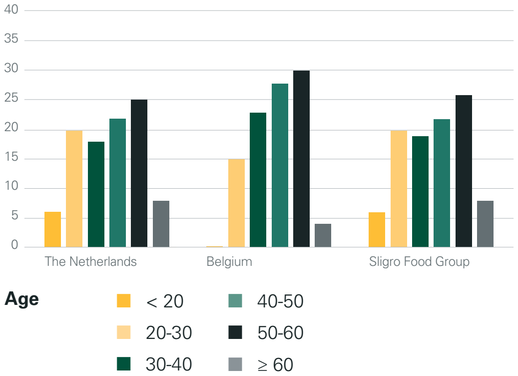
All this demands a great deal from our managers and they too need support to perform their roles. To help them, we have started to clearly define managers' roles. We have developed leadership profiles for the various levels, in which key responsibilities and result areas associated with the role of manager are defined and recorded.

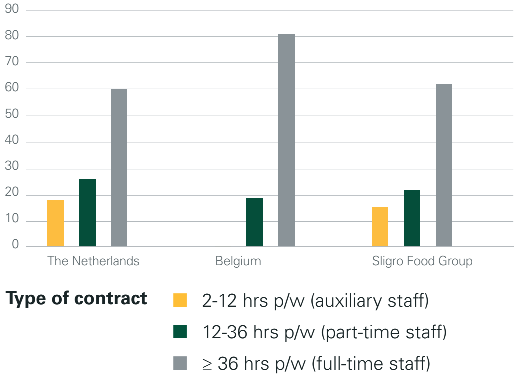


Diversity

as % of the total







2020 service anniversaries

2
50 years

19
40 years

34
25 years

266
12.5 years

Apart from creating a framework, we also help managers as they develop in their role as people managers by offering them a specific training and development programme. All managers attend workshops on learning & performing, sustainability & vitality and 360-degree feedback, and they are also offered individual learning pathways with continuous coaching and guidance, depending on their specific learning aims.

Culture

Our goal

We have an entrepreneurial culture that supports further professionalisation and fosters initiative, action and continuous improvement in a secure and inspiring environment.

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 'Green Blood', while in Belgium it is known as 'Our Salt & Pepper'. Terms appropriate to the country with the same underlying values. 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.

In a fast-changing environment, culture requires active focus and maintenance. That was highlighted by the signals we picked up from our employees when we measured employee engagement in recent years. To address this, we invested a great deal of time in dialogue with our employees (long-standing and recently recruited) in 2020 to identify the underlying areas requiring attention. There appeared to be a call for more defined frameworks and goals. Our people want to be listened to and involved more, to be given more scope to develop and collaborate, and above all, to be appreciated. The perceived distance between head office and operations and the feeling that head office is somewhat failing to be a facilitator were recurring topics. Besides giving us a good idea of widely-held opinions, this also gives us a way of addressing them.

Following major organisational changes in recent years and the resulting departure of experienced colleagues and conveyors of culture, as well as the arrival of new colleagues, we see that many colleagues are still finding their way when it comes to understanding the Sligro Food Group identity and their role within the organisation. We will again have to communicate the Sligro Food Group identity and what we stand for to our new recruits and more established colleagues and do so on a continuous basis. We have spent many years communicating about our core values as incorporated in 'Our Green Blood' and 'Our Salt and Pepper' but we will have to inject new life into this communication in the organisation. We started to refresh it in the second half of the year and we expect to present our results throughout the organisation in early 2021.

To continue to stimulate initiative, action and continuous improvement, we have developed a modern, digital version of the suggestions box (the Ideas Lab) which we will implement in the coming year. It is a good way of encouraging the engagement and entrepreneurship already present in good measure in our employees and of making use of the knowledge and skills all our colleagues have. We had similar initiatives in the past of course, but this digital variant will ensure that we can continue to do this in a growing organisation too.

Organisation

Our goal

We are an international organisation that makes the most of both increasing scale and local proximity to the market and customers.

As a wholesaler with extensive logistics operations and a large number of sites, 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 together 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 sites, we manage our people based on easy-to-understand KPIs that they can influence directly. The frameworks within which our sites can operate on a local scale have been defined at Group level and help create scope for employees to develop 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.

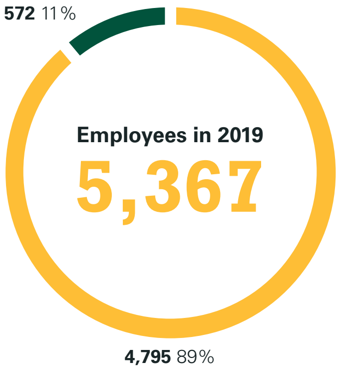
It continues to be our ambition to grow even more internationally in the longer term. However, we are aware that the speed at which this will occur will be lower than we originally planned. At year-end 2020, we reviewed the board and organisational structure aimed at enabling growth and will modify it as of 2021. In essence, we will focus more on a BeNe organisation, with a joint central Executive Board for the Netherlands and Belgium and an efficient consultative and communicative structure below it. This will help us to improve the speed and quality of decision-making in the coming years, in line with our current scale.

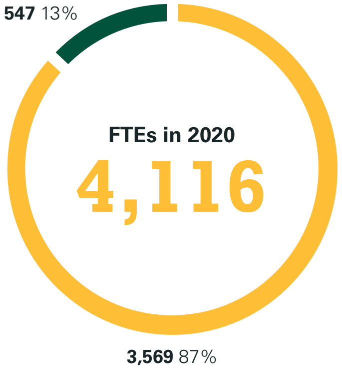
Partly as a result of this, but also due to the major changes in the organisation in recent years, we noticed that there was a more broadly supported need in the organisation to have the organisation's direction, roles, tasks and responsibilities re-established and clearly communicated. We have therefore started to redefine the Target Operating Model (TOM) for all business units, in which the responsibilities of each department, how they are to be fulfilled and how they can be supported by resources and technology, for example, are clearly established. This might seem obvious, but following the carve-out of EMTÉ and the subsequent changes to the central workforce, that renewed clarity was essential.

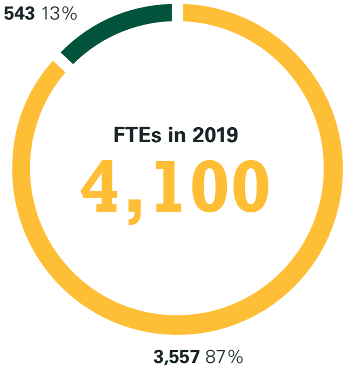
As of early 2021, we will be able to monitor and maintain the emerging configurations from our digital environment in SuccessFactors and we will start developing and rolling out the new workforce management system throughout 2021.

Workforce

Foodservice NL
Foodservice BE







'What makes my profession so interesting is the dynamics. No day is the same, just as every deal is different. I'm obviously trying to earn money for the company, but that isn't the only thing: the customer has to benefit from the partnership too. That requires me to put myself in my customers' shoes, to find out what matters to them. I look for a construction in which we can really make a difference. Only then can we both benefit.'

Jan de Kok
Pricing & Contract Manager
Van Hoeckel

'Always looking for the best deal'

Workforce

Sligro Food Group is a relatively large employer in the Netherlands (4,709 employees), while our workforce in Belgium (575 employees) is also showing steady growth. That did not happen in the atypical year 2020, due to the COVID-19 measures. Our employee population is characterised by a high level of skill, which is utilised with great passion. Digitalisation calls for different expertise and 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 2020, we had an average of around 450 agency workers 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 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 we employ our own drivers and outsource part of the transport. 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. We made the decision in 2020 not to continue with VRC Transport and transferred the activities and employees to two of our existing transport partners.

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 timely 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 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 frameworks or cultural differences.

After the Works Council elections in Belgium, we installed a single Works Council for the whole of Belgium and we now have three regional committees for prevention and protection at work. A new Works Council was installed in the Netherlands. The collaboration between these new Works Councils is taking place constructively as in the past.

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.

'Beer has been a passion of mine since I was young, but it was mostly limited to visiting breweries, reading books about beer and, naturally, drinking beer. When I got the chance to become a beer specialist four years ago, it was like entering paradise...And when I finished my training and became a beer sommelier in 2019, it was a dream come true. It was a shame that tasting sessions and courses had to be put on the back burner last year because of COVID-19, because there's nothing better than sharing your passion with others. I can't wait until I can start taking my customers into the wonderful world of beer again.'

Kees Heijnis
Beer Specialist
Sligro Amsterdam

'It was like entering paradise'

> Dutch Yellowtail, sustainably farmed in Eastern Scheldt water, using 100% green energy. Extremely sustainable and particularly suitable for raw preparations.
>
> **Frank Baiko**
> Buyer & Assortment Manager fish

CSR

Carbon reduction since 2010

22.7%

Share of sustainable product range in sales

10.8%

(-0.8%)

Solar energy

Number of solar panels

45,700

(+9,200)

Output

10.1 mln kWh

(+50%)

Gas-free buildings

348,000 m²

(+9%)

Development of satisfaction

Stakeholderwatch 0-100

Customers	Employees	Suppliers
73	**63**	**63**
unchanged	(+7)	(-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 when it comes to 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 uniformity, 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 their agendas. 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.

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 broad in scope. Our SmitVis and Océan Marée production companies process primary products (mainly fish), while Culivers produces for the Group. Sligro, De Kweker, Van Hoeckel, JAVA 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 2020 in relation to our key focus areas and the associated goals and indicators as at year-end 2020.

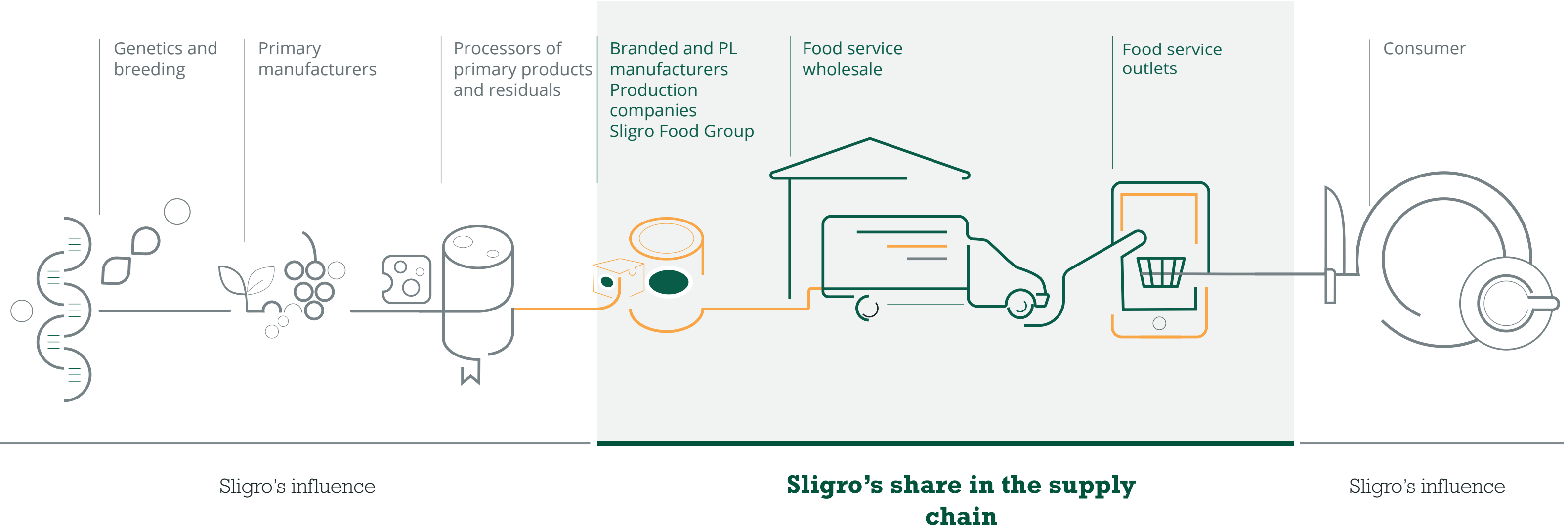
The report has been drawn up to correspond with the Core level in the GRI Sustainability Reporting Standards. The GRI table can be found on our website: sligrofoodgroup.nl/nl/mvo/mvo-publicaties.

Approach and organisational embedding

The Group has had a CSR Steering Committee for many years. This steering committee makes policy decisions and its individual members are responsible for embedding them in their respective fields and for their operational implementation. The CSR Steering Committee develops the Sligro Food Group's key focus areas and goals, it defines the sub-areas and associated remedial actions, and tracks progress.

These have now become part of the normal approach taken in the organisation to such an extent that their translation into projects and monitoring the results have become a standard part of the annual plan. As of 2021, the CEO and the two country directors will discuss, evaluate and adjust the policy framework for CSR every year, should the progress on meeting the targets – as monitored in management meetings – require this.

Our supply chain



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

Talks with stakeholders

We conducted talks in 2020 about our sustainability approach with various stakeholders, including a specific group of employees, major shareholders and other shareholders, customers and our auditor. Initial talks also took place with Deloitte in preparation for the updated EU Directive on Non-Financial Reporting (EU NFRD).

Key focus areas and goals for 2030

Our CSR policy is based on three key 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 these three 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

Sligro prevents misuse of nitrous oxide cartridges

We were the first to introduce a policy to limit the sale of nitrous oxide cartridges ('whipped cream chargers') to less than the statutory minimum in March 2017. This served to inspire other market players and politicians. Since then, we have shared our knowledge and experience with the Dutch Ministry of Health, Welfare and Sport in preparation for the introduction of a bill by Paul Blokhuis, the State Secretary for Health, Welfare and Sport and Ferdinand Grapperhaus, the Minister of Justice and Security, proposing to add nitrous oxide to the list of soft drugs under the Dutch Opium Law, thus banning the recreational use of nitrous oxide. The 'proper use' of nitrous oxide, as used in the hospitality sector, will be exempted from the ban.

Together, the above key 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. The matrix also establishes a link between the SDGs and our activities. The most up-to-date matrix can be seen on 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
2020 status	Unchanged	+7	-4	-22.7% compared to 2010	10.8%
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 Developments 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.**

Certification

Sligro Food Group holds the ISO 22000 certificate for its head office, central distribution centre, delivery service sites and its Belgian activities. The production companies and the delivery service site in Amsterdam hold the FSSC 22000 certificate. JAVA and ISPC in Belgium hold the ISO 14000 certificate (environmental management).

Materiality analysis

The full materiality analysis, which covers ambitions, goals and our management approach, can be found on our website, www.sligrofoodgroup.nl/mvo. This report presents results and developments with respect to our goals for 2030, as at year-end 2020.

Temporary opening of cash-and-carry stores for non-cardholders

Hospitality venues in the Netherlands were closed due to government measures in two periods: from 19 March to 31 May 2020 and from 14 October. During the first lockdown and up to 13 December in the second lockdown, all cash-and-carry stores in the Netherlands were temporarily opened to non-cardholders as part of the CBL's (Dutch Food Retail Association) Emergency Plan for Food Supplies, coordinated with the Dutch Ministry of Economic Affairs and Climate and the VNG (Association of Netherlands Municipalities).

Doing so contributed to the continuity of the food supply, the health and safety of customers and employees and to limiting food waste. The cash-and-carry store is an important player in the food service chain and therefore also in food supplies to the key sectors and vulnerable sectors (care homes, childcare, corporate catering that was still open, the army, police and limited hospitality venues). To do this well, a minimum turnover of products is essential.

Opening these stores immediately helped to calm down the food supply to consumers. It had become strained because almost the entire volume of the food supply had to be channelled through the supermarket supply chain due to the virtual disappearance of the out-of-home market (hospitality venues but also corporate catering). That out-of-home consumption shifted to home consumption.

Together, the cash-and-carry stores of all market parties added some 800,000m^2 of additional sales area to the Netherlands, which is equivalent to 800 supermarkets. Enabling consumers to spread out over considerably more m^2 made it much easier to social distance. The large(r) area and broad(er) aisles helped to prevent COVID-19 from spreading further.

The cash-and-carry stores in Belgium were open to non-cardholders throughout the entire period.

Results (in key focus areas)

People

Satisfaction levels (StakeholderWatch 0-100)

Customers	Employees	Suppliers
73	**63**	**63**
unchanged	(+7)	(-4)

The level of employee, customer and supplier satisfaction is an important indicator for our performance. We have been measuring satisfaction since 2019 by means of StakeholderWatch, a research method in which customers, employees and suppliers are questioned on a daily basis. 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 many other indices and surveys which provide more of a snapshot and less insight into trends.

StakeholderWatch captures stakeholder satisfaction on a scale of 0 to 100.

Employees

We have seen considerable improvement in satisfaction among our employees. We considered the score attained in 2019 (56) to be too low and that led us to invest in various improvement programmes under our People Strategy, including our culture as a listed family business. We first saw a major improvement in Q2 of 2020, which was also sector-wide. It was difficult to differentiate between what could be attributed to COVID-19 effects and what could be attributed to our new initiatives in the sector. StakeholderWatch recorded widespread normalisation in its employee satisfaction results for Q3, which applied similarly to us. However, in Q4, we saw another vast improvement in employee satisfaction at our company, which this time could not be directly related to coronavirus effects. The seven-point improvement gives us confidence that we are on the right track.

Customers

Satisfaction among customers produced a score of 73 – the same as in 2019. If we zoom in further, we can see a slight fall in customer satisfaction among our delivery service customers as a consequence of the hospitality lockdown and the closure of most corporate catering. Our cash-and-carry stores, on the other hand, gained in satisfaction and appeal, partly because of the quality of the product range and our knowledgeable employees.

Suppliers

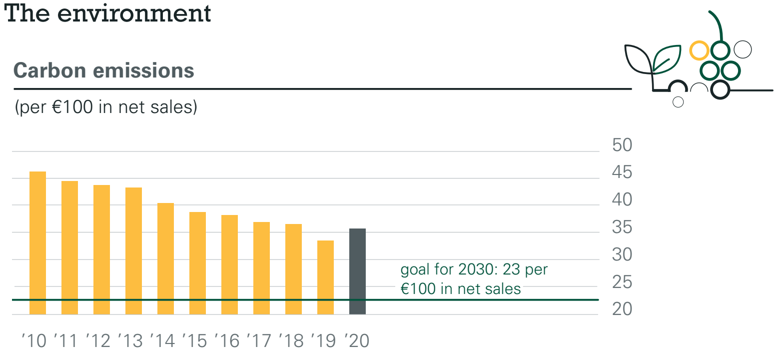
The picture among suppliers was erratic in 2020. After a score of 67 at year-end 2019, their satisfaction initially improved to 70 at the end of Q1. The score slackened off in Q2 before recovering again in Q3. On balance, satisfaction among suppliers was lower in Q4 (63) than in the previous year. Here too, the impact of the hospitality lockdown and the partial closure of corporate catering can be seen. As a result, commercial forecasts with respect to specific suppliers had to be revised downwards during the year.

'We've just finished the busiest period of the year. Despite the turbulent time we've had due to COVID-19, it's been an absolute top year, maybe the best ever. We've treated a total of 550,000 end users to a Christmas or New Year's gift! And we've done so with a relatively small team of thirteen colleagues. The way we've all mobilised our passion has led to countless satisfied customers. Obviously the new year is already in full swing, but when I look back at 2020, I am filled with pride about what the team has achieved.'

Michelle Hendriks
Marketing Manager
Tintelingen

'Filled with pride about what the team has achieved'

The environment



Carbon emissions

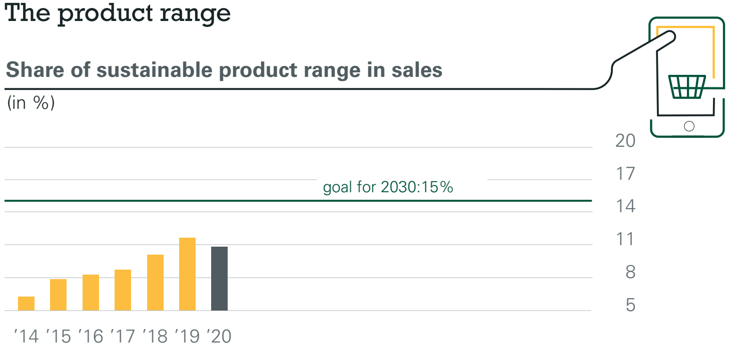
(per €100 in net sales)

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 long-term trend, we present our carbon emissions in relation to our net sales.

For the first time since 2010, we broke the trend of continuous improvement in 2020. Although our consumption of electricity, gas and fuel for transport fell in absolute terms, an 18.7% decrease in net sales resulted in an increase in our carbon emissions. This led to a 22.7% decline in improvement (lower than in 2010).

Our electricity consumption fell by 6%, partly as a result of increasing the number of solar panels to 45,700. This generated 10.1 million kWh of green energy in 2020, an increase of over 50% compared to 2019. Our gas consumption fell by 11%. The new delivery service sites in Maastricht and Breda are 'gas-free' and have been awarded a BREEAM sustainability certificate. We currently heat 348,000m^2 of our area using heat recovery from the cooling system and heat pump, 9% more than in 2019. The number of transport kilometres fell by 24.4%, largely due to the COVID-19 measures.

The product range



Share of sustainable product range in sales

(in %)

We have an immense range of over 75,000 acticles. We have adopted a clear sustainability focus for this entire product range: 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. www.sligro.nl/inspiratie/themas/eerlijk-heerlijk.

The 'eerlijk & heerlijk' range generated 10.8% of Food Service Netherlands' net sales in 2020, a decrease of 0.8% points compared with 2019. Government measures such as working from home and closing hospitality venues had an enormous impact on the share of net sales attributable to the 'eerlijk & heerlijk' range. Sustainable procurement is crucial for corporate caterers and customers who supply public bodies, partly because of the sustainable procurement criteria set by the government. In particular, corporate caterers' procurement volume fell considerably in 2020, which led to a fall in the share of net sales attributable to the 'eerlijk & heerlijk' range. Apart from the fall in net sales, there was also a decline in the absolute number of 'eerlijk & heerlijk' articles sold.
A change was made to the labelling of the fruit and vegetable group from 'Environmental label' to 'Planet-proof'. That process has not yet been completed at our suppliers or in the data systems. The meat products article group includes many items that carry the 'Beter Leven' (Better Life) label. Due to a quality issue, one brand in this group was withdrawn in 2020 and that also led to a fall in net sales of a number of 'eerlijk & heerlijk' articles.

‘The acquisition has given me a power boost’

'We've recently really become a little cog in the vast Sligro Food Group machine. The acquisition was pretty tricky, but an interesting and fun process nonetheless. And it was good for me personally too: I was a merchandiser at De Kweker and now I'm Food Manager. I still have contact with customers, but I'm now head of a team: a completely new challenge! In fact, being part of something this special and huge – because the acquisition was exactly that – has given me a real power boost.'

Stefan van der Veen
Food Manager at De Kweker

x € million

Net sales
1,946

EBITDA
75

EBIT
(76)

Net profit (loss)
(70)

Shareholders' equity
432

Free cash flow
67

Net investments
13

Dividend per share (x € 1)
-

Financial results

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. Sligro Food Group is a group of companies with a high level of (back-office) integration.

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.

An annual budget is put together, based on a strategic multi-year plan. On a quarterly basis, we review progress and make a projection 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 projection is that we will not reach 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.

To keep improving the service we provide to our customers, we permanently invest in improvements to our online environment, data quality, logistics and site networks, and our formulas. 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 operating 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. Even in times of COVID-19, we expect to be able to persevere with this vision. While we think the chance of us having to turn to the capital market for funds to absorb the impact of COVID-19 is slim, we cannot rule it out completely at this point, given the persistent uncertainty.

Development of net sales

In 2020, we generated €1,946 million in net sales, down 18.7% on last year. In the first half of 2020, the acquisition of De Kweker added a further €42 million to our net sales. Without the net sales from this acquisition, our net sales would have shown an organic decrease of 20.5%. In the Netherlands, net sales showed an organic decrease of 19.9%. In Belgium, net sales showed a 26.0% organic decrease. The drop in net sales is the direct result of government measures taken in response to the COVID-19 pandemic, which also led to the composition of our net sales changing substantially compared to previous years.

Firstly, the net sales mix changed in terms of the ratio of cash-and-carry sales to delivery service sales. Net sales from the delivery service in particular were hit hard, while the cash-and-carry business held strong. The delivery/cash-and-carry ratio for 2020 ultimately came in at 57/43 (2019: 68/32).

Secondly, net sales in the petrol segment were only affected slightly. In this segment, the largest share of our net sales comes from tobacco products. Driven by both price and volume effects, net tobacco product sales were up €17 million to €260 million, representing 13% of our total net sales (2019: 11%).

Thirdly, revenue from bars, nightlife venues, and events fell sharply, which also led to net sales from services to our partner Heineken falling by approximately €13 million to €11 million (2019: €24 million).

Fourthly, and finally, we saw major differences in the other segments. In relative terms, the institutional sector, which comprises healthcare providers, hospitals, and public-sector organisations, was hit less hard, while corporate catering, the events industry, and the hotel industry were hit harder.

Development in net sales for each main customer segment compared to last year

Segment	Share of net sales based on 2019	Growth in 2020 compared to 2019
Hospitality	40%	(35%)
SME	20%	15%
Catering	20%	(40%)
Petrol	10%	0%
Institutional	10%	(15%)

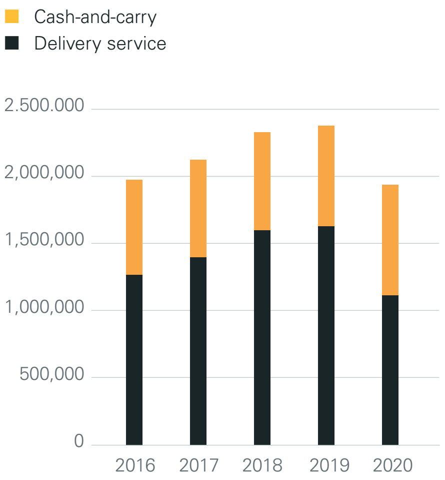
These changes in the composition of our net sales have an effect on the (relative) gross margin and costs, regardless of non-recurring items in these areas.

Results

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

			As % of net sales	
x € million	**2020**	**2019**	**2020**	**2019**
Net sales	1,946	2,395	100,0	100,0
Cost of net sales	(1,478)	(1,811)	(76.0)	(75.6)
Gross margin	**468**	**584**	**24.0**	**24.4**
Other operating income	4	13	0.2	0.5
Total operating costs excluding depreciation, amortisation and impairments	(397)	(470)	(20.3)	(19.6)
Gross operating result (EBITDA)	**75**	**127**	**3.9**	**5.3**
Depreciation and impairment of tangible fixed assets and right-of-use assets	(68)	(61)	(3.5)	(2.5)
Operating result before amortisation (EBITA)	**7**	**66**	**0.4**	**2.8**
Amortisation and impairment of tangible fixed assets	(83)	(22)	(4.3)	(1.0)
Operating profit (EBIT)	**(76)**	**44**	**(3.9)**	**1.8**
Financial income and expenses	(2)	(2)	(0.1)	(0.0)
Pre-tax profit (loss)	**(78)**	**42**	**(4.0)**	**1.8**
Income taxes	8	(8)	0.4	(0.4)
Profit (loss) from continuing operations	**(70)**	**34**	**(3.6)**	**1.4**

Food service sales spread



Gross margin

As a percentage of net sales, the gross margin was down 0.4% to 24.0%.

The development of the gross profit margin was severely affected by shifts in the operational mix in 2020.
Especially the increase in net tobacco product sales, with a very low gross profit margin as a percentage of net sales, and the decrease in net sales from services to Heineken, which has a 100% gross profit margin, have led to the gross profit margin of net sales falling by approximately 1.3%. In addition, our inability to efficiently downscale and upscale our inventory during the lockdowns led to a greater gap of approximately €3 million compared to last year. As a percentage of net sales, this cost us approximately 0.2% compared to last year.
These oppressive effects were largely compensated by positive mix effects and improvements in procurement conditions. There were great differences in the development of customer segments and the shift in the cash-and-carry/delivery ratio also had a significant positive impact.

Costs, depreciation and amortisation

On balance, costs, including depreciation and amortisation, were down €5 million on last year. As a percentage of net sales, that means an increase of 5.0% to 28.1%. If we omit the non-recurring, non-cash impairments, costs decreased by €66 million. As a percentage of net sales, that is an increase of 2.0% to 25.0%.

Employee expenses were €45 million lower than in the previous year. In response to the fall in net sales, we have reduced our flexible supply of temporary staff to a minimum in the Netherlands and Belgium and only filled vacancies to a limited degree. Besides that, we took advantage of the wage subsidy schemes NOW 1.0 and NOW 3.1 made available in the Netherlands, which together provided us with assistance worth €22 million. In Belgium, we took advantage of the wage subsidy scheme there, TWO, which gave us approximately €4 million. A restructuring provision of approximately €2 million was made in Belgium in relation to the forthcoming closure of Océan Marée.

Logistics costs decreased by €26 million compared to the previous year. Transport costs increased as a percentage of the delivery service net sales, due to decreased transport efficiency as net sales in the delivery channel declined. Not only did the number of customers placing orders fall, customers who did still order from us ordered less. In weeks that the fleet was largely inactive, we paid our transport partners compensation. An item amounting to €2 million has been included for this under logistics costs.

Sales costs declined by €3 million compared to the previous year. The cost of doubtful debts increased by over €1 million. Where possible, we facilitated our customers by offering payment agreements in the form of deferring or spreading costs. That trust we placed in them has certainly not been betrayed given that almost all these customers paid their outstanding balances in line with agreements as soon as they could. By making targeted decisions with regard to our marketing expenditure, we were able to make considerable savings compared to last year.

Impairments rose by €61 million compared to 2019. This included decommissioning assets and software in addition to the one-off impairment in Belgium in mid-2020.

Depreciation and amortisation also increased by €7 million compared to a year earlier. Of that, €3 million related to the increase in lease-related amortisation as a consequence of the sale and leaseback transactions arranged for our new delivery service sites in recent months. Furthermore, investments in machinery and equipment specifically for delivery services, as well as the start of the amortisation of our new SAP Hybris web environment from mid-2020 yielded an increase of €4 million.

Other operating income

Other operating income decreased by €9 million compared to the previous year. Last year, we received another €5 million in fees for services to the consortium that bought EMTÉ from us. Our rental income fell by €1 million, while book profit from sales transactions for vacant property and unused assets was €1 million lower than in the previous year.

EBIT

The operating profit fell by €120 million, resulting in a loss of €76 million. Over half of that drop came as a result of the increase in non-recurring, non-cash impairments totalling €61 million.

Needless to say, this is not a result that we can be satisfied with. In a business model with high-value fixed infrastructure and high operating leverage, a stalling revenue generator puts huge pressure on profits. In a year where we, as a group, saw our net sales fall by just under €0.5 billion due to COVID-19, it did not come as surprise that our result developed in this direction.

That said, we are proud of our colleagues in the Netherlands and Belgium for finding it within themselves to change tack and look for ways to cut costs and reduce spending. Our company's culture of hard work, entrepreneurship, and hands-on management was instrumental in our managing to somewhat limit the damage. While this does not show in our profit, it does show in our cash flows.

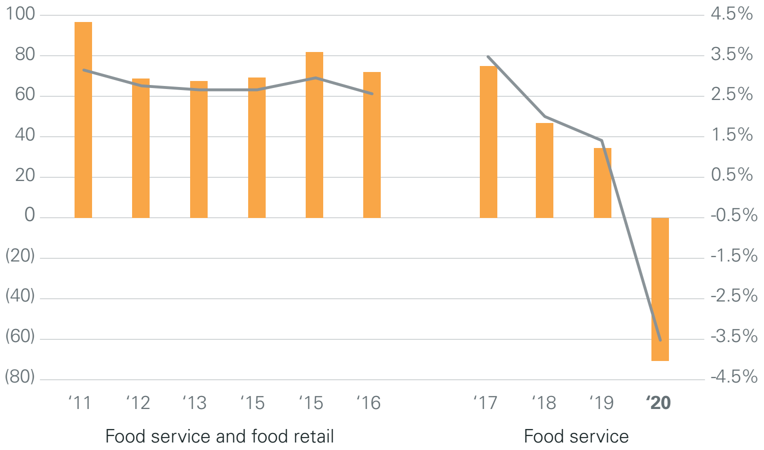
Financial income and expenses

Coming in at €2 million, financial income and expenses remained unchanged compared to last year. Interest and finance costs were up €2 million, of which €1 million due to costs relating to securing a deal for the temporary broadening of our financing covenants and acquiring additional liquidity, as well as higher interest surcharges in times of a higher leverage ratio. €1 million related to the increase in lease-related interest as a consequence of the sale and leaseback transactions arranged for our new delivery service sites in recent months. These increases in interest expenses and costs were offset by better results from participations.

Taxation

The reported effective tax rate is difficult to compare to last year's rate, but the underlying rate does not differ greatly. In the Netherlands, a tax asset of €1 million from 2019 has been recognised. Aside from that, the government decided to reverse the previously announced gradual lowering of the corporation tax rate. Following this decision, we remeasured our deferral, which leads to a one-off expense of €3 million in 2020. In Belgium, the main part of the impairments recognised is not included in the taxable result.

Food service and food retail 2011-2016
Food service 2017-2020



Net profit

As a result of the above, net profit from 'continuing operations' fell by €104 million compared to last year, leading to a loss of €70 million for 2020. Earnings per share are calculated on the average number of shares in issue (externally) and amount to a loss of €1.59, compared to a profit of €0.78 in 2019.

Investments

We invested a gross amount of €65 million in both intangible and tangible fixed assets in 2020. Of this figure, a considerable part (€28 million) was invested in our delivery network, which we prepared for the integration of the former Heineken wholesale sites. On top of that, we have kept up our investments in our new online platform, which went live shortly after the summer, and in our new ERP landscape that we are set to start using next year (€23 million). Totalling €3 million, investments in the hardware and software for our old ERP landscape were still considerable, but already lower than in previous years. Where possible, we postponed investments in our cash-and-carry sites and scaled maintenance back to the bare minimum.

In our original business case ahead of the Heineken integration, we assumed there would be sale and leaseback constructions for all major new delivery sites. It turned out to be good timing given developments around COVID-19 that the construction phase was largely completed in the first quarter of 2020, as it enabled us to effectuate the sale and leaseback transactions in the first half of the year. We were also able to sell most of the unused properties in the first half of the year. All in all, we sold properties with a book value of €52 million, which brought in €62 million in cash.

x € million	2020	2019
Intangible fixed assets	26	22
Tangible fixed assets	39	107
Divestments	(52)	(44)
Net investments	**13**	**85**
Depreciation of tangible fixed assets	(48)	(43)
Impairments	(1)	(1)
Amortisation of software	(9)	(10)
Depreciation and amortisation	**(58)**	**(54)**
Net change in fixed assets	**(45)**	**31**

In 2021, we will forge ahead with our investments in the new ERP landscape right up to the go-live in Belgium, while remaining selective with respect to other projects in light of developments around COVID-19. While the upgrade of part of our central logistics complex, construction of our new cash-and-carry site at the wholesale market in Amsterdam, and perhaps construction of a new delivery service site in Belgium are all due to start, the expectation is that these projects will not start until mid-2021. If everything goes as we expect now, this will involve a gross investment of approximately €50 million in 2021.

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. In December 2020, we repaid, as planned, the 75 million USD loan issued in 2010 and made a €10 million repayment on a loan from Rabobank, of which there is currently still €40 million outstanding.

Falling demand in our markets had a great impact on our net sales and profits, but by intervening in costs, investments, and not paying dividend we were able to manage cash flows in such a way that the net debt position reduced. While the debt itself was not so much a problem in 2020, the ratios on which our financing agreements are based did come under pressure. Additional deals were struck with Rabobank and our USPP financier to relax the ratio of net interest-bearing debt to EBITDA as at 31 December 2020 and as at 30 June 2021 (5.5 and 4.5 respectively), which will give us the kind of leeway that, knowing what we know today, will help us make it through 2021.

When it comes to liquidity, Rabobank first raised the uncommitted credit line from €40 million to €100 million in 2020, subsequently converting this credit line into a committed credit line that will be available through to 31 December 2021. Knowing what we know today, this credit line will be more than enough to meet the group's liquidity needs.

In 2021, we will look into which financing structure would be right for us for the coming years and take the first steps in implementing that structure. The constructive attitude shown by our financiers and the way in which they have supported us in this unprecedented year fill us with confidence that we will always find suitable solutions, also in the still uncertain phase ahead of us.

Operating capital and cash flow

From the moment we became aware of the impact of COVID-19 on our net sales and results, we shifted the organisation's emphasis to cash flow. Cost savings, lowering operation capital and postponing investments were our most important managerial instruments. In addition, we took advantage of the support made available by the governments of the Netherlands and Belgium, such as the NOW and TWO wage subsidy schemes and deferral of taxation payments.

Both cost savings and government relief funds to cover wages have helped us keep our EBITDA (also when adjusted for leases) in the black. This means that there is no operating capital flowing out of the company in cash, which enabled and will enable us to bridge prolonged periods of uncertainty.

Our operating capital position showed great fluctuations during the year. Our customers' payment behaviour changed in step with the imposition and lifting of COVID-19-related restrictions, forcing us to downscale and upscale our inventory and procurement at the start and end of each lockdown phase. As the year progressed, however, we were increasingly able to draw on the experience gained along the way, and towards the end of the year we became better at anticipating changing behaviour. In light of the considerably lower sales volumes, we also wound down our procurement volumes. As a result, our accounts payable balance was down €133 million, while inventory in our supply chain dropped by €42 million. The drop in net sales in the delivery segment led to our accounts receivable balance falling by €117 million. Overall, our operating capital position was down €18 million. Measured in days of net sales, this represents one day.

The drop in operating capital was partly due to a tax payment deferral. As at year-end, an amount of €13 million was deferred, which will be paid after 1 July 2021.

We managed to reduce net investments by making keen choices in our investment programme, selling our new delivery service sites and leasing them back, as planned in our business case for the Heineken integration, and selling unused property.

We have generated a free cash flow of €67 million on balance, which has enabled us to lower our net interest-bearing debt (not including leases). At year-end, therefore, we were able to remain below the level of the basic covenants agreed with our financiers, making the broader-based covenants we had agreed with them unnecessary for now. Our objective of, above all, protecting our financial position has therefore been met. This position will enable us to face up to the challenging start to 2021 and there is scope to cope with setbacks should that be necessary.

As stated earlier, our financial position comes first in these uncertain times and the results for 2020 do not give grounds for the payment of dividend for the year 2020.

Development of operating capital

x € million	2020	2019	2018	2017	2016
Current assets, excluding cash and cash equivalents	332	498	502	405	453
Current liabilities, excluding interest-bearing items	(327)	(475)	(448)	(338)	(381)
	5	**23**	**54**	**67**	**72**
As days of net sales	1	4	8	11	9

Abridged statement of cash flows

x € million	2020	2019	2018	2017	2016
Net cash flow from operating activities[1]	101	132	119	172	153
Lease liabilities paid	(23)	(18)			
Net cash flow from investing activities, excluding the net effect of acquisitions	(11)	(76)	(17)	(74)	(81)
Free cash flow	**67**	**38**	**102**	**98**	**72**
Compare: net profit (loss) from continuing operations	(70)	34	46	76	73
Cash conversion as %		103	61	129	97
Free cash flow has been used as follows:					
Net acquisitions	1	(51)	0	(116)	(49)
Dividend payment and share repurchase[2]	1	(63)	(59)	(57)	(54)
Balance of change in debt and liquidity	(69)	76	(43)	75	31
	(67)	**(38)**	**(102)**	**(98)**	**(72)**

---

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

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

'I knew I wanted to be a chef from a young age. The best thing about cooking is the emotion: when your guests say ‘wow’, but also sharing personal stories, through products or dishes, for example. Together with the professionals in our fresh departments, I can advise customers on how they can get the ‘wow’ too. The butcher who recommends a good piece of meat or the fish specialist who knows exactly where his mussels come from: that's a totally different experience to just looking things up on Google.'

Dario Stanojevic
Culinary adviser
Sligro Cash-and-Carry
in Gouda

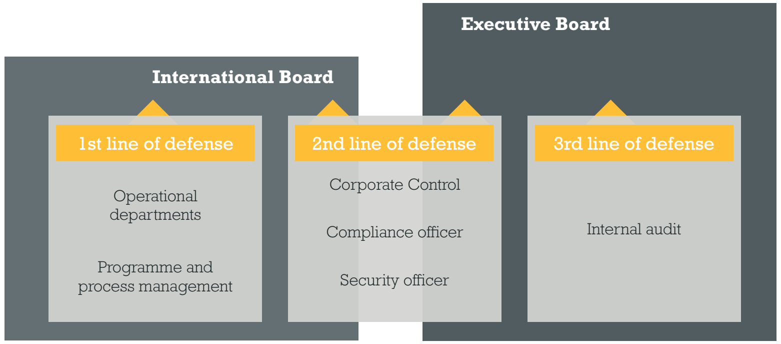
‘The best thing about cooking is when your guests say ‘wow’

Risk management

Risk management responsibility

Identifying and responding to potential events and risks that may affect the Group's strategy or continuity 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 Compliance and Security Officers, and the internal audit function. The Executive Board meets with the Supervisory Board to identify and assess opportunities and threats in the market in which we operate, and how they impact on our business model.



Corporate Control facilitates risk awareness and operationalisation of associated control measures within our organisation, which they also monitor. The Compliance Officer is the person in charge of overseeing compliance with laws and regulations across Sligro Food Group. He ensures that the company's operations and the conduct of its employees is in line with requirements set by the legislator, as well as that new laws and regulations are implemented on time and in full. The Security Officer supports the Executive Board in defining and monitoring the (information) security policy. The Corporate Control department and Compliance and Security Officers work closely together in supporting departments such as Legal, IT, Finance, and Programme and Process Management.
The internal audit function is an independent and objective function that supports the Executive Board and the Supervisory Board in assessing the organisation and effectiveness of internal risk management and control systems, including also management and financial information and controls in the area of compliance with laws and regulations.

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 2020, the Corporate Control department made further steps in supporting the Executive Board in its risk management efforts by further expanding and rolling out an Internal Control Framework (ICF) and sharing information with the Executive Board on the status of and planned improvements to the various business processes. The ICF maps out the risks and associated control measures required for each business process, and it was applied to the Group's main primary processes throughout 2020. Aside from that, application of the ICF was also a key focus point in the transition to the new IT landscape. The Corporate Control department provides support in this area.

‘Keyword for 2020? Teamwork’

'My keyword for 2020? Teamwork. Last year was obviously a difficult year for us, due to the coronavirus, but the fact that we are still working with four different ERP systems made it even more complex. It was therefore quite complicated to deliver a comprehensive KPI report. Nonetheless, our ‘customised’ report contains all the required KPIs and, what's more, we can already see various opportunities for working more efficiently in 2021. The information from the KPIs moreover boosts our inter-departmental communication, which eases our cross-departmental work. We're making progress as a team!'

Vanja Thoelen
Manager Business Control
at Sligro Food Group Belgium

Over the coming year, the scope of the ICF will be extended to include more processes, while the focus will primarily be on risks and controls relating to the transition to the new IT landscape. 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.

All existing controls in the Internal Control Framework were assessed in 2020 and action plans were put together by responsible members of the Executive Board and their teams for controls that did not yet exist (or only partly existed) or did not work properly. The majority of these actions was handled in 2020. Some actions will be handled as part of the implementation of the new IT landscape, and a small number remain outstanding. The main focus points are the updating and communication of the policy, authorisation management and controls relating to master data editing.

‘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 2020, further steps were taken in reporting the findings from these analyses to the Executive Board. 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.

In early 2020, the Internal Audit position was vacated. In light of the COVID-19 situation, a decision was made not to fill a number of vacancies right away. One of these vacancies was the Internal Audit position.
In the final quarter of 2020, the recruitment process for this position was resumed. While findings from earlier operational audit reports were followed up on throughout 2020, with the help of the Corporate Control department, no new audits were conducted.

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 2020, we completed the integration of the distribution activities and administrative processes that we handle for Heineken. Aside from that, the systems and processes of De Kweker operations that we acquired have meanwhile been taken over by our central departments, giving us a better grip on these activities and making them easier to monitor.

Our main risks

In the summer of 2020, we reviewed the main risks with a potential impact on the achievement of our strategic goals and evaluated the extent to which we, as an organisation, were sufficiently prepared for a pandemic of the likes of COVID-19.

A pandemic as such does not feature among our main known risks. However, the way in which we control known risks clearly helped us in mounting a response to the COVID-19 pandemic. The unique Sligro culture was also instrumental in this response. Our organisation's flexibility, which enabled us to cut costs quickly, and the entrepreneurial spirit and sense of partnership that drive us to uphold standards of decency in doing business with customers and suppliers, also under these circumstances, are key factors that served us well over the past year.

This flexibility is reflected in our flexible contracts with suppliers and temporary employment agencies, in our interactions with customers, in our centralised decision-making, which empowers us to act fast, in the versatility of our employees, who are able to work both at our cash-and-carry stores and in our delivery services, and in our role in the supply chain. We do, however, see the importance of taking a broader view of the risk of business continuity interruption, and consequently of our preventive measures in this respect.
This has not changed the ten key known risks that underlie our risk management efforts. Our risk appetite with respect to these risks, as well as their probability, their impact, and the extent to which we as a Group can control these risks, has been adjusted here and there, partly on the back of market developments and internal changes.

As regards these key risks, no major incidents other than the COVID-19 pandemic occurred in 2020.

We are in charge of setting up control measures and performing internal audits to reduce known risks (which includes the ten risks specified here) to a level that we consider acceptable. The ten most important risks are detailed below, including specification of how we control them.

Sligro Food Group risk areas

● Low ●●●●● High

		Likelihood	Influence	Risk acceptance	Impact
Strategic	**Loss of the Sligro Food Group culture**	●●●●●	●●●●●	●●	●●●●
	New business models and diversification	●●●●●	●●●	●●	●●●●
	Competition accelerating international consolidation in food service	●●●	●●●	●●●	●●●●
	Transformation programmes	●●●●●	●●●●●	●●	●●●●●
Operational	**Labour shortage and sustainable employability**	●●●●	●●●	●●●	●●●
	Information and data security	●●●	●●●	●●●	●●●●
	Interruption of business continuity	●●●●●	●●●●●	●	●●●●●
Financial / Compliance	**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, which consistently revolves around our customers and our passion for delicious, good-quality and responsibly sourced food. In an informal organisation like ours, which is defined by its enterprising mindset, being able to rely on employees' integrity is a valuable asset. In the face of unforeseeable developments such as the COVID-19 pandemic, it is crucial for us to be able to rely on the clout of an enterprising team and a flexible organisation.	Besides being the driving force behind our company, our culture is also an important control measure in our risk management efforts. In a growing and increasingly international organisation, preserving this culture is something we focus on heavily. The People Strategy launched in 2020 offers a solid basis to help us further embed that culture now and going forward.	Our growing, international organisation and the associated organisational change call for new skills and changes to responsibilities. We are working on 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. Over the past year, we saw more and more companies going up for sale, increasing the likelihood of international consolidation in the food service domain.	We are preparing for further international growth by further shaping policy frameworks, control mechanisms, and implementing our new IT landscape. On the other hand, we are continuously tracking developments in the market and always alert to possible acquisition opportunities.	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. We, too, are addressing several major changes at the same time, including the replacement of our IT landscape, the integration of Heineken and De Kweker operations, the go-live of the new online environment, and the organisational preparations for international expansion.	Our programme and process management team supports process owners and process managers in transformation and change projects. The replacement of our complete IT landscape in particular is a complex and large-scale transformation that requires a lot of attention. In 2020, we took further steps in changing our organisation and processes, including merging several teams into one Data & Analysis department, building and testing IT systems and associated processes, and training the first employees.	Adding new staff with new competencies and having a large group of current employees take project and process management training increases our ability to ensure the transformation programmes progress in a controlled manner.

Operational risks

Risk	Control measures	Possibilities
Labour shortage and sustainable employability The average age of our workforce is growing. 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 a lot of our attention. The impact of COVID-19 saw net sales from our delivery service drop and demand for staff in the distribution and transport industry fall temporarily. In the area of data and analytics, we are experiencing increasing shortages in the labour market.	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 centres, standardisation of IT systems and processes, and other forms of transport are all things we are currently specifically looking into. On the other hand, we are better catering our HR policy to specific target groups for better alignment with specific needs in different segments of the labour market.	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 retail distribution of our streams.
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. In 2020, we focused specifically on the access and authorisation policy for our new IT landscape.	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.

Risk	Control measures	Possibilities
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 2020, we also made a start on working out preventive and reactive plans with respect to power supply continuity.	In the event of unexpected developments such as the COVID-19 pandemic, preventive plans and measures in the area of business continuity also enable flexibility and rapid adaptation to a changing situation.

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 to get a good idea of the risks and opportunities involved at an early stage. This pre-acquisition process always includes due diligence. If due diligence requirements cannot be met during this phase, we do not proceed with the acquisition. 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 integration of De Kweker and the Heineken operations was completed successfully in 2020.	Every acquisition involves, besides risk, also opportunities to gain knowledge and take over processes, systems and customers.
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. The measures around the COVID-19 pandemic are a clear example of that. Environmental measures, opportunistic spending cuts, or industry regulators also all potentially have a major impact on our business.	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 and regulations 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.	

Risk	Control measures	Possibilities
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 and set the same high requirements for the quality delivered by our suppliers and their quality assurance mechanisms, 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 29 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 major 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.

‘I could talk for hours about Sligro Food Group: I’m so proud of this company. In fact, Sligro is a permanent feature in my life. I’ve been working here for almost 28 years, but it really feels timeless. What the work means to me: hard work with fantastic colleagues, each and every one of them passionate about the business and prepared to invest in long-term and new business relationships. I’m especially proud that I can continue working on sales for this company. Food Service Netherlands can count on us, now and in the future.’

Mark van Dinther
National Account Manager
Veghel

‘Food Service Netherlands can count on us’

Outlook

The consequences of COVID-19 will also dominate a major part of 2021. The lockdown in the Netherlands and Belgium will continue at the start of the year and its impact on our sales markets will be similar to that in 2020. That said, now that vaccinations have started in increasing numbers of countries it looks as if we are embarking on a route to recovery and if successful, the uncertainty and restrictions in our sales markets should decrease. We do not expect true recovery to begin until the second quarter, after which the upturn should continue in the second half of the year.

1 order 1 delivery 1 invoice

benefits for combined Heineken and Sligro customers

Although we expect the direct impact of COVID-19 to be followed by the effects of a recession, we believe that consumers will quickly find their way back to hospitality establishments, amusement parks and theatres as soon as they are permitted to do so after over a year of restrictions. We saw that happen in 2020 when the restrictions were eased somewhat. We do not believe that our sales markets have been fundamentally harmed; they should be able to recover to pre-COVID-19 levels.

However, we do expect differences in the extent of the recovery across the different customer segments. After all, as people get used to working from home, they may decide to permanently reduce the number of days they work at the office, which would also mean fewer lunches at the company canteen. When the events industry will be able to restart depends greatly on the impact of the vaccination strategy and how society responds to it.

We expect cost-induced inflation to be limited in 2021. In many industries, wage development and demands were moderated with a view to contributing to the recovery, and neither do we foresee any major rate increases in the transport and energy domains.

The Group's focus in 2021 will be on our five important long-term strategic themes, concentrating on our customers and our returns from delivery services, cash-and-carry and our logistics supply chain. Additional steps will be to develop and roll out our People Strategy and we expect our new ERP landscape to go live and be rolled out further in Belgium.

Apart from that, we expect to increasingly be able to reap the benefits in 2021 of processes completed in 2020. Increasing our share of net sales to combined Heineken and Sligro customers based on the principle of one order, one delivery, and one invoice, the cost benefits from the physical integration of the Heineken operations, the continued development and customer acquisition from our new online environment and the benefits from the integration of De Kweker. All this is reliant on the gradual revival of volumes in 2021.

The recovery of net sales is pivotal for growth in results in 2021 and given the uncertainty about the exact timing of the recovery, we will refrain from making concrete predictions about the result. We expect to go from a lockdown situation at the start of the year to pre-COVID-19 net sales levels by the end of the year, but we are uncertain as to what exactly this curve will look like during the year.

The medium-term target of growing EBITDA as a percentage of net sales to 7.5% is one we still consider to be feasible.

Netherlands

Sligro / De Kweker

Cash-and-carry sites

51

Sligro / Van Hoeckel

Delivery service sites

9

Distribution hubs for Heineken

3

Culivers / SmitVis

Production sites

2

Specialists

Bouter

Institutional kitchen specialist

Tintelingen

Online gift concepts and Christmas gifts

ZiN

Inspiration lab

Locations in the Netherlands

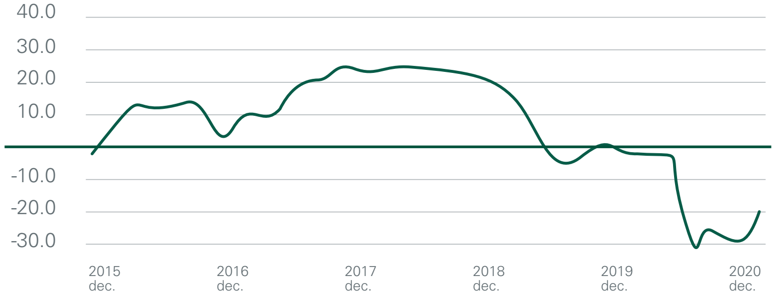
Market and market size in the Netherlands

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 2020, FSIN estimates that the food service market in terms of consumer spending shrank by 38.8% on the previous year, measured based on a calendar year. This puts market size in terms of consumer spending at approximately €12.1 billion. FSIN estimates the derived market in terms of wholesale value to be worth €4.6 billion, which would mean a 33.0% drop on the previous year, based on the revised market definition.

Consumer confidence

Source: CBS



As of 2019, FSIN goes by a different definition of the market. The revision of the definition has also been applied to comparison years, which gives us a representative picture of development through the years. Total net sales from food and drink sold by wholesalers to their business customers in the Netherlands, i.e. not including net sales to SMEs/private individuals, is estimated without including the following components:

- VAT
- Tobacco products
- Non-food
- Own production companies

One caveat that FSIN adds with this year's figures is that there is still some level of uncertainty in the measurements. The volatility in how net sales developed over the year prompted repeated adjustments to the estimates. Even though most of the figures were updated in late December, the final figures that will appear in the FSIN Beleidsmonitor publication for 2021/2022 may still be adjusted slightly.

Market size in wholesale value in the Netherlands

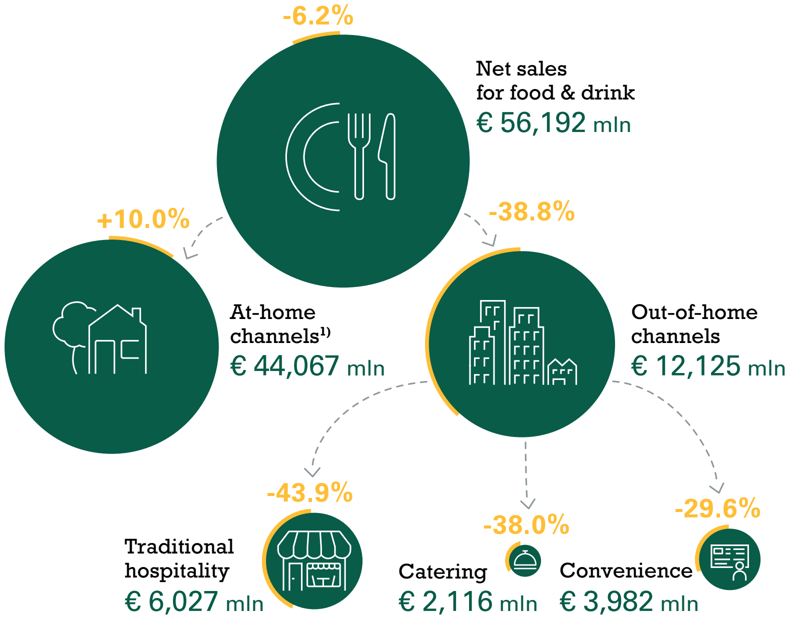
€ 4.6 billion

Netherlands

17.4 million residents

Net sales in the Netherlands[2)]

🟧 % growth 2019-2020



1) Excluding non-food and supplies to hospitality

2) Consumer spending incl. VAT

Source: FoodService Instituut Nederland

Seeing as Sligro also operates in the petrol segment, a considerable share of our sales comes from tobacco products. In this COVID-19 year, net tobacco product sales were even up on the previous year. Also, the temporary opening of our cash-and-carry stores to private individuals drove up net sales for Sligro Food Group more than these measurements show. As a result, and especially compared to some of our competitors, the drop in our net sales was less sharp. In total, the FSIN market definition excluded over 30% of our net sales in 2020.

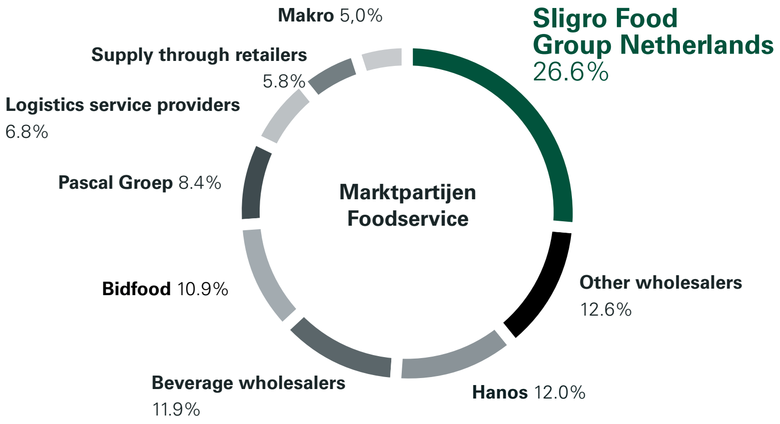
Compared to our competitors, Sligro Food Group reaped the benefits of having both cash-and-carry and delivery operations, while also benefiting from the spread of our net sales over nearly all customer segments in the market and the strength of our formula.

Market share in the Netherlands

Food service market parties[1)]

in %	2020	2019	2018
Sligro	26.6	24.2	24.3
Hanos	12.0	11.0	10.6
Bidfood	10.9	11.0	11.3
Pascal Groep	8.4	8.1	8.0
Makro	5.0	5.3	5.4
Beverage wholesalers	11.9	16.1	16.7
Other wholesalers	12.6	11.1	11.3
Wholesalers sub-total	**87.4**	**86.8**	**87.6**
Logistics service providers	6.8	6.1	6.0
Supply through retailers	5.8	7.1	6.4
	100.0	**100.0**	**100.0**

[1)] Source: FSIN



Developments

Sligro Food Group Netherlands 2020

In 2020, the market shrank like never before as a result of measures taken by the government in response to the COVID-19 outbreak. In relative terms, the hospitality and corporate catering segments were hit the hardest, while other market segments also saw their net sales decline. It was encouraging to see, however, how consumers quickly found their way back to hospitality establishments during the brief period of respite from COVID-19 restrictions between the first and second wave. During the lockdown, we saw hospitality businesses switch to takeaway and delivery, which could add a lasting new dimension to the hospitality market going forward. The consequences for corporate catering may be of a more permanent nature, given that a new normal seems to be developing where working from home several days a week might just become the norm in certain segments.

At Sligro in the Netherlands, we relatively outperformed our competitors and gained market share thanks to our combination of cash-and-carry stores and delivery service, our broad and diverse customer base, and the power of our formula. Even so, the drop in demand obviously also had a major impact on our results. Our business model runs on infrastructure with relatively high overheads and relatively low profits margins, making volume the decisive profit driver. With a drop in demand as sudden and widespread as we saw in 2020, profitability plunges rapidly. On a positive note, however, we saw net sales and results rebound quickly when (part of) the hospitality industry reopened.

In 2020, our focus was primarily on cash flows, as we first targeted a cash-flow neutral operation. By cutting variable costs, postponing investments, and using government relief schemes (NOW 1.0 and 3.1), we managed to retain cash in the company and wind down our net debt position, despite the very low profitability.

Financial results in the Netherlands1)

x € million

1,777	**Net sales**	2019:	2,166
24.0	**Gross margin as % of net sales**	2019:	24.6
78	**Gross operating profit (EBITDA)**	2019:	130
(3)	**Net profit (loss)**	2019:	45
760	**Average net invested capital**	2019:	756
13	**Net investments**	2019:	78
18	**Operating profit before amortisation (EBITA)**	2019:	76
(3)	**Operating profit (EBIT)**	2019:	57
(4)	**Pre-tax profit (loss)**	2019:	56
4.4	**EBITDA as % of net sales**	2019:	6.0
1.0	**EBITA as % of net sales**	2019:	3.5
(0.1)	**EBIT as % of net sales**	2019:	2.6

1) Continuing operations

1 online platform

40,000 Sligro, De Kweker and Heineken customers migrated to new online platform

We also took measures to reduce and flexibilise our cost structure in the slightly longer term, so as to be able to respond to market developments during the uncertain times ahead of us. In 2020, our annual theme was ‘Give me Five’, in reference to the most important and impactful multidisciplinary goals that we had set for the year and captured in five themes:

- 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

The annual theme turned out to be a particularly poignant theme last year, as ‘giving each other high fives’ happened to be exactly what we were no longer allowed to do. As a theme, however, it has brought us a great deal. Despite the acute challenges in the market, work on these subjects continued with full focus.

Excel in customer satisfaction in the delivery segment

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 have integrated into Sligro’s new environment.

The migration of our old digital (ordering) platform to the new SAP Hybris-based environment was completed in 2020. This was a major step forward, as virtually all of Sligro Food Group’s delivery sales are ordered online, meaning that approximately 70% of the Group’s total volume goes through the online channel. The new platform was successfully delivered in the third quarter and nearly all of the over 40,000 delivery customers of Sligro, De Kweker, and Heineken in the Netherlands have now been migrated to this new platform.

This is also the new platform on which we will be rolling out our platform strategy over the coming years for both delivery and cash-and-carry with countless new services for our customers. In 2020, we already launched numerous customer-relevant solutions in the area of convenience (such as Smart Kitchen) and services in collaboration with partners (such as Eneco for green power and mr Butler as an alternative for food delivery from hospitality businesses to consumers). In the years to come, we will keep adding new services to even better support our customers across the full scope of their business.

Collaboration with Heineken went very smoothly again in 2020. Even in a year where we both faced major challenges in the market, we were able to keep liaising and support each other where possible. For our customers, we teamed up to find, quite successfully so far, the right solutions to help them make it through these difficult times.

In the fourth quarter, we took delivery of and started up the technology that lets customers order their beer, cider and other food and drink in one single order on the portal. This means the customer submits one order, we pick one order at one distribution centre, send one lorry to the customer, and ultimately issue one single invoice on behalf of both Heineken and Sligro. This makes life a lot easier for our customers, while giving us an opportunity to also supply products that customers used to buy elsewhere. After three years of building, the infrastructure is now up and running and we are ready to reap the benefits for our customers, for the environment, for Heineken, and for Sligro Food Group. Given the duration of the contractual strategic partnership between Heineken and Sligro Food Group, we still have at least twelve years left to reap these rewards.

Excel in customer satisfaction in the cash-and-carry segment

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 cash-and-carry 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’ programme launched in 2019, we took the following digitalisation step in the cash-and-carry domain by making our online environment more accessible to customers of our cash-and-carry stores.

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 ordering solutions for access to new products and products that are no longer physically on display in the store. Reducing the size of stores means less investment in stores, which benefits our returns. It also means that we have to make different choices when it comes to the product range. Over the past year, we have tackled, rationalised, and updated a major part of our product range. This has not only created an updated and more keenly catered offering for our customers, it also anticipates the physical changes that are to be made at our stores to save space.

We analysed the effectiveness of our sales promotions and tweaked them where necessary. With respect to our traditional leaflets and our in-store campaigns, we looked at design, content, and pricing, and made several improvements. Aside from that, we have taken the next step in our digital campaigns based on data analysis.

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, we started providing the Sligro Express delivery service for ‘smaller and incidental drops’ at half of our sites. Customers have welcomed this new service, and we have seen quarter-on-quarter volume growth in this channel. While deliveries for large customers and customers with standing orders will continue to be handled by our specialist delivery sites, our network of cash-and-carry stores can now also be used for deliveries to smaller customers and more incidental drops.

The putting into use of the first components of our Next-Gen Cash-and-Carry stores programme in combination with the market potential of a cash-and-carry concept in times of COVID-19 has brought fine growth in net sales in the cash-and-carry segment.

In 2019, we acquired De Kweker, intending to have their operations integrated into our business by the end of the first quarter of 2021. In 2020, however, we decided to accelerate this process and had all the operations integrated by the start of the fourth quarter. The main targeted procurement and infrastructure synergies will, therefore, be there for us to seize as soon as we return to pre-COVID-19 volumes. Fully incorporating De Kweker’s head-office and back-office organisation into the existing Sligro Food Group organisation was also part of the integration process.

After initially choosing to retain VRC Transport as the basis for our own new transport company in the Netherlands so as to be less vulnerable to unavailability of our logistics partners, we ultimately decided in 2020 to focus on our core business and, with a view to costs and investments, provisionally transfer the activities of VRC Transport to two of our existing external transport partners. We are also engaging with our logistics partners to find a way to reduce the aforementioned vulnerability in another way.

Increase returns in the delivery segment

A key mainstay in improving returns in our delivery segment is the integration of Heineken activities into the Sligro infrastructure. After announcing our collaboration in December 2017, we said that we would be taking three years to integrate these activities and offer our customers a solution that lets them order Heineken and Sligro products on one single platform, get them delivered in one lorry, and be billed for them on a single invoice. We are proud that we succeeded in 2020, reaching that point within the three-year period.

The physical integration of the Heineken distribution centres into Sligro’s network has been completed in full. This year, another six Heineken sites were dismantled and the customers from these sites were transferred to Sligro’s infrastructure. To make this happen, we invested in the Sligro network, expanded several of our sites, and replaced several other sites with four completely new delivery service sites. Over the past few years, 50% of our delivery customers were transferred to another delivery site without any notable issues. Sligro’s delivery network now has the kind of coverage across the Netherlands that optimises transport distances to both Sligro and Heineken customers, which will produce great savings on transport over the coming years. Seeing as delivery volumes fell sharply, the financial impact of transport optimisation did not materialise in 2020,

but we are convinced that it will deliver the projected relative cost savings as soon as markets recover.
The integration of Heineken, De Kweker, and supplies to our Belgian sites from the central distribution centre in the Netherlands create an opportunity to further optimise the supply chain and reduce stock across the entire supply chain. We are taking more and more steps towards integrated and centralised inventory management, which have already led to reduced inventory positions in 2020.

Successfully launch SAP

The first implementation of our new IT landscape was to migrate our customers in the Netherlands and Belgium to the new online platform. As explained earlier, we were successful in doing so, completing the migration on schedule. However, we were not successful in realising another ambition in this context, which was to have an initial version of our new ERP and data landscape live in the second half of the year. This was partly due to the COVID-19 restrictions that limited us in getting our teams together in person, which slowed down progress. The complexity involved in overhauling the entire IT structure was also a factor in the delay. That is not to say, however, that we look back negatively on the team's performance in 2020, quite the contrary. We completed the first version of the ERP system around the turn of the year, and the important new article master data environment is now live and being populated one article group at a time. Extensive testing, training and preparations for an initial go-live in Belgium are scheduled for the first half of 2021. This is later than initially planned, but it is more important to have a controlled and successful go-live than a fast one. In our programme approach and budget, we have already built in some flexibility and leeway to be able to absorb any setbacks.

A happy, committed and professionally strong team

All the changes we have implemented across our organisation over the past years have affected our employees, including their job satisfaction. We have also changed the organisation's governance model. A growing organisation that has undergone many changes in recent years requires structured guidance and focus for its organisation, the teams that work in it and individual employees. After all, happy, engaged and professional employees are the basis for a successful implementation of the company's strategy.
In 2020, we continued in our efforts to reshape the way we work together with people and in teams, while preserving what has traditionally been good. Over the past year, hard work has gone into the design and implementation of our People Strategy for the Group as a whole, albeit that most of it was initially concentrated in the Netherlands and will be rolled out to Belgium at a later stage. We will go into this in more detail in the section on our organisation and employees.

Cash-and-carry sites

	Number of sites as at financial year-end		**x 1,000 m² sfa[1] as at financial year-end**	
x € million	**2020**	**2019**	**2020**	**2019**
2.0 style	25	25	159	159
3.0 style	25	25	189	189
De Kweker	1	1	12	12
Cash-and-carry sites in the Netherlands	**51**	**51**	**360**	**360**

[1] Sales floor area

Plan for next year in the Netherlands

We are pleased with the progress we have made in 2020 on our five most important and impactful multidisciplinary, long-term goals, especially considering the challenging conditions of the year and the need for short-term interventions and adjustments. Needless to say, we would have liked to have been able to reap more of the rewards of these efforts in 2020, but this was not to be due to the market situation. For 2021, we have opted to only change the annual theme slightly to 'High Five!', because we are working on it and in 2021 we expect to experience the successes brought about by the efforts that have already been put in. On top of that, we will continue to work on the following themes:

High Five

Our five strategic focus areas:

1. Excel in customer satisfaction in the delivery segment.
2. Excel in customer satisfaction in the cash-and-carry segment.
3. Operational excellence and returns in the supply chain.
4. A happy, committed and professionally strong team.
5. Successfully launch SAP.

We expect the market to recover in 2021, and when it does, our customers will, in turn, expect reliable and efficient services from their partner. While we are performing at a good level there, we believe performance can and must always improve. High service levels, simplicity and convenience for customers and smarter working are core themes in our delivery segment for 2021.

After the launch of our new online platform and the first new services and concepts for our customers in 2020, the roadmap for further development and roll-out in 2021 is meanwhile ready to be implemented. Both in terms of user-friendliness and content, we will further add to the platform in 2021 and present an even more attractive proposition to our customers, who, as a matter of fact, have already welcomed the platform launched in 2020 with positive reviews. The aim is for the platform to make life easier for our customers, boost customer relationships, and drive overall revenue growth.

With the migrations and technological solutions of the Heineken integration behind us, the moment has now come to monetise this partnership. Based on the convenience that we can offer our customers, we expect to be able to provide our customers with a broader and more comprehensive range of products and services over the coming years, facilitating them in running their businesses and giving Sligro's net sales an extra boost.

It is becoming increasingly important for us to make the switch to becoming a true omnichannel organisation. Irrespective of the channel that our customers currently use for most of their purchasing, i.e. cash-and-carry or delivery, they see Sligro as a single brand. We consider it our duty to make it easier for our customers to do business with Sligro, regardless of which channel they use. This calls not only for further integration of operations between cash-and-carry and delivery, but also for a different market approach for our sales organisation, one that takes its lead from customers' needs rather than from which channel they use. We will be further implementing this change in approach in 2021 through a sales organisation that has been reformed accordingly.

In the cash-and-carry domain, we will continue to work on the parts of the Next-Gen programme that are still under development, as well as on the initiatives we launched in 2020. Work will also continue on the changes to the interiors of our cash-and-carry stores and we want to accelerate in the digital domain. By increasingly combining the physical and online environments, we expect to be able to better serve customers and appeal not only to our existing customer base but also to a new and younger customer group. In the latter group, there is great potential for the future.

To be able to adequately serve our customers from the supply chain, we need to continuously focus on the basics. 'On time, in full and with a smile' will, therefore, continue to be our motto in the logistics supply chain. This requires permanent maintenance and increasingly drastic optimisation and automation. On top of that, we at Sligro believe in a centrally controlled model, which we are gradually implementing for the Netherlands and Belgium. In 2021, developments in this direction will continue as we centralise transport planning and inventory management.

After a year of building and developing the People Strategy, we are set to start using a large part of the new and redesigned processes and methods in 2021 to help our employees in their day-to-day tasks and in their development as individuals and members of the team. Aside from that, we will also keep building and automating our employee portal and start building and rolling out our new scheduling and time tracking system.

When it comes to SAP, 2021 will be all about the first go-live in Antwerp and the controlled and phased roll-out to other entities in Belgium. However, this also requires implementation of elements within the central services that are provided from the Netherlands. In other words, a go-live in Belgium automatically also means a go-live at some of our Dutch operations.

‘Last year I moved from Sligro Food Service to Bouter. I’m so proud of this place! We always go the extra mile for our customers to help them do business smarter, faster and more efficiently. That ranges from a well thought-out kitchen design to discussing Return on Investment, because they have to know what their investment will yield. We’re always looking to collaborate internally too, with our colleagues at Food Service, for instance. After all, a fabulous kitchen with no food is pretty useless... We support and reinforce each other. I really get a kick out of that teamwork.’

Pepijn Kraan
Key Account Manager
Bouter

‘We support each other’

Belgium

JAVA Foodservice

Delivery service site

1

Sligro-ISPC

Cash-and-carry and delivery service site

2

Sligro-ISPC

Delivery service with pick-up option

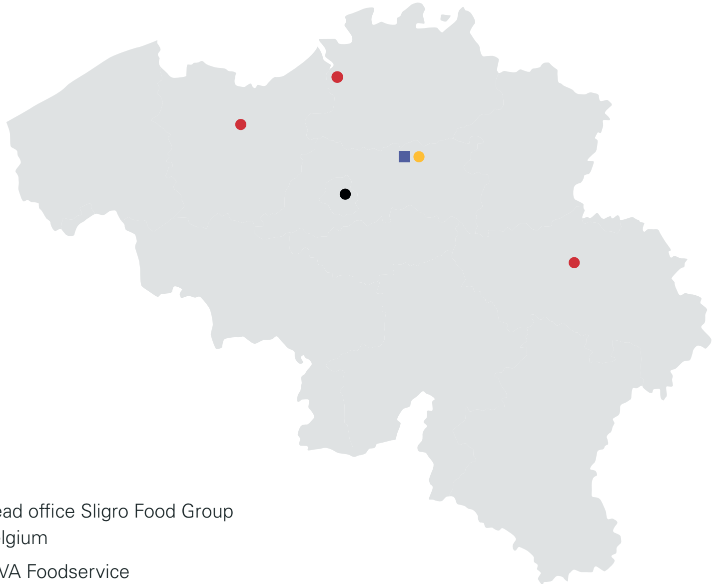
1

Océan Marée

Production site

1

Locations in Belgium



- ■ Head office Sligro Food Group Belgium
- ● JAVA Foodservice
- ● Sligro-ISPC
- ● Océan Marée

Market and market size in Belgium

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.

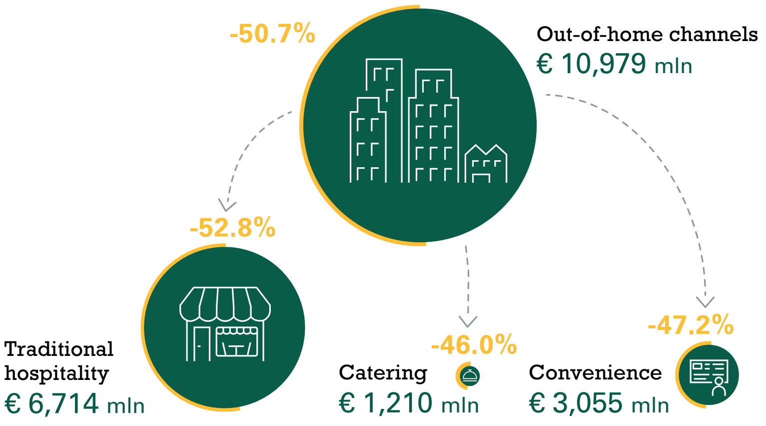
For 2020, Foodservice Alliance's calculations show that the Belgian market, in terms of consumer spending, saw an even steeper drop than the Dutch market, estimating that the market overall shrank by 51%. Although no figures were published on the wholesale market, our estimation is that the market size in wholesale value has dropped below €4 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, meaning that one third of the market is left for wholesalers.

Market size in wholesale value in Belgium
approx € 3.9 billion

Belgium
11.5 million residents

Net sales in Belgium
Source: FoodService Alliance



Due to the lack of information, there is little we can say about how our market share developed in Belgium. We think that our net sales dropped less sharply than the market as a whole, which has a positive effect on our market share. Given our still modest size in Belgium, we do believe, however, that our market share has not changed materially and is still around 3.5%.

Consumer confidence

[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

Developments

Sligro Food Group Belgium 2020

In Belgium, we saw COVID-19 lead to the market developing in much the same way as in the Netherlands. The impact on the various business units in Belgium was immense, although there were differences across the sites. At Sligro-ISPC, net sales from the delivery service dropped to zero during lockdown periods, which was offset by an increase in sales in the cash-and-carry segment. In Antwerp, it even led to net sales being up overall, on balance, which can be considered a tremendous feat in a year like 2020. A key driver behind this feat was significant growth in new customers. While we also saw net sales fall at the delivery service in Rotselaar, the fact that JAVA Foodservice sells largely to public-sector customers meant that net sales there declined relatively less sharply than the market average. Due to the steep drop in net sales because of COVID-19 and the expected slow recovery over the coming period, it will take longer for us to reach the targeted profit level in Belgium. This led to a non-recurring, non-cash impairment in the first half of 2020.

During the year, the focus in Belgium was also strongly on reducing costs and investments. Wherever possible, we scaled back staffing levels or reduced net wage costs using the Belgian government's TWO wage subsidy scheme.

It was a challenge to strike a balance between acute needs to cut costs and targeted investment in capacity to enable preparatory processes for the implementation of SAP to go ahead. All in all, we succeeded in striking that balance.

We have identified around thirty projects that will have to be completed in Belgium for the migration to SAP. This will help us simplify implementation and bring processes in Belgium into line with the standard that will apply to the Group as a whole once SAP has been implemented. It will involve a number of changes that the local teams will have to accept and embrace. To our satisfaction, great progress has been made on these projects.

Financial results in Belgium

x € million

169	**Net sales**	2019: 229
24.5	**Gross margin as % of net sales**	2019: 22.2
(3)	**Gross operating profit (EBITDA)**	2019: (3)
(67)	**Net profit (loss)**	2019: (11)
92	**Average net invested capital**	2019: 117
0	**Net investments**	2019: 7
(11)	**Operating profit before amortisation (EBITA)**	2019: (10)
(73)	**Operating profit (EBIT)**	2019: (13)
(74)	**Pre-tax profit (loss)**	2019: (14)
(1.7)	**EBITDA as % of net sales**	2019: (1.3)
(6.7)	**EBITA as % of net sales**	2019: (4.4)
(43.3)	**EBIT as % of net sales**	2019: (5.7)

Major steps have been taken in harmonising the range of products, both between Sligro and ISPC and between Belgium and the Netherlands. This will bring greater uniformity across sites in Belgium, while also enabling us to seize procurement synergies and increasingly centralise the supply chain. In 2020, we started supplying the first sites in Belgium from the central distribution centre in Veghel, and more will follow in 2021. While we initially met with some resistance from our suppliers, we are increasingly successful in convincing them that it will be the most efficient route for the future for them as well.

In the first half of 2020, we successfully took the Game & Poultry range in-house in full and positioned it as the 'Hunt' concept. We did this in close collaboration with M. Ruig en Zn B.V., the company that is responsible for this product group in the Netherlands and assisted in the start-up in Belgium.

There was also clear improvement in operational performance at Sligro-ISPC sites. The issue of operational performance was tackled at the Antwerp site first because its ERP system is the same as that used in the Netherlands. Following on from that, the processes were also rolled out to Ghent and Liège. This improved operational control leads to better and consistent performance towards our customers and also to better returns for the Group. Once SAP has been implemented, all Belgian sites will run the same system, which will contribute to further positive development of the customer experience at Sligo-ISPC.

Needless to say, net sales growth and customer acquisition are key focus points in Belgium. The field service and support functions of both Sligro-ISPC and JAVA Foodservice further developed and improved their market approach and increased their clout. Sligro-ISPC launched a number of concepts targeting specific customer segments, identifying product needs, experience, and pricing at customer segment level, instead of having to keep doing that at individual customer level. At JAVA Foodservice, this will continue to require attention over the coming period as well, seeing as pricing in relation to the required quality levels and product options for the institutional market will have to be tailored even more keenly to customer demand.

With a view to further boosting cost efficiency, we opted to terminate our operations at Océan Marée and transfer the fresh fish volumes to SmitVis in the Netherlands as of early 2021. This decision was announced in 2020 and talks with the employee representatives involved have meanwhile been concluded.

Cash-and-carry sites with pick-up option

	Number of sites as at financial year-end		x 1,000 m² sfa[1] as at financial year-end	
x € million	**2020**	**2019**	**2020**	**2019**
Cash-and-carry	2	2	15	16
Delivery site with pick-up option	1	1	11	17
Total	**3**	**3**	**26**	**33**

[1] Sales floor area

Plan for next year in Belgium

In Belgium, too, the focus for the coming year will again be on the five overarching themes that we have defined for the Group as a whole:

High Five

Our five strategic focus areas:
1. Excel in customer satisfaction in the delivery segment.
2. Excel in customer satisfaction in the cash-and-carry segment.
3. Operational excellence and returns in the supply chain.
4. A happy, committed and professionally strong team.
5. Successfully launch SAP.

In the delivery segment, we will be moving forward in setting up account management and relationship management. We want the unique nature of our family business to feature more prominently in our approach. Close to our customers with an eye for long-term relationships. Besides stepping up our relationship management, we are also shoring up the preconditions for success in our product range and the value for money we offer, all based on data.

In 2021, we will launch yet more concepts for both Sligro-ISPC and JAVA Foodservice customers, drawing on the knowledge and skills available in the Netherlands, albeit that these will have to be adapted to the Belgian market.

In the cash-and-carry domain, we want to target both customer acquisition and growth in sales to existing customers. Data analysis allows us to identify which customer needs we are currently not meeting, so that we can subsequently tap into those needs with targeted propositions. Plus, we are going to boost traffic to our sites by launching attractive sales promotions and campaigns.

As a result of COVID-19 and its impact on the food service industry, we are seeing that Belgian customers have more than ever before embraced the concept of 'one-stop shopping' to ensure some consistency in their supplies. While the number of different suppliers per customer has historically always been much higher in Belgium than in countries such as the Netherlands, we are now actually seeing a trend towards concentration. This fits in perfectly with the concept that we offer.

In order to be able to even better harness the power of our international procurement body and the logistics network, we will continue to harmonise our product range and optimise the supply chain.

The implementation of SAP will be the dominant project in Belgium in 2021. The replacement of four different ERP systems with one new standard for the whole Group is a crucial basis for further growth and performance improvement in Belgium. The preparations, knowledge building, and training will require a lot of our attention, as will the aftercare following the go-live. It is our ambition to migrate the majority of Belgian operations to the new environment in 2021, but we will take a step-by-step approach and not rush anything, based on the idea that quality trumps speed.

Governance

Executive Board member details

Executive Board

Koen Slippens (53), CEO
Employment start date: 29 July 1998
Current position since: 21 September 2008
Education: Business economics

Rob van der Sluijs (44), CFO
Employment start date: 1 October 2007
Current position since: 18 March 2015
Education: Business economics,
Registered controller

Company secretary

Gerrie van der Veeken (59)
Company secretary
Employment start date: 1 March 2005
Current position since: 1 March 2005
Education: Dutch law and tax law

International Board

Dries Bögels (48)
Executive Managing Director of Food Service Netherlands
Employment start date: 1 October 2014
Current position since: 1 January 2019
Education: Economics, Management & Organisation

Jacqueline Touw-Conradi (54)
Chief HR Officer (CHRO)
Employment start date: 11 March 2019
Current position since: 11 March 2019
Education: Human Resources Management

Gerrit Buitenhuis (56)
Chief Supply Chain Officer (CSCO)
Employment start date: 1 May 2016
Current position since: 1 January 2019
Education: National Diploma in Business Studies/
Economics

Maurice van Veghel (48)
Chief Information Officer (CIO)
Employment start date: 1 January 2008
Current position since: 1 January 2019
Education: Civil Engineering, Construction IT

Bert Vanmoortel (39)
Chief Buying & Merchandising Officer (CBMO)
Employment start date: 1 November 2019
Current position since: 1 January 2021
Education: Applied Economic Sciences

Dirk van Iperen (46)
Executive Managing Director for Delivery Services in the Netherlands
Employment start date: 16 August 2013
Current position since: 16 August 2013
Education: Business economics

Kees Kiestra (52)
Executive Managing Director for Cash-and-Carry Wholesale in the Netherlands
Employment start date: 1 June 2012
Current position since: 23 August 2018
Education: Logistics Management

Rudi Petit-Jean (54)
Executive Managing Director of Food Service in Belgium
Employment start date: 15 October 2017
Current position since: 1 June 2018
Education: Commercial Information Technology,
Marketing, and Business Studies

Supervisory Board member details

Freek Rijna, Chair (65)
Supervisory Board member, Dutch nationality (m). Appointed in 2016 for four years and then reappointed to a second and final four-year term in 2020. Chair 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 (61) Supervisory Board member, Dutch nationality (m). Appointed in 2015 and then reappointed to a second and final four-year term in 2019. Member of the Heisterkamp Transport Supervisory Board, Member of the Van Wijnen Holding B.V. Supervisory Board and Vice-Chair of the Stichting Pensioenfonds PGB (pension fund).

Marianne van Leeuwen (59) Supervisory Board member, Dutch nationality (f). Appointed in 2016 for four years and then reappointed to a second and final four-year term in 2020. Member of the Sonepar Nederland Supervisory Board, Chair of the AVV Zeeburgia football club and member of Sportraad Amsterdam (sports council).

Audit Committee

Hans Kamps, Chair
Marianne van Leeuwen

Remuneration and Appointments Committee

Gert van de Weerdhof, Chair
Freek Rijna

Gert van de Weerdhof (54) Supervisory Board member, Dutch nationality (m). Appointed to a four-year term in 2017, subsequently eligible for reappointment. Chair of Ctac NV Supervisory Board, Member of Accel Group Supervisory Board, Board Member of Mercy Ship Holland B.V., Non-Executive Director of Safestore Ltd and Member of World Wildlife Fund (Dutch branch) Supervisory Board.

Pieter Boone (53) Supervisory Board member, Dutch nationality (m). Appointed to a four-year term in 2020, subsequently eligible for reappointment. Member of Beter Bed Holding B.V. Supervisory Board, Member of Coöperatie AVIA Nederland U.A. Supervisory Board and External Advisor to Bain & Company Inc.

The composition of the Supervisory Board is in line with the profile. All members are independent as set out in best practice provisions 2.1.7 to 2.1.9 of the Dutch Corporate Governance Code.

Supervisory Board's Report

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, as well as key programmes and subjects such as CSR and employee engagement.

The year 2020 began vigorously and the initial results of the previous period's efforts were clearly visible in the first months of the year. Maintaining that momentum was thrown off balance when the impact of COVID-19 on Sligro Food Group's markets caused an unprecedented drop in demand in mid-March, within a timespan of around twelve hours, following the government measures covering the majority of the food service market. Although that was the point at which the year became characterised by short-term crisis management, the Executive Board was nonetheless able to persevere with its most important strategic processes and even accelerate them.

COVID-19

The decrease in net sales due to COVID-19 was substantial and, for a trading company with relatively low margins, this immediately put pressure on the results. By intervening quickly and decisively, the company succeeded in transforming the business into a cash-neutral operation in a matter of weeks. The short lines and entrepreneurship that characterise the culture of the Group proved to be immensely valuable in this. The result of these actions was that there was no significant increase in the Group's debt position, although falling profits did have adverse consequences for its financing ratios. Timely talks were held with the banks and USPP holders throughout, which meant that there was and is scope for offsetting such consequences, although that proved unnecessary at the time of the interim figures, and also the annual figures. What became apparent after the first wave of COVID-19 was that recovery in the sector and at Sligro Food Group was quick to emerge. The spread in the customer portfolio and the combination of cash-and-carry and delivery services moreover ensured that Sligro Food Group was able to gain significant market share and thus strengthen its position in the market. Although we will have to deal with COVID-19 and its consequences for some time, this instils confidence for the coming years.

The Supervisory Board is very impressed with how Sligro Food Group's Executive Board and employees have handled the impact of COVID-19. With a cool head and decisive action, they immediately intervened in investments and costs, communicated promptly and clearly with all stakeholders, and anticipated and covered possible financing and liquidity risks in time. Amidst all the focus on managing the short-term impact, they never lost sight of the long term and still saw ways to seize opportunities to persevere with and, where possible, even accelerate strategically important projects. So, while the impact was tremendous, there was always control.

Heineken

The importance of the partnership with Heineken and the integration of the physical goods flow and online flow has often been highlighted. The physical integration was completed in 2020 and the last piece of the promise to customers (one order, one delivery, one invoice) has also been delivered and become operational. The business plan drawn up to accompany the announcement of the partnership had projected that this would take three to four years and we are pleased to note that this major operational convergence was accomplished within the term of three years. Another important element is that the benefits of this for Sligro Food Group – in terms of cost savings and additional net sales – will be reflected in the phase following this integration. Given the contract length of the strategic partnership, there are at least another twelve years left to reap the benefits.

The new IT landscape

The implementation of a new ERP landscape is always a challenge for companies and it has had our constant attention. Progress of the programme is steady and we are pleased to note that the first important milestone was reached this summer when the new SAP Hybris web environment went live. In the meantime, all customers of Sligro Food Group, Heineken and De Kweker have been migrated to this platform, which will likewise be the basis for customers in Belgium. Good progress has been made on the other components of the ERP landscape. It is an intensive process involving a significant part of the central organisation. By the end of 2020, that system had largely been built. This is later than expected, partly due to the complexity, but also due to the physical restrictions affecting the teams who are working on it, as a result of COVID-19. It marks the second major milestone heralding the test and training phase and preparations for going live. The first go-live will take place in 2021 in the site in Antwerp and the central support departments in Belgium and the Netherlands.

People Strategy

A growing organisation that has undergone many changes in recent years requires structured guidance and focus for its organisation, the teams that work in it and individual employees. After all, happy, engaged and professional employees are the basis for a successful implementation of the company's strategy. In 2020, Sligro Food Group shaped this strategy around such themes as people & teams, culture, leadership and organisation, and numerous initiatives have since been started to determine their specific content. The Supervisory Board was repeatedly included in this during the year and has concluded that it is a robust plan of which the first tangible results are already visible. The way in which this strategy is formalised and embedded step by step is appropriate for the evolution and further professional development the company is undergoing. It is good to see that plenty of attention is also being paid to cultural preservation.

De Kweker

The acquisition of De Kweker in 2019 resulted in the start of its integration in 2020. The integration of its cash-and-carry and delivery services was completed earlier than planned, which means that the conditions for the most important synergy benefits have been met: as at the year-end, procurement conditions have been harmonised, the IT systems have been fully integrated, deliveries are being made from the Sligro delivery services sites and the overheads have been entirely phased out. As soon as the volumes recover, this will also be reflected in the operating profit.

Operations in the Netherlands and Belgium

Besides all the attention paid to managing the short-term operation in the Netherlands and Belgium, we are pleased to observe that the organisation has constantly worked to make the Group fundamentally stronger.
The focus and efficiency have increased by disposing of minor operations (Maaltijdservice.nl and VRC Transport) and migrating and clustering operations (the closure of Océan Marée in Brussels and migration to SmitVis in Veghel). Many departments are working on achieving staffing levels that are more appropriate to expected market volumes, as well as on increasing the organisation's flexibility to be able to better absorb future shocks. This is being done in a natural way without major reorganisations. Changes have also been made in the Executive Board and in the consultation structures, aimed at increasing their decisiveness and efficiency in the phase in which the company finds itself.

Supervision

In 2020, the Supervisory Board convened on its own for five sessions and together with the Executive Board for eight additional sessions. Six of these additional sessions were devoted to COVID-19 and its grave consequences for Sligro Food Group. Of the two other sessions, one was devoted to annual plans for 2021 and one to the People Strategy and the team scans.

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 position of Internal Auditor was vacant during the year under review. The Supervisory Directors also held individual meetings with key company staff in consultation with the Executive Board. Due to COVID-19, no members of the Supervisory Board were present as observers at meetings of the Dutch Works Council in 2020.

The Supervisory Board has set up two committees: 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 four meetings in 2020, during which above all the financial reporting and the internal risk management and control systems were discussed at length. The consequences of COVID-19 for Sligro Food Group's financial and liquidity position also received plenty of attention.

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 three times. The first meeting mainly concerned assessing the extent to which the Executive Board members had achieved their bonus targets for 2019, setting the 2020 bonus targets for the Executive Board, and the Remuneration Report. The second meeting was devoted to the amended wording in the Remuneration Report and the Executive Board's remuneration policy in the run-up to the Annual General Meeting of Shareholders. The third meeting was devoted to the outcomes of employee engagement metrics, the progress of the People Strategy, the remuneration of the Supervisory Board and diversity in the Supervisory Board.

On no occasion in 2020 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&AC meetings
Mr Rijna	100% (13/13)		100% (3/3)
Ms van Leeuwen	100% (13/13)	100% (4/4)	
Mr Kamps	100% (13/13)	100% (4/4)	
Mr Karis	100% (7/7)		100% (1/1)
Mr Van de Weerdhof	100% (13/13)		100% (3/3)
Mr Boone	100% (12/12)		

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 that applied up to 1 January 2020 (at least 30% women and at least 30% men). If the target has not yet been met and candidates are equally qualified, preference will be given to the candidate whose appointment would allow the company to achieve or approach this target.

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 target in 2020. 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. The next time there is a change in the composition of the Supervisory Board, we will bring it into line with the statutory target. In the bill that replaces the statutory target that applied up to 1 January 2020, the standard is that the Supervisory Board must consist of at least one third women and one third men.

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 making use of 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 into line with the 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 2020. The Audit Committee discussed the 2020 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 2020, 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.

As in the previous year, the observations and recommendations at Group level include the further formalisation and roll-out of the Internal Control Framework and the risk analysis process (with regard to fraud, etc.). Progress has been made in these areas and the final steps are expected to be taken in the coming year. In the entrepreneurial culture of Sligro Food Group, a good balance is always sought between entrepreneurship and formalisation of processes and procedures. The Group endorses the importance of that formalisation and will implement it step by step.

As always, the auditor focused particularly on the IT environment at Sligro Food Group. The auditor is becoming increasingly involved in developments around Sligro Food Group's new IT landscape, but much attention is of course still being paid to the existing landscape. The management of rights in this landscape remains a major point for attention and although there are technical limitations which hamper a solution to this, the Executive Board and the auditor agree that it remains necessary to make efforts to mitigate possible risks in the years leading to the transition.

The auditor has once again included a number of observations and recommendations for the Netherlands and Belgium, to improve the processes surrounding master data (financial and otherwise) and authorisations regarding 'non-standard' manual and automated financial processes. A number of observations have been added to those made a year ago and last year's findings have either been solved or are in progress.

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 2020 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 49.

Executive Board conditions of employment

The policy and report on Executive Board remuneration are published on the company website. The Remuneration Policy was adopted once again in the Annual General Meeting of Shareholders on 9 June 2020, with no major changes to its contents.

Once every three years, the remuneration package is benchmarked against a reference group of around twenty companies. This year was not one of the benchmarking years.

The short-term and long-term bonuses are both awarded based on performance in the year in question, albeit that quality-related targets have a longer horizon, as they are linked to programmes that contribute to the company's long-term strategy and value creation. When 100% of the 'at-target' level is met, a short-term bonus is paid out in cash, amounting to 30% of the fixed salary, as well as a long-term bonus of 30% of the fixed salary, which (after deduction of tax) must be used to purchase Sligro Food Group shares. These shares are locked up for a period of four years.
The quality targets for 2020 were as follows:

1. SAP implementation on course, go-live of the first Minimum Viable Product (MVP) version in Antwerp in 2020.
2. Heineken integration on course, one order, one delivery, one invoice possible by the end of 2020.
3. Integration of De Kweker cash-and-carry in 2020 and preparations completed for the integration of the delivery services in Q1-2021.
4. Roll-out of the People Strategy and implementation of various initiatives for people & teams, culture, leadership and organisation resulting in a positive development of employee engagement in line with StakeholderWatch.

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 value creation.

In 2020, the variable remuneration was 38% (2019: 25%) of the 'at-target' level. The main reason for the failure to reach the at-target level was that profit fell short of the target set for this. The SAP implementation was delayed partly due to COVID-19. The implementation in Belgium has been postponed to 2021. The Heineken integration was completed earlier than planned. The first customers were able to order their food and beer in the new web environment in the fourth quarter and received it in one delivery with one invoice. The integration of De Kweker was accelerated and completed in 2020. Numerous initiatives have been developed and rolled out on the basis of the People Strategy. The employee engagement score improved from 56 to 63.

Sligro Food Group's operations were greatly impacted by the outbreak of COVID-19 this year. In response to this, the Executive Board decided not to take the short-term and long-term bonuses awarded to them for 2019 and 2020.

Staffing changes

Having reached the end of his maximum tenure under the articles of association, Mr Karis stepped down from the company's Supervisory Board at the Annual General Meeting of Shareholders on 9 June 2020.
As Mr Karis has stepped down, Mr Pieter Boone was appointed to our Supervisory Board. At this same meeting, Ms Van Leeuwen and Mr Rijna were both reappointed to the Supervisory Board for a second and final term.

A proposal to reappoint Mr Van de Weerdhof to the Supervisory Board for a second and final term will be made at the Annual General Meeting of Shareholders on 24 March 2021.

Financial statements

The 2020 financial statements have been prepared by the Executive Board. They were discussed at a meeting attended by the external auditor, who provided further information on them. The financial statements have been audited by Deloitte, whose unqualified report can be found on page 137 under 'Other Information'.

The Supervisory Board has approved the financial statements as prepared by the Executive Board for the financial year 2020. The proposal is to pay no dividend for 2020 (2019: €0.55 per share).
We propose that the shareholders:
- adopt the 2020 financial statements;
- approve the profit distribution;
- grant full discharge from liability to the members of the Executive Board in respect of their management;
- grant full discharge from liability to the members of the Supervisory Board in respect of their supervision.

The year 2020 began vigorously with the initial visible results of the Executive Board's previous years' programmes. The outbreak of COVID-19 and the consequences it had for Sligro Food Group meant a change of course was needed and the Executive Board undertook this decisively. Despite the challenges and the necessary focus on the short term, the Executive Board deliberately aimed to continue and complete the strategically important programmes, some of them at an accelerated pace. In combination with the Executive Board's plans for 2021, operational recovery will commence once the market improves.

Veghel, 5 February 2021

Freek Rijna, Chair
Hans Kamps
Pieter Boone
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

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 (up to 10% of the issued share capital, plus 10% if the issue is in the context of a merger or acquisition) and restrict or exclude shareholders' pre-emptive rights (up to a maximum of 10% of the issued share capital). Subject to the approval of the Supervisory Board, the Executive Board has been granted the authority to issue shares not yet issued until 9 December 2021;
- repurchase and cancel shares (the Executive Board has been granted the authority, until 9 December 2021, 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 2020, 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 87 to 136 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 58 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, 5 February 2021

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 2020 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 84 '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 49 '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 83 'General Meeting of Shareholders');
- information on the composition and performance of the Executive Board (page 75 'Executive and International Board member details', page 83 'Executive Board', and page 80 'Executive Board conditions of employment');
- the policy on diversity in the composition of the Executive and Supervisory Boards (page 25);
- information on the composition and performance of the Supervisory Board and its committees (page 76 'Supervisory Board member details' and page 77 'Supervisory Board report');
- information on the rules for appointing and replacing members of the Executive Board and Supervisory Board (page 83 'Executive Board' and page 83 'Supervisory Board');
- information on the rules for amending the company's articles of association (page 83 'General Meeting of Shareholders');
- information on the powers of the Executive Board to issue and repurchase shares (page 83 'Annual 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 125;
- information on transactions with related parties (page 28 'Corporate Governance' and page 131 '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 123 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 84 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 99 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 83 Corporate governance);
- the regulations regarding appointment and dismissal of Executive Board members and Supervisory Board members and changes to the articles of association (page 83 Corporate governance);
- the Executive Board's powers, in particular to issue shares in the company and repurchase company shares (page 83 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 125 of the financial statements).

Financial statements

Consolidated statement of profit or loss

x € million

	Notes	2020	2019	2018
Continuing operations				
Net sales	2, 3	**1,946**	**2,395**	**2,346**
Cost of net sales		(1,478)	(1,811)	(1,780)
Gross margin		**468**	**584**	**566**
Other operating income	4	**4**	**13**	**12**
Employee expenses	5	(230)	(275)	(275)
Accommodation costs		(31)	(30)	(38)
Costs to sell		(17)	(20)	(17)
Logistics costs		(86)	(112)	(108)
General costs		(33)	(33)	(26)
Depreciation of tangible fixed assets and right-of-use assets	13,14	(68)	(60)	(39)
Amortisation of intangible fixed assets	12	(21)	(22)	(20)
Impairment of tangible fixed assets	13	0	(1)	(2)
Impairment of goodwill and other intangible fixed assets	12	(62)		
Total operating costs		**(548)**	**(553)**	**(525)**
Operating result	2	**(76)**	**44**	**53**
Finance income	8	0	0	0
Finance costs	8	(9)	(7)	(4)
Share in the result of associates	15	7	5	7
Pre-tax profit (loss)		**(78)**	**42**	**56**
Income taxes	9	8	(8)	(10)
Profit (loss) from continuing operations		**(70)**	**34**	**46**
Discontinued operations				
Profit (loss) from discontinued operations, after tax	10		(1)	230
Profit (loss) for the financial year		**(70)**	**33**	**276**
Attributable to shareholders of the company		**(70)**	**33**	**276**

x €1

	Notes	2020	2019	2018
Details per share				
Basic earnings (loss) per share	22	(1.59)	0.75	6.25
Diluted earnings (loss) per share	22	(1.58)	0.75	6.25
Basic earnings (loss) per share from continuing operations	22	(1.59)	0.78	1.04
Diluted profit (loss) per share from continuing operations	22	(1.58)	0.78	1.04
Dividend proposed	21		0.55	1.40
Special dividend				7.57

Consolidated statement of comprehensive income

x € million

	2020	2019	2018
Profit (loss) for the financial year	(70)	33	276
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	**(69)**	**34**	**277**
To be allocated to shareholders' equity	**(69)**	**34**	**277**
Comprehensive income to be allocated to:			
Continuing operations	(69)	35	47
Discontinued operations		(1)	230
Comprehensive income for the financial year	**(69)**	**34**	**277**

Consolidated statement of cash flows

x € million

	Notes	**2020**	**2019[1]**	**2018[1]**
Net sales from customers		2,312	2,749	3,023
Net sales from other operating income		0	7	11
		2,312	**2,756**	**3,034**
Payments to suppliers		(1,936)	(2,324)	(2,610)
Payments to employees		(129)	(131)	(165)
Payments to the government[2]		(150)	(166)	(184)
		(2,215)	**(2,621)**	**(2,959)**
Net cash flow from business operations	31	97	135	75
Interest paid		(5)	(7)	(3)
Dividends received from participations	15	4	5	7
Income tax received/paid		5	(1)	(34)
Net cash flow from operating activities		**101**	**132**	**45**
Acquisitions/participations	1	(0)	(52)	
Divested operations	1	1	1	348
Expenditure for investments in tangible fixed assets	13	(45)	(105)	(76)
Proceeds from disposal of tangible fixed assets/assets held for sale		62	46	83
Expenditure for investments in intangible fixed assets	12	(27)	(20)	(24)
Investment in/loans to associates	15	(2)		
Repayments by/net divestment receipts from associates	15	1	3	0
Net cash flow from investing activities		**(10)**	**(127)**	**331**
Long-term borrowings drawn	24		50	
Repayments on long-term borrowings	24	(67)	(14)	(11)
Change in own shares		1	(1)	5
Lease liabilities paid		(23)	(18)	
Dividend paid		0	(62)	(397)
Net cash flow from financing activities		**(89)**	**(45)**	**(403)**
Change in cash, cash equivalents and short-term borrowings from credit institutions		**2**	**(40)**	**(27)**
Opening balance		(7)	33	60
Closing balance		**(5)**	**(7)**	**33**

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

[2] Includes the payment of €19 million received from the government under the NOW wage subsidy scheme.

Consolidated statement of financial position

x € million

	Notes	31 December 2020	28 December 2019	29 December 2018
Assets				
Goodwill	12	125	168	155
Other intangible fixed assets	12	149	163	137
Tangible fixed assets	13	299	362	313
Right-of-use assets	14	216	176	
Investments in associates	15	54	50	53
Other financial fixed assets	15	8	10	12
Deferred tax assets	9	2		
Total fixed assets		**853**	**929**	**670**
Inventories	16	188	230	217
Trade and other receivables	17	111	228	236
Other current assets	18	30	46	33
Income tax	9	1	3	16
Cash and cash equivalents	19	13	19	33
		343	**526**	**535**
Assets held for sale	20	2		9
Total current assets		**345**	**526**	**544**
Total assets		**1,198**	**1,455**	**1,214**

	Notes	31 December 2020	28 December 2019	29 December 2018
Liabilities				
Paid-up and called-up capital		3	3	3
Reserves		429	497	534
Shareholders' equity	21	**432**	**500**	**537**
Deferred tax liabilities	9	22	26	27
Employee benefits provision	5	2	2	2
Other provisions	23	0	0	0
Long-term borrowings from credit institutions	24	160	160	186
Lease liabilities	14	218	174	
Total non-current liabilities		**402**	**362**	**215**
Provisions	23	3	8	16
Repayment obligations	24		77	14
Short-term borrowings from credit institutions	24	18	26	
Lease liabilities	14	19	15	
Accounts payable	33	217	350	339
Income tax	9	1	0	0
Other taxes and social security contributions	25	37	33	19
Other liabilities and accruals and deferred income	26	69	84	74
Total current liabilities		**364**	**593**	**462**
Total liabilities		**1,198**	**1,455**	**1,214**

Consolidated statement of changes in shareholders' equity

x € million

	Paid-up and called-up capital	Share premium	Other reserves	Hedging reserve	Share repurchase reserve	Total
Balance as at 29 December 2018	**3**	**31**	**511**	**(2)**	**(6)**	**537**
IFRS 16 accounting policy change			(10)			(10)
Opening balance as at 30 December 2018	**3**	**31**	**501**	**(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	(61)
Profit (loss) for the financial year			33			33
Cash flow hedge				1		1
Total realised and unrealised profit (loss)	0	0	33	1	0	34
Balance as at 28 December 2019	**3**	**31**	**473**	**(1)**	**(6)**	**500**
Share-based payments						
Dividend paid						
Change in own shares					1	1
Transactions with owners	0	0	0	0	1	1
Profit (loss) for the financial year			(70)			(70)
Cash flow hedge				1		1
Total realised and unrealised profit (loss)	0	0	(70)	1	0	(69)
Balance as at 31 December 2020	**3**	**31**	**403**	**0**	**(5)**	**432**

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 Group amended the articles of association of Sligro Food Group N.V. and all its wholly-owned subsidiaries in 2020 and switched from a financial year based on the international week numbering system to a financial year based on the calendar year. This decision was made for two reasons. Firstly, the sale of food retail operations in 2018 means that the Group no longer needs to close the financial year based on the international week numbering system. Secondly, having the financial year coincide with the calendar year will simplify the upcoming ERP implementation.
This change means that the 2020 financial year comprises the period from 29 December 2019 to 31 December 2020, which amounts to 52 weeks and five days. The corresponding figures for the financial years 2018 and 2019 also cover 52 weeks.

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

Vroegop AGF, which was acquired as part of the acquisition of Wheere in 2019, is presented as ‘Profit (loss) from discontinued operations’ in the corresponding figures for 2019.

In the notes to the statement of profit or loss, 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 as in previous periods covers cash flows from all operations.
Note 11 includes a summary of cash flows from discontinued operations.

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). The Executive Board approved the financial statements for publication on 5 February 2021.

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.

Going concern

The outbreak of COVID-19 and the measures the government has taken in response have had a major impact on net sales in the current financial year. The Group has protected its cash flow by intervening fast in its cost base, choosing investments with care, making use of government facilities and carefully managing its operating capital. In addition, the Group distributed no dividends in the entire 2020 calendar year.

The impact of COVID-19 will mean that recovery to a profitable operation in Belgium will take longer than previously expected. The Group therefore recognised an impairment of intangible fixed assets of €60 million in June of this financial year.

The measures the Group has taken in terms of cost-cutting in combination with government support from the NOW and TWO wage subsidy schemes, limiting investments and scrapping dividends have kept the debt position stable. The Group held constructive talks with its main bank and USPP financiers right at the beginning of the COVID-19 outbreak. These talks led to broader financing conditions being agreed with regard to financing for the period until the end of 2021. Besides that, the liquidity margin is adequate to support the operational situation and to be able to meet our repayment obligations.

The following notes provide a more detailed explanation of the impact of COVID-19 and the measures taken:

- Note 5.D on the government facilities relating to support for employee expenses which the Group has taken advantage of.
- Note 6 concerning the remuneration of the Executive Board.
- Note 12 on the impairment of intangible fixed assets as at 30 June of this financial year and the assessment of the net realisable value of the cash-generating units in the Netherlands and Belgium as at financial year-end.
- Note 24 concerning the additional agreements on the financing and broadening the covenants.
- Note 25 on deferred tax payments.

The development of COVID-19 in 2021 remains uncertain and, by extension, so does its impact on our customers and net sales. As of the start of 2021, a lockdown is in place in both the Netherlands and Belgium and it is unclear how long it will last. The Group will therefore continue to take a critical look at costs and investment expenditure in 2021 and will consider whether to again make use of the government's support measures such as the NOW and TWO wage subsidy schemes in 2021.

Throughout, the government has offered appropriate support to accompany the COVID-19 developments and has indicated that it will continue to do so in the future. The Group has furthermore reached agreement with its financiers until the end of 2021. This gives the Executive Board the confidence that, upon approval of these financial statements, the Group will have sufficient resources to remain operational in the near future. In compiling the financial statements, the assumption therefore remains that the business is a going concern. The Group sees no reason to presume that it will be unable to continue its activities in the foreseeable future.

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 30.

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 the profit.

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 2019 financial year

As of the 2019 financial year, the Group started to apply the IFRS standard IFRS 16 Leases. Owing to the transition method adopted by the Group in applying these standards, the 2018 reporting period has not been amended in these financial statements, but the cumulative effect has been incorporated in the 2019 opening balance for the Other reserves. 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 equity and a €2 million deferred tax asset.

Accounting policy changes as of the 2020 financial year

The European Commission did not approve any new IFRS standards in 2020.
The following amendments to existing standards applied from the beginning of 2020:

- Amendments to References to the Conceptual Framework in IFRS.
- Amendments to IFRS 3 Business combinations - the definition of 'business' in the event of an acquisition.
- Amendments to IAS 1 Presentation of the Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - the definition of 'material'.
- Amendments to IFRS 9, IAS 39 and IFRS 17 - revision of the interest rate benchmark.

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

The amendment to IFRS 16 Leases 'COVID-19-Related Rent Concessions' became applicable from May 2020. This amendment permits lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications. Where possible, the Group has made use of this practical option for the rent concessions. Please refer to Note 14 for the effect of this application.

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 with the indirect method has been included in Note 31. The statement of cash flows contains cash flows from both continuing and discontinued operations for the previous periods. 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 based on the time of supply.

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, exclusive 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 produce 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 reverse 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. Two of the main forms of benefits received from suppliers are:

- Temporarily lower purchase prices, which are generally related to special offers to buyers, with a view to increasing the direct volume sold. In most cases, the supplier immediately applies the lower purchase prices during the 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 talks 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 graduated or fixed percentages of the purchase value. Bonuses which can be reasonably expected are included in the measurement of inventories. Promotional benefits cannot be included, because they are intended to cover sales efforts.

G.3 Goodwill and other intangible fixed assets

Goodwill

All acquisitions are recognised in accordance with 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 included in the measurement of the book profit or loss. Expenditure for internally generated goodwill is charged to the profit directly.

Other intangible fixed assets

All other intangible fixed assets are measured at cost less linear amortisation over the estimated service life. For customer relationships, trademarks and places of business, the economic life is estimated. If there are indications of impairment, an impairment test is performed. Expenditure for internally generated trademarks is charged to the profit directly.

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. After it has been taken into use, these costs are only capitalised if they are inextricably linked to the capitalised software. If there are indications of impairment, an impairment test is performed. Capitalised software is amortised over the estimated service life as per the linear method. The Group's current investments in SAP are estimated to have an economic life of 7 years.

The following amortisation percentages are used:

Customer relationships	5 - 20
Trademarks	5 - 7
Places of business	5 - 20
Software	14 - 100

G.4 Tangible fixed assets

Tangible fixed assets are measured at cost, less linear 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 'company buildings' category.

The following depreciation percentages are used:

Land	Nil
Company buildings	3 – 12½
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 debts are converted at the exchange rate on the balance sheet date. Any resulting exchange differences are recognised in the profit or loss. Since the Group only has participations in the Netherlands and Belgium, it is not exposed to a currency risk. How derivatives are recognised is described in the following.

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 debts.

Derivatives

Up to the end of the financial year, the Group used derivatives to hedge currency and interest risks ensuing from operating and financing activities. As of the balance sheet date, the Group has no more derivatives and the hedging reserve has been released.

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 produced by revaluation to fair value are immediately recognised in the statement of profit or loss, unless they are used for a cash flow hedge. 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.

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 in the shareholders' equity (through the total profit or loss). This item is transferred to the statement of profit or loss in the same period or periods in which the underlying liability affects the profit or loss. The non-effective part of gains or losses (if applicable) is recognised immediately.

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 used, meaning that the currency difference will be recognised in the profit or loss.

H.3 Other operating income

This includes rental income from property and book profit or loss on 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

Costs are broken down into categories for specification. The same category structure 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 contributions to defined contribution pension plans are recognised in the statement of 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 pension plans

The Group currently does not have any defined pension 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 (Green Blood Certificates) are awarded on the condition of continuation of service. The fair value of share options is charged to the profit or loss over the term of the share option rights using the linear method. Profits on share options are paid out entirely in shares. These shares are subsequently locked up for a period of one year for employees and four 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.

Government facilities in respect of employee expenses

Financial concessions from the government in connection with COVID-19 to compensate the payroll bill are deducted from the employee expenses.

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 the statement of 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 concern income tax payable for the financial year, as well as movements in deferred taxation, 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 created 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 property 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 commitments, 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 remain in keeping 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 than that.

The lease liability is initially measured on the basis of the present value of future cash flows, in which the discount rate is derived from the incremental borrowing rate[1) following which the expired lease instalments are deducted. 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 revision of the lease, upon termination of the lease or upon renewal of the lease.
The Group has chosen to take advantage of the practical expedient of recognising rent concessions that take place as a direct consequence of the COVID-19 pandemic as if they were not rent adjustments. 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 agreements 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 other things, subleases for property 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 sale value under normal circumstances, less costs to sell. The measurement includes internal distribution 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 using the ECL model. If there is no reasonable expectation that doubtful debts will be paid, they are written off.

---

1) The interest rate at which the lessee would have been able to borrow the amount needed to purchase the asset with an equivalent term and equivalent security at the time of entering into the lease.

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 of will initially be allocated to goodwill and subsequently to the remaining assets and liabilities on a pro rata basis, on the understanding 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 repayable on demand 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 to Income Taxes.
The provision for employee benefits is detailed in the note to Employee Benefits. 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 dominant control. Subsidiaries are included in the consolidation in their entirety. Sligro Food Group N.V. is the holding company for the following wholly-owned subsidiaries:

Sligro Food Group International B.V., Veghel

- **Sligro Food Group Nederland B.V., Veghel**
- Sligro B.V., Veghel
- De Dis B.V., Amsterdam (86%)
- Van Hoeckel B.V., 's-Hertogenbosch
- Bouter B.V., Zoetermeer
- Tintelingen B.V., 's-Hertogenbosch
- 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-ISPC Belgium N.V., Rotselaar**
- Océan Marée N.V., Anderlecht

The effectiveness of the Group's legal structure is assessed on an annual basis, whereby simplicity is the primary criterion. The subsidiary EMTÉ Vastgoed B.V. merged with Sligro Food Group Nederland B.V. in the 2020 financial year.

Associates are entities where the Group has significant influence over the financial and operating policy, 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

The organisational structure of the Group mirrors its international ambitions. A distinction is made in the results between the segments in the Netherlands and Belgium. Segments are reported in line with internal reporting to the Chief Operating Decision Maker (CODM). The Executive Board has been identified as the highest-placed officer (CODM) and is responsible for the allocation of resources and the audit of the segments' performance. The internal reports and KPIs perfectly match the accounting policies used for the consolidated financial statements.

K. Earnings per share

The Group presents both basic and diluted earnings per share (EPS). Net earnings per ordinary share are calculated based on the dividend payable to the Group's shareholders, divided by the weighted average number of ordinary shares in issue during the reporting period. To calculate diluted earnings per share, the dividend payable to shareholders and the weighted average number of ordinary shares in issue during the reporting period are adjusted 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

The beer and cider operations in De Kweker's delivery service were sold to Heineken in October 2020 for the sum of €1 million.

2. Segment reporting

Our organisational structure mirrors our international ambitions. We now have a management team and local operations and sites in the two segments of the Netherlands and Belgium. These segments are defined on the basis of their geographical location, given the importance of maintaining relationships with customers and understanding local market conditions.

The Netherlands segment includes the cash-and-carry and delivery service operations under the trademarks Sligro, De Kweker and Van Hoeckel, as well as the specialist production companies for convenience SmitVis and Culivers, Bouter institutional kitchens, and Tintelingen Christmas gifts.

The Belgium segment includes the cash-and-carry and delivery service operations under the trademarks Sligro-ISPC, JAVA Foodservice and 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 operating profit 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 operating 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 the financial information in the financial statements.

Segmentation

	Netherlands		Belgium		Group	
x € million	2020	2019	2020	2019	2020	2019
Net sales[1]	**1,777**	**2,166**	**169**	**229**	**1,946**	**2,395**
Other operating income	4	13	0	0	4	13
Total income	**1,781**	**2,179**	**169**	**229**	**1,950**	**2,408**
Gross operating result (EBITDA)	**78**	**130**	**(3)**	**(3)**	**75**	**127**
Depreciation and amortisation[2]	(81)	(73)	(70)	(10)	(151)	(83)
Operating profit (EBIT)	**(3)**	**57**	**(73)**	**(13)**	**(76)**	**44**
Financing income and expenses	(8)	(6)	(1)	(1)	(9)	(7)
Share in the result of associates	7	5			7	5
Income taxes	1	(11)	7	3	8	(8)
Profit (loss) from continuing operations	**(3)**	**45**	**(67)**	**(11)**	**(70)**	**34**
Total assets	**1,086**	**1,246**	**112**	**209**	**1,198**	**1,455**
Segment liabilities	552	631	54	87	606	718
Non-allocated liabilities					592	737
Total liabilities					**1,198**	**1,455**
Net invested capital[3]	745	775	57	127	802	902
Net interest-bearing debts, provisions and associates					(370)	(402)
Group capital					**432**	**500**
Employee expenses	198	237	32	38	230	275
Employees[4] (FTEs)	3,569	3,557	547	543	4,116	4,100
Investments	62	122	3	7	65	129
Divestments	(49)	(44)	(3)	(0)	(52)	(44)

---

[1] Transfers between segments amounted to €17 million (2019: €11 million) from the Netherlands to Belgium.

[2] Including impairments.

[3] Less free cash and fair value of derivatives.

[4] 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 operations is as follows:

	Netherlands		Belgium		Group	
x € million	2020	2019	2020	2019	2020	2019
Deliveries of goods	1,751	2,130	169	229	1,920	2,359
Deliveries of services	26	36	0	0	26	36
	1,777	**2,166**	**169**	**229**	**1,946**	**2,395**

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

4. Other operating income

x € million	2020	2019
Rental income	1	2
Book result on sale of tangible fixed assets	2	3
Other non-recurring results	1	8
	4	**13**

Book profit of €1 million from the sale of part of a building in Amersfoort is recognised under extraordinary profit in 2020. In addition, the cash-and-carry service site in Drachten was sold and leased back under a long-term contract. The selling price was €8 million higher than the carrying amount, of which €1 million is recognised as book profit on the sale of tangible fixed assets. The remaining €7 million will be recognised in the profit or loss during the term of the rental contract.

The other extraordinary profit in 2019 comprises a fee of €5 million for services up to mid-2019 agreed with the buyers in connection with the sale of EMTÉ and the book profit of €3 million on the sale of Niels de Veye. Book profit on the sale of tangible fixed assets in 2019 relates to buildings sold that were no longer in use by the Group (or not in the short term).

5. Employee-related items

5.A Employee expenses

Employee expenses break down as follows:

x € million	Notes	2020	2019
Salaries		170	172
Social security costs		30	32
Premiums for defined contribution plans		14	14
Insourced staff and temporary agency workers		26	43
Other employee expenses	5.C	12	14
NOW wage subsidy scheme	5.D	(22)	
		230	**275**

During 2018 and 2019, 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 totalling €17 million. These restructuring costs comprise charges for contract cancellations, consultancy fees and severance pay for employees, and are recognised under other employee expenses. Part of the provision was released in 2020 and 2019, mainly because employees took on a different position within the Group. On balance, a provision of €1 million remained at year-end 2020 for payments that will be made in 2021.

During the financial year, plans were made and announced to cease the Océan Marée operations in Belgium, for which provisions amounting to €2 million were formed, mainly for employee redundancies.

Movements in the restructuring provision can be shown as follows:

x € million	2020	2019
Opening balance	8	16
Additions	3	4
Withdrawals	(5)	(8)
Release	(3)	(4)
Closing balance	**3**	**8**

5.B Employee benefits provision

This provision relates to service anniversary schemes and can be broken down as follows:

x € million	2020	2019
Opening balance	2	2
Benefits	(0)	(0)
Additions	0	0
Actuarial result (also result for financial year)	0	0
Closing balance	**2**	**2**

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

Other employee expenses includes the costs for share option schemes. The Group runs two schemes under which share options are awarded to employees. The second scheme no longer applies to new allocations from 2020.
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 four-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 strike 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. The peer group test led to a factor of 0% for 2020 (2019: 150%), which meant there was no allocation in 2020.

Depending on their job category, the other members of the target group receive 50% or 25% of the share options awarded to Executive Board members. No shares were allocated to these members in 2020. 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 four 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.
Up to 2019, this was paid out in the form of Sligro Food Group shares (50% of the profit share) and four-year share options conditional on continuation of employment which could not be exercised before the end of the four-year term (50% of the profit share). Any profits on options (after taxation) were paid out entirely in Sligro Food Group shares, These shares were subsequently (once again) locked up for one year.
As of 2020, the scheme has been reviewed and profit sharing – assuming the prevailing criteria are met – will be awarded entirely in the form of shares, which will be locked up for a period of five years.

The strike price is the first ex-dividend price after allocation. The fair value of share options is charged to the profit or loss over the term of the share option rights using the linear 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	2020	2019
Opening balance	1,431,586	1,026,390
Exercised	0	0
Buyout	(7,449)	(41,372)
Lapsed	(263,523)	(231,168)
Voided on account of termination of employment	(145,543)	(112,952)
Granted	0	790,688
Closing balance	**1,015,071**	**1,431,586**

The share options al located in 2016 have not been exercised and have therefore been voided, because the actual price on the strike date was lower than the strike price. No options were issued in 2020.

Share options in issue at year-end 2020 break down as follows:

	Term	Strike price	Number
24 March 2017	1 April 2021	34.65	220,854
23 March 2018	1 April 2022	44.10	140,319
22 March 2019	1 April 2023	31.50	653,898

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 €0.0 million for the allocation in March 2020 (2019: €1.9) over the full four-year term. Costs recognised in 2020 relating to the current option series total €1 million (2019: €1).

5.D NOW and TWO wage subsidy schemes

In the Netherlands, the Group as a whole took advantage of the Dutch temporary wage subsidy scheme (NOW 1.0) in the first period and in the third period (NOW 3.1).

The wage subsidies from NOW 1.0 amounting to €13 million and from NOW 3.1 amounting to €9 million have been deducted from employee expenses.

Under the NOW 1.0 scheme, advance payments of €15 million were received as wage subsidies from March to May 2020 inclusive on the basis of the expected 46% drop in sales calculated in March for the period from April to June 2020. Due to the actual drop in sales of 33%, we expect to repay €2 million in 2021.

Under the NOW 3.1 scheme, advance payments of €4 million were received at year-end as wage subsidies for October to December 2020 inclusive on the basis of the expected 26% drop in sales calculated in November for the fourth quarter of 2020. Due to the actual drop in sales of 26%, we are expecting to receive a total wage subsidy of €9 million for this period. The wage subsidy under the NOW 3.1 scheme still to be received as at financial year-end is therefore €5 million.

The definitive application for both NOW 1.0 and NOW 3.1 including the auditor's report will be submitted in the 2021 financial year.

In Belgium, the Group took advantage of the Belgian wage subsidy scheme TWO. This resulted in lower salary costs and social security costs amounting to €4 million. This form of support sees the Belgian government pay part of the employee expenses directly to the employee. This means that, rather than a wage subsidy, this is a reduction of the salary costs and social security costs.

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 Group staff members. Remuneration of Executive Board members in office in 2020 that was charged to the profit amounted to €1,276 thousand (2019: €1,367).

The COVID-19 outbreak affected the Group's operations. In response to this, the Executive Board decided not to take the short-term and long-term bonuses awarded to them for 2019. For the same reason and in line with the conditions attached to NOW 3.1, the Executive Board will not take its short-term and long-term bonuses for 2020.

The remuneration can be broken down as follows:

x €1,000	Koen Slippens 2020	Koen Slippens 2019	Rob van der Sluijs 2020	Rob van der Sluijs 2019	Total 2020	Total 2019
Fixed pay	546	533	475	464	1,021	997
Short-term bonus[1]	0	0	0	0	0	0
Long-term bonus[1]	0	0	0	0	0	0
Pension premium and compensation	149	149	86	82	235	231
Value of options	0	59	0	58	0	117
Statutory social security costs	10	11	10	11	20	22
Total	**705**	**752**	**571**	**615**	**1,276**	**1,367**

There is one bonus scheme for the Executive Board that offers both a short-term cash bonus and a long-term bonus in the form of shares. The short-term and the long-term component of the variable remuneration are structured identically. Half of the variable remuneration depends on the extent to which the annual budgeted profit target set by the Supervisory Board has been achieved and the other half depends on specific, short-term targets set annually by the Supervisory Board on the recommendation of the Remuneration and Appointments Committee. The short-term and long-term bonuses are both awarded based on performance in the year in question, albeit that quality-related targets have a longer horizon, as they are linked to programmes that contribute to the company's long-term strategy and value creation. Bonuses are paid out in the following year.

When 100% of the 'at-target' level is met, a short-term bonus is paid out in cash, amounting to 30% of the fixed salary, as well as a long-term bonus of 30% of the fixed salary, which (after deduction of tax) must be used to purchase Sligro Food Group shares. These shares are locked up for a period of five years (four years up to 2019).

The net profit target and other targets were set based partly on remuneration scenario analyses. Each percentage point by which the actual profit falls short of the profit target reduces both the short-term and long-term component of the bonus by 1.5 percentage points. No bonus will be paid if the actual profit is below 90% of the target.

Each percentage point by which the actual profit exceeds the profit target increases both the short-term and long-term component of the bonus by half a percentage point. Although there is no cap on the amount by which the target can be exceeded, there is a dampening effect.
The combination of ambitious targets, correction for excessive one-off items and the dampening mechanism when the target is exceeded has i n the past never led to extensive exceeding (>10%) of the bonuses.

Quality targets have been set for 2020 for which the bonus percentage is determined proportionately on the basis of achieving:

1. SAP implementation on course, go-live of the first Minimum Viable Product (MVP) version in Antwerp in 2020.
2. Heineken integration on course, one order, one delivery, one invoice possible by the end of 2020.
3. Integration of De Kweker cash-and-carry in 2020 and preparations completed for the integration of the delivery services in Q1-2021.
4. Roll-out of the People Strategy and implementation of various initiatives for people & teams, culture, leadership and organisation resulting in a positive development of employee engagement in line with StakeholderWatch.

---

[1] The bonuses amounting to €80,000 earned in 2019 by Mr K. M. Slippens and €75,000 earned by Mr R. W. A. J. van der Sluijs were not paid. In our press release of 19 March 2020, we outlined the impact the coronavirus outbreak is having on Sligro Food Group's operations. In response to this, the Executive Board decided not to take the short-term and long-term bonuses awarded to them for 2019.

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.C. 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.

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

Shares

x 1	Koen Slippens	Rob van der Sluijs
Opening balance	107,402	9,920
Purchase		2,080
Sale		
Closing balance	**107,402**	**12,000**

Options

x 1	Koen Slippens	Rob van der Sluijs
Opening balance	34,700	34,700
Lapsed	(7,800)	(7,800)
Granted		
Closing balance	**26,900**	**26,900**

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

Options

x 1	Exercise price	Koen Slippens	Rob van der Sluijs
Valid through to 1 April 2021[1]	34.65	5,800	5,800
Valid through to 1 April 2023[1]	31.50	21,100	21,100
Closing balance		**26,900**	**26,900**

In addition to the above, members of the Executive Board also receive an expense allowance, as well as a kilometre allowance for driving a private car for business purposes. The breakdown of these allowances is as follows:

x €1,000	Koen Slippens		Rob van der Sluijs	
	2020	2019	2020	2019
Expense allowance	8	8	8	8
Kilometre allowance	24	30	18	25

Executive Board and Supervisory Board remuneration is not charged to subsidiaries.

Supervisory Board remuneration

The annual remuneration for the chairman of the Supervisory Board amounted to €58 thousand (2019: €58), while the other Supervisory Board members were paid €40 thousand (2019: €40). The remuneration for the Supervisory Board member who stood down in 2020 was €18 thousand. The remuneration for the new Supervisory Board member who joined in 2020 was €22 thousand. Supervisory Board members also received compensation for attending Supervisory Board meetings amounting to €37 thousand (2019: €35). Supervisory Board chairman and member remuneration does not depend on the company's results. Total remuneration amounted to €255 thousand (2019: €253).
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.

---

[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.

7. Audit fees

Recognised in the general costs, fees paid for the audit of the financial statements totalled €725 thousand in 2020 (2019: €730).
This decrease is partly due to one-off costs incurred for the integration of acquisitions (De Kweker) and the implementation of new accounting standards in 2019. The fees for 2020 include an amount of € nil in additional costs relating to the audit from the previous financial year (2019: € nil).
Other assurance-related services consist mainly of other activities, including audits for customer-related arrangements and the NOW[1] schemes, which the Group took advantage of in the Netherlands in 2020. The auditor charged €125 thousand for this in 2020 (2019: €40). The auditing firm is not engaged for consulting services.

Audit fees break down as follows:

	2020		2019	
x € million	Deloitte Accountants B.V.	Deloitte network	Deloitte Accountants B.V.	Deloitte network
Audit of the parent company's financial statements	612		645	
Audit of subsidiaries		113		85
Subtotal of consolidated financial statements	**612**	**113**	**645**	**85**
Other assurance-related services	125		16	24
	737	**113**	**661**	**109**

8. Financing income and expenses

x € million	2020	2019
Finance income	**0**	**0**
Financing expenses on leases	(4)	(3)
Financing expenses on other financial liabilities	(5)	(4)
Finance costs	**(9)**	**(7)**

---

[1] Temporary wage subsidy (NOW).

Financing income concerns income from loans granted to customers and late charges paid by customers, as well as interest on prepaid tax. Financing expenses relating to other financial liabilities concern interest costs on debts to credit institutions and costs of adapted loan agreements entered into this year with financiers to cover the temporary broadening of covenants.

9. Taxation

9.A Taxation (income tax)

Contributing towards society by paying taxes in line with the (statutory) 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 tax payable or receivable on it) 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. A few years ago, we in fact formalised this liaising with the tax authorities in the Netherlands in a covenant for Horizontal Monitoring with the Dutch Tax and Customs Administration. In 2020, the Horizontal Monitoring covenant was replaced by the Individual Monitoring plan, which includes mutual agreements on how to ensure a transparent relationship. This covenant 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. The Individual Monitoring plan for 2020/2021 was finalised in January 2021. The Group does not expect this to involve material changes to the cooperation between the Group and the Dutch Tax and Customs Administration.

Although the concept of Horizontal Monitoring and the Individual Monitoring plan do 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 participations, 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 Group is in talks with the Dutch and Belgian tax authorities about the MLC (Multilateral Control) and BAPA (Bilateral 'Advanced Pricing Agreement') in order to balance the agreements on transfer pricing relating to both the past and the future for all parties involved. We consider it highly likely that we will reach agreement with the Dutch and Belgian tax authorities.

The Dutch and Belgian tax systems differ in how they treat profit in the financial statements and the profit on which tax is payable/receivable. These differences arise partly as a result of the difference in the measurement of intangible fixed assets, tangible fixed assets, right-of-use assets and liabilities, inventories, provisions, investment-related tax credits and 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	2020	2019
Payable/receivable for financial year	(3)	8
Prior-year corrections	(1)	(2)
Liability/receivable for financial year	**(4)**	**6**
Tax recognised directly in comprehensive income: change in long-term loan cash flow hedge		0
Change in and release from deferred tax liabilities	(4)	2
Tax expense/income from continuing operations	**(8)**	**8**

The tax expense from continuing operations item does not include the tax expense from discontinued operations, which amounts to € nil (2019: € nil); this amount is recognised under the item ‘Profit from discontinued operations, after tax’ (see Note 10).

The tax expense per share breaks down as follows:

x € million	2020	2019
Tax expense/income per share from continuing operations	(0.17)	0.18
Tax expense/income per share from discontinued operations		(0.01)

9.B Effective tax rate

The effective tax rate can be explained as follows:

x € million	2020	2019
Pre-tax profit (loss)	**(78)**	**42**
Nominal tax rate (Netherlands 25.0%, Belgium 25.0%)	(19)	11
Prior-year corrections	(1)	(2)
Energy-saving investment and similar tax credits	(0)	(2)
Change from deferred tax liabilities	3	1
Untaxed profits	10	(0)
Other, including tax breaks and non-deductible amounts, untaxed profits of associates	(1)	0
Effective tax rate 9.6% (2019: 18.5%)	**(8)**	**8**

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 corrections from prior years are recognised in the current financial year. The €(1) million correction from prior years made in 2020 relates to the whole of 2019.

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 an amendment to the law to gradually lower the nominal corporation tax rate from 25% to 20.5% over the coming years. The rate for 2020 was 25% and from 2021, it was to be 21.7%. However, this amendment was reversed in December 2020; the rate will remain at 25% for the coming years. This has led to an increase of €3 million in deferred tax liabilities.

The untaxed profits item relates to goodwill impairment in Belgium, which is not part of taxable profits.
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 equity participation plan, and non-deductible consulting fees incurred in relation to acquisitions.

9.C Income tax receivables and liabilities

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

x € million	2020	2019
Receivables	1	3
Lliabilities	(1)	0
Net closing balance	**0**	**3**

As at year-end 2020, all Dutch wholly-owned subsidiaries are included in the tax entity for corporation tax purposes, meaning that taxes are levied as if it concerned one single company. This also means that all companies in the tax entity are liable for the entity's tax debt. The balance as at the end of the financial year relates to the financial year in question.

9.D Deferred tax assets and liabilities

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

x € million	2020	2019
Deferred tax assets	2	0
Deferred tax liabilities	(22)	(26)
Net closing balance	**(20)**	**(26)**

The deferred tax assets and liabilities can be broken down as follows:

	2020		2019	
x € million	Receivable	Liability	Receivable	Liability
Intangible fixed assets		9		15
Tangible fixed assets		22		16
Right-of-use assets		54		39
Lease liabilities	60		41	
Inventories		1		1
Other	6		4	
Closing balance	66	86	45	71
Net liability as at the end of the financial year		**20**		**26**

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 property, for which fiscally specific rules are used. Furthermore, the Other item includes a deferred tax asset of €6 million (2019: €3) relating to loss compensation in Belgium, which in light of the MLC outcomes is expected to be recouped in the Netherlands.

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	2020	2019
Net liability as at the beginning of the financial year	26	25
Acquisitions		7
Release added to profit (loss)	(4)	2
Change during financial year	(4)	(8)
Prior-year change	3	0
Transfer from/to liabilities relating directly to assets held for sale	(1)	0
Net liability as at the end of the financial year	**20**	**26**

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

10. Profit (loss) from discontinued operations, after tax

The corresponding figures in the statement of profit or loss show discontinued operations separate from continuing operations. 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 a bad way 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
Net sales	13
Other operating income	0
Costs	(14)
Net result on sale of discontinued operations	0
Pre-tax profit (loss)	**(1)**
Income taxes	0
Profit (loss) from discontinued operations, after tax	**(1)**

x €1	2019
Basic earnings (loss) per share from discontinued operations	(0.03)
Diluted profit (loss) per share from discontinued operations	(0.03)

11. Cash flows from discontinued operations

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

12. Goodwill and other intangible fixed assets

Movements in this item can be broken down as follows:

x € million	Goodwill	Other intangible fixed assets			
		Places of business, customer relation-ships, trademarks and other	Software	Assets in progress[1]	Total
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
Cost	168	180	52	27	259
Cumulative amortisation		(52)	(44)		(96)
Balance as at 28 December 2019	**168**	**128**	**8**	**27**	**163**
Investments			7	19	26
Divestments			0		0
Acquisitions					0
Transfers			6	(6)	0
Amortisation		(12)	(9)		(21)
Impairments	(43)	(18)	(1)		(19)
Total changes	(43)	(30)	3	13	(14)
Cost	168	180	65	40	285
Cumulative amortisation and impairment	(43)	(82)	(54)		(136)
Balance as at 31 December 2020	**125**	**98**	**11**	**40**	**149**

---

[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 places of business, customer relationships and trademarks can be broken down as follows:

x € million	2020	2019
Intangible fixed assets relating to acquisitions1)		
Customer relationships	75	102
Places of business	14	15
Trademarks	9	11
	98	**128**
Intangible fixed assets not relating to acquisitions		
Software	11	8
Assets in progress	40	27
	51	**35**
Closing balance	**149**	**163**

The Group makes a distinction between two cash-generating units: the Netherlands and Belgium. Note 2 contains more details of the organisational structure and segments that these units are based on.

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.

In connection with the impact of COVID-19 on the Group's net sales and results, an assessment was made as at 30 June 2020 concerning whether a recalculation of the realisable value might lead to impairments. Headroom was limited for the Belgium cash-generating unit at year-end 2019 and the impact of COVID-19 was significant. The recalculation of the realisable value led to the conclusion that there was evidence of impairment.

The assumptions underlying the calculation of the realisable value concern the discount rate and the terminal growth rate. Other key assumptions were: 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 next five years. Given the uncertainty surrounding the development of COVID-19 in mid-2020, we envisaged three possible scenarios for these assumptions.

On the back of the easing of restrictions in mid-2020 and the news about regional and global expectations about the development of COVID-19, the Group drew up estimates as realistically as possible for the various scenarios.
For the longer term, the Group continues to assume that net sales in Belgium will grow faster than the market. However, the further set-up and the partial transfer of net sales from the Netherlands to Belgium have been delayed due to recent COVID-19 developments.

These assumptions are the following:

Belgium segment
Assumptions used

			Mid-2020	**Year-end 2019**
As %	(1) Base scenario	(2) Upwards	(3) Downwards	Applied
Tax discount rate	8.9	8.9	8.9	7.8
Terminal growth rate	0.0	0.0	0.0	0.0
Net sales growth	5.4	6.7	4.6	5.1
Gross margin percentage improvement (% point)	0.4	0.4	0.3	0.5
EBITDA percentage improvement (% point)	1.5	1.5	1.4	1.5
WACC	6.7	6.7	6.7	5.8
Weighting of the scenario	70.0	15.0	15.0	100.0

1) The breakdown of intangible assets related to acquisitions in the comparable figures as at the end of the 2019 financial year has been adjusted with respect to the 2019 financial statements.

The pre-tax discount rate used is derived from the weighted average cost of capital (WACC). The WACC is calculated by a professional external party, using parameters based on a peer group and market data. The risk-free interest rate used in determining the WACC is 0.0%. In line with this rate, a terminal growth rate of 0% was used. Estimated EBIT growth is expressed as the compound annual growth rate as a percentage of net sales over the 5-year period covered by the projections used. The conclusion drawn from this calculation is that, as at 30 June 2020, the realisable value of the Belgium cash-generating unit was lower that the net invested capital and therefore an impairment of €60 million has been recognised, comprising €43 million in goodwill and €17 million in customer relations.

The goodwill is distributed across the segments as follows:

Cash-generating unit

x € million	**2020**	**2019**
Netherlands	125	125
Belgium	0	43
Closing balance	**125**	**168**

The realisable value of both the Netherlands and Belgium cash-generating units were reassessed at year-end 2020. The going-concern assumption was used when measuring the assets. Given the Group's current liquidity and solvency, it sees no reason to assume that it will be unable to continue its operations in the foreseeable future. This assessment is based on the realised operating profit (EBIT) of the past year, the budget for the coming financial year, and projections for the 2022-2025 period, which are based partly on empirical figures. In addition, the Group has taken note of the current situation as regards regional and global expectations for the development of COVID-19 and has based its estimates on them as realistically as possible. The assumption is that it will take until year-end 2022 until operations in all customer sectors have fully recovered and, by extension, until net sales have reached the level the Group would have achieved without COVID-19.

The assumptions are the following:

Assumptions used at year-end 2020

As %	**Netherlands**	**Belgium**
Tax discount rate	8.9	9.5
Terminal growth rate	0.0	0.0
Net sales growth	8.4	11.7
Gross margin percentage improvement (% point)	0.5	0.2
EBITDA percentage improvement (% point)	0.7	2.2
WACC	6.7	7.1

The conclusion drawn based on this calculation is that, compared to the impairment that took place in mid-2020 for the Belgium cash-generating unit, the realisable value of both cash-generating units will exceed the net invested capital and therefore an impairment will not be recognised. The headroom for the Belgium cash-generating unit is €30 million compared to the net invested capital of €57 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 appear from 2022 on.

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 measurement of future cash flows.

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.

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

Assumptions for 2021-2025

As %	Applied	Nil headroom scenario
Net sales growth	11.7	5.0
WACC	7.1	9.8

Software impairments

The €1 million impairment concerns decommissioned software in relation to the new online platform that the Group has taken into use.

13. Tangible fixed assets

Movements in this item can be broken down as follows:

x € million	Land and buildings	Machinery and equipment	Other fixed operating assets	Assets in progress	Total
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
Cost	431	68	201	28	728
Cumulative depreciation	(164)	(48)	(154)		(366)
Balance as at 28 December 2019	**267**	**20**	**47**	**28**	**362**
Investments	19	3	16	1	39
Divestments	(48)	0	(1)	(3)	(52)
Acquisitions					0
Transfers	21	2	2	(25)	0
Depreciation	(18)	(7)	(23)		(48)
Impairments					
Transfers from assets held for sale	(2)				(2)
Total changes	(28)	(2)	(6)	(27)	(63)
Cost	405	71	185	1	662
Cumulative depreciation	(166)	(53)	(144)	0	(363)
Balance as at 31 December 2020	**239**	**18**	**41**	**1**	**299**

Several material divestments were made in recent years, including the sale and lease back of the delivery service site in Deventer in 2019, and those in Maastricht, Breda and Drachten in 2020. These transactions were planned as part of the Heineken integration process. Three of these four delivery service sites were new developments in 2019 and 2020. These divestments should also be viewed in light of increased investment spending in recent years.

Assets in progress

The Group is constantly in the process of acquiring, expanding or improving cash-and-carry and delivery service sites. After completion of a project, assets in progress 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	2020	2019
Land	54	70
Buildings	114	130
Freehold land and buildings	**168**	**200**
Rented property premises	3	3
Rented property refurbishments/extensions	68	64
Rented property and premises	**71**	**67**
Closing balance	**239**	**267**

The land covers a total surface of 685,000m^2 (2019: 849,000m^2), of which 288,000m^2 is used for the central complex (2019: 288,000m^2).

Breakdown of buildings

	Number		GFA[1]		Carrying amount (x € million)	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Cash-and-carry sites	28	28	190	190	96	102
Delivery service sites	1	3	13	44	10	31
Production sites	2	2	10	10	5	5
Central complex	1	1	139	140	53	56
Decommissioned assets	2	2	13	6	1	3
Other	2	2	5	5	3	3
Financial year-end	**36**	**38**	**370**	**395**	**168**	**200**

14. Right-of-use assets and lease liabilities

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

x € million	Company buildings	Other operating assets	Total
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**
Cost	272	5	277
Cumulative depreciation	(100)	(1)	(101)
Balance as at 28 December 2019	**172**	**4**	**176**
Additions	44	1	45
Renewals	15	0	15
Terminations		(0)	(0)
Depreciation	(18)	(2)	(20)
Total changes	**41**	**(1)**	**40**
Cost	332	6	338
Cumulative depreciation	(119)	(3)	(122)
Balance as at 31 December 2020	**213**	**3**	**216**

The lease liabilities have the following term:

x € million	2020	2019
Non-current lease liabilities	218	174
Current lease liabilities	19	15
Closing balance	**237**	**189**

The total outflow of cash was:

x € million	2020	2019
Lease liabilities paid	23	18
Finance costs	4	3
Closing balance	**27**	**21**

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

x € million	2020	2019
Under one year	19	15
One to five years	75	65
Over five years	143	109
Contractual future lease liabilities	**237**	**189**

The statement of profit or loss contains the following items:

x € million	2020	2019
Financing expenses under leases	(4)	(3)
Variable lease expenses not recognised in lease liabilities	1	(1)
Income from subleases	(1)	0
Costs of current leases	1	(4)
Costs of low-value leases	1	(1)
COVID-19-related reductions in rents	(0)	

---

[1] Gross floor area x 1000m².

In 2020, the Group received a few hundred thousand euros in rent concessions in relation to the consequences of the COVID-19 pandemic. In line with IFRS 16, these concessions were recognised in the profit or loss immediately.

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

x € million	2020	2019
Under one year	1	1
One to five years	1	1
Over five years	1	0
Contractual future income from subleases	**3**	**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 €22 million (2019: €20). The impact on EBIT and EBITDA is not material.

15. Investments in associates and other financial fixed assets

x € million	2020	2019
Associates	**54**	**50**
Other financial fixed assets		
Receivables from associates	2	1
Loans to customers	4	7
Financial subleases	2	2
Closing balance	**8**	**10**

Associates

The associates can be broken down as follows:

Stake as at financial year-end	2020	2019
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		

Measurement 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 were as follows:

x € million	2020	2019
Opening balance	50	53
Investments/divestments	(0)	(3)
Result	7	5
Dividend	(3)	(5)
Closing balance	**54**	**50**

---

[1] Concerns membership of procurement organisation.

The summarised financial details of the associates, based on a 100% stake, as presented in their most recent financial statements (i.e. 2019 and 2018 respectively):

	Spar Holding B.V.		Other associates	
x € million	2020	2019	2020	2019
Assets	104	91	93	97
Liabilities	65	54	78	79
Shareholders' equity as at financial year-end	39	37	15	18
	2020	2019	2020	2019
Net sales	572	503	1,085	1,045
Profit	12	12	(0)	4

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.

16. Inventories

The inventories item breaks down as follows:

x € million	2020	2019
Central Distribution Centre Veghel	61	74
Sites	121	145
Packaging	5	9
Inventories in transit	1	2
Closing balance	**188**	**230**

The measurement of inventories includes a downward revaluation of €6 million (2019: €6).

17. Trade and other receivables

x € million	2020	2019
Accounts receivable	78	173
Suppliers	33	55
Closing balance	**111**	**228**

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

The accounts receivable item includes a downward revaluation of €7 million (2019: €5). This downward revaluation 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. Our customers are under pressure due to the restrictions imposed by the government in connection with COVID-19. This was factored in when determining the risk and downward revaluation.

Movements in this item were as follows:

x € million	2020	2019
Opening balance	5	4
Acquisitions		0
Items written down	(0)	(0)
Added from profit	2	1
Closing balance	**7**	**5**

18. Other current assets

x € million	2020	2019
Contract assets	5	6
Derivatives		9
NOW wage subsidy to be received	3	
Other receivables and prepayments	23	31
Closing balance	**31**	**46**

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 includes a downward revaluation of €0 million (2019: €0).

The NOW wage subsidy still to be received comprises a receivable under NOW 3.1 of €5 million and an advance on NOW 1.0 to be repaid of €2 million. Information on the NOW wage subsidy can be found in Note 5.D.

19. Cash and cash equivalents

x € million	2020	2019
Cash balances	5	8
Free bank balances	8	11
Closing balance	**13**	**19**

20. Assets held for sale

Fixed assets held for sale

Over the financial year, one property in the Netherlands was transferred from tangible fixed assets. The sale process has been started for this property and it is expected to be sold soon.

Three properties in the Netherlands, which had been recognised as assets held for sale, were sold in 2019 and one was reversed to tangible fixed assets.

Movements in this item were as follows:

x € million	2020	2019
Opening balance	0	9
Transfers from operations that will not be continued for the long term	2	0
Transfers to tangible fixed assets		(2)
Impairments		0
Sales		(7)
Closing balance	**2**	**0**

21. 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 31 December 2020, the number of shares in issue and paid up was 44,255,015 (2019: 44,255,015), representing capital of €2,655,300.90 (as at 28 December 2019: €2,655,300.90).

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

x 1	2020	2019
Opening balance	44,108,415	44,143,615
Changes	35,000	(35,200)
Closing balance	**44,143,415**	**44,108,415**
Average number of shares in issue	44,131,748	44,117,215

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. The movement in shareholders' equity is specified in greater detail under Consolidated statement of changes in shareholders' equity.

Share premium

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

Other reserves

An amount of €17 million (2019: €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 participations on the one hand and the part thereof that the parent company could have distributed on the other.

Hedging reserve

This reserve 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. It was released in 2020 upon repayment of the related loan.

Share repurchase reserve

This concerns the purchase value of 111,600 (2019: 146,600) shares repurchased as part of the share option scheme.

Undistributed profit/dividend

The dividend for 2019 was set at €0.55 per share in the General Meeting of Shareholders on 9 June 2020, which equals the interim dividend that was paid out on 30 September 2019. The final dividend for 2019 is nil.

With the approval of the Supervisory Board, the Executive Board announced on 23 July 2020 that, given the results so far for 2020 and the uncertainty about the second half of the year, recovery of the Group's financial position has priority and there are insufficient grounds for paying a dividend for the calendar year 2020.

The total result for the 2020 financial year of €(70) million will be withdrawn from the Other reserves. This proposal has not been recognised on the balance sheet and has no impact on income tax.

22. Earnings per share

x €1	**2020**	**2019**
Basic earnings (loss) per share	(1.59)	0.75
Diluted earnings (loss) per share	(1.58)	0.75
Basic earnings (loss) per share from continuing operations	(1.59)	0.78
Diluted profit (loss) per share from continuing operations	(1.58)	0.78

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

23. Other provisions

x € million	**2020**	**2019**
Long-term	0	0
Short-term	3	8
Closing balance	**3**	**8**

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

24. Borrowings from credit institutions

x € million	Interest	Remaining term (years)	2020	2019
USD 75 million loan (Bullet)	4.15%			67
€30 million loan (Bullet)	1.33%	3	30	30
€40 million loan (Bullet)	1.67%	5	40	40
€70 million loan	Euribor + variable markup	3	40	50
€50 million loan	Euribor + variable markup	3	50	50
Loans			**160**	**237**
Short-term borrowings from credit institutions			18	26
Closing balance			**178**	**263**
Repayment obligations				
Within 1 year				77
Between 1 and 5 years			160	120
After 5 years				40
Closing balance			**160**	**237**

The 4.15% USD loan of $75 million was repaid in December 2020. The cross-currency interest rate swap to manage the interest and currency risk involved in this USD-denominated loan expired on the same 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 December 2020, the bank facility with Rabobank was revised and expanded. The revised facility has a ceiling of €70 million. The Group had already drawn down a €70 million loan under this facility in 2017. This loan has a remaining term of three years and interest on it is paid at a variable Euribor-linked rate of interest. Interim repayments of €30 million in total were made on this loan, putting the remaining debt at €40 million. The remainder will be repaid in full on the maturity date.

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. This sum will be repaid in full on the maturity date.

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 four years. The interest rate is determined on the date of the drawdown. To date, the Group has not used this facility.

Short-term borrowings from credit institutions

As at year-end 2020, the Group has short-term credit facilities available totalling €167 million, of which an amount of €18 million was in use at the end of the financial year. In the first half of the year, Rabobank extended the short-term credit facility from €120 million to €160 million. The €100 million that was not yet committed has now been committed until year-end 2021, and an amount of €60 million is also committed for the subsequent period. Collateral totalling €5 million and guarantees totalling €4 million have been provided for long-term and short-term borrowings from credit institutions.

The Group is required to determine the following ratios for its long-term liabilities and short-term credit facilities:

1. Based on the figures reported in the financial statements on 31 December 2020:

	Condition	Actual
Rabobank: Net interest-bearing debts/EBITDA	< 3.5	5.3
USPP: Net interest-bearing debts/EBITDA	< 3.0	5.3

2. Based on the adjusted figures, on 31 December 2020, 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.

	Condition	Actual
Rabobank: Net interest-bearing debts/EBITDA	< 3.5	2.8
USPP: Net interest-bearing debts/EBITDA	< 3.0	2.8

The method 2 ratios agreed are met. Broader financing conditions were agreed for these covenants with Rabobank and the USPP holders in mid-December 2020. The Group has been given temporary scope to increase the ratio of net interest-bearing debts/EBITDA to 5.5 as of 31 December 2020, and to 4.5 as of 30 June 2021. As of 31 December 2021, the norms in the table must again be met on the basis of current agreements.

25. Other taxes and social security contributions

x € million	2020	2019
VAT, excise duties and waste management charge	22	21
Income tax and social security contributions	15	12
Pension premiums	0	0
Closing balance	**37**	**33**

The Group took advantage of the practical expedient offered by the Dutch government to defer taxation payments of €13 million for the months of November and December 2020.

26. Other liabilities and accruals and deferred income

x € million	2020	2019
Employees	20	21
Customer bonuses	14	25
Packaging	7	9
Loyalty programme obligations		0
Other	28	29
Closing balance	**69**	**84**

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 European Business-to-Business Direct Debits. 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 2020, receivables from food service customers, as recognised under financial assets, amounted to approx. €4 million (2019: €7).

The credit risk the Group is exposed to, particularly in relation to receivables from food service customers, was reassessed in connection with COVID-19 developments.

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

x € million	2020	2019
< 1 month	67	136
1 - 3 months	9	33
3 - 12 months	2	4
> 12 months	0	0
Closing balance	**78**	**173**

At year-end 2020, the Group's receivables from suppliers amounted to €33 million (2019: €55). 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	Average weighted loss percentage	Gross carrying amount	Projected credit loss
2020			
< 1 month	0.16%	67	0
1 - 3 months	1.29%	9	0
3 - 12 months	7.69%	2	0
> 12 months	70.65%	1	1
Doubtful debts	97.73%	6	6
Closing balance		**85**	**7**

x € million	Average weighted loss percentage	Gross carrying amount	Projected credit loss
2019			
< 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**

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, and amount to €1 million as at the end of the year (2019: 0).

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 €161 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	1	364
1 - 5 years	124	
> 5 years	41	
Contractual cash flows	**166**	**364**
Carrying amount as at 31 December 2020	160	364

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 explains the long-term financing and associated interest rate conditions.

Currency risk

The Group has fully hedged the currency risk on loans. The USD 75 million loan and related cross-currency interest rate swap were repaid this financial year, which means that the Group no longer has any foreign currency loans. The Group is exposed to a currency risk on procurement. 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.

---

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

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	(1)
Currency (USD)	1%	0
Wages	1%	(2)
Oil/energy	5%	(1)
Rents	5%	(1)

28. Investment liabilities

At year-end 2020, investment liabilities totalled approx. €7 million (2019: €41). This relates primarily to investments in our delivery network, machinery and equipment, lorries, and hardware and software.

29. Contingent liabilities

Claims

On 13 March 2020, the Group was informed of a claim made against the Group by the Jumbo & Coop consortium in relation to the transaction regarding the sale of EMTÉ in 2018. The consortium argues that, for the purposes of this transaction, an incorrect impression was given of EMTÉ's historical profitability, which led to the results after the acquisition failing to meet the consortium's expectations.

The Group utterly rejects all such accusations. The consortium's statements lack any factual or legal basis. The Group has therefore made no provision for possible financial losses in the future. The Group contested the consortium's claim, providing extensive reasons, in its defence of October 2020. The proceedings on the substance of the case are expected to continue in 2021, but it is unclear when the court of first instance will pass its judgment.

30. 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, particularly in impairment testing on goodwill and other intangible fixed assets. 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 also base this estimate in part 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.

The Executive Board makes judgements when measuring tangible fixed assets during preparation of the financial statements.

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 2020, these items, excluding investments in rented property, amounted to approx. €183 million (2019: €200). 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.

31. 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. 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, as well as the payment received under the NOW wage subsidy scheme. Income tax paid is recognised separately. The following statement shows the reconciliation of cash flow from business operations to the operating result:

x € million	2020	2019
Operating result	(76)	42
Depreciation and amortisation	89	82
Impairments	62	1
EBITDA	**75**	**125**
Other operating income included in cash flow from investing activities	(3)	(6)
	72	**119**
Movements in operating capital and other changes:		
Inventories	40	(3)
Trade receivables and other current assets	126	17
Current liabilities	(141)	1
Provisions	0	0
Equity		1
	25	**16**
Net cash flow from business operations	**97**	**135**

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

x € million	2020	2019
Cash and cash equivalents	13	19
Borrowings from credit institutions	(18)	(26)
Closing balance	**(5)**	**(7)**

Current liabilities are bank overdrafts which are due on call and are an integral part of the Group's cash management.

32. 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 2020, these partnerships and participations represented a total procurement value of €163 million (2019: €208) at prices that were in line with market conditions. At year-end 2020, net trade payables to these companies amounted to €23 million (2019: €35). 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 €2 million (2019: €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 2020, net trade payables to Vemaro amounted to €7 million (2019: €10). 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 2020, the procurement value amounted to €441 million (2019: €587). At year-end 2020, net trade payables amounted to €36 million (2019: €48). Given the nature of these payables, they are recognised under accounts payable. Some companies in the Group were members of the BLOC procurement cooperative until the end of this financial year. In 2020, the procurement value amounted to €1 million (2019: €5). At year-end 2020, net trade payables amounted to €0 million (2019: €0), which are recognised under accounts payable.

Please refer to Note 6 for details of the relationship with members of the Executive Board and members of the Supervisory Board. On balance, 35,000 shares in Sligro Food Group were sold in 2020 (2019: 35,200 bought) from/to Stichting Werknemersaandelen Sligro Food Group at the market rate.

33. 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 2020, the accounts payable item included an amount of €55 million (2019: €91) 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

	2020	2019	2018
Financing income and expenses	0	0	0
Profit (loss) from participations	(70)	33	276
Pre-tax profit (loss)	**(70)**	**33**	**276**
Income taxes	0	0	(0)
Profit (loss) for the financial year	**(70)**	**33**	**276**

Company statement of financial position before profit distribution

x € million	31 December 2020	28 December 2019	29 December 2018
Assets			
Financial fixed assets	432	500	537
Total fixed assets	**432**	**500**	**537**
Total assets	**432**	**500**	**537**

x € million	31 December 2020	28 December 2019	29 December 2018
Liabilities			
Paid-up and called-up capital	3	3	3
Share premium	31	31	31
Other reserves	451	420	214
Statutory reserves	17	13	13
Undistributed profit (loss)	(70)	33	276
Shareholders' equity	**432**	**500**	**537**
Payables to group companies		0	0
Total current liabilities	**0**	**0**	**0**
Total liabilities	**432**	**500**	**537**

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.

Financial fixed assets

x € million	2020	2019
Participations	403	471
Receivables from group companies	29	29
Closing balance	**432**	**500**

Participations

As at year-end 2019 Sligro Food Group N.V. had two wholly-owned subsidiaries: Sligro Food Group International B.V. and Sligro Food Group Nederland B.V.

Sligro Food Group N.V. transferred the Sligro Food Group Nederland B.V. shares to Sligro Food Group International B.V. on 29 June 2020. Movements in this item can be broken down as follows:

x € million	2020	2019
Opening balance	471	498
Result	(70)	33
Share-based payments		1
Net profit recognised directly in shareholders' equity	1	1
Change in own shares	1	0
Dividend		(62)
Closing balance	**403**	**471**

Receivables from group companies

This item includes two loans granted with a total principal of €29 million (2019: €29). This concerns a €25 million loan (2019: €25) with a term through to 1 January 2023 and a €4 million loan (2019: €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 92. 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	2020	2019
Consolidated		
Other reserves	403	473
Hedging reserve		(1)
Share repurchase reserve	(5)	(6)
	398	**466**
Company		
Other reserves	451	420
Statutory reserves	17	13
Undistributed profit (loss)	(70)	33
	398	**466**

Other reserves

Movements in other reserves were as follows:

x € million	2020	2019
Opening balance	420	204
Result on previous reporting period	33	276
Dividend paid		(62)
Change in statutory reserves	(4)	0
Change in cash flow hedge	1	1
Change in own shares	1	1
Closing balance	**451**	**420**

Statutory reserves

The statutory reserves of €17 million (2019: €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.

Employee expenses and number of employees

Sligro Food Group N.V. has no employees. Its employee expenses are nil.

Proposed appropriation of profit

As explained in Note 21 the Executive Board, with the permission of the Supervisory Board, announced on 23 July 2020 that the total result for the 2020 financial year of €70 million would be withdrawn from the Other reserves.

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 101.

As approved for publication, Veghel,

5 February 2021

The Supervisory Board

Freek Rijna, Chairman
Hans Kamps
Pieter Boone
Marianne van Leeuwen
Gert van de Weerdhof

The Executive Board

Koen Slippens, Chairman
Rob van der Sluijs

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 2020 INCLUDED IN THE ANNUAL REPORT

Our opinion

We have audited the accompanying financial statements 2020 of Sligro Food Group N.V. (the Group), 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 31, 2020 (before profit appropriation), and of its result and its cash flows for 2020 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 31, 2020 (before profit appropriation), and of its result for 2020 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 31, 2020.
2. The following statements for 2020: 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 31, 2020 (before profit appropriation).
2. The company statement of profit or loss for 2020.
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 audits of public-interest entities, de Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO) 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 € 3.3 million (2019: € 4 million). The decrease is caused by the effect of Covid-19 on the financial statements of Sligro Food Group N.V., which resulted in a lower profit before taxes. The materiality is based on 4.4% of EBITDA as included and defined on page 8 of the annual report. Prior year materiality was based on 10% of the profit before tax from continuing operations by taking into account non-recurring gains and losses. We believe that the change to EBITDA, also considering the negative result before taxes, results in a materiality level that is appropriate in relation to 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 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 professional judgement and qualitative factors. We have considered the relative size in relation to EBITDA and revenues of the Group. We have 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 have also reviewed the audit files of, and the procedures performed by the component auditor.

By performing the aforementioned procedures 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.

Scope of fraud and non-compliance with laws and regulations within our audit

There is an increased focus on fraud and non-compliance with laws and regulations within the public debate. This section therefore describes the procedures that have been performed by us in relation to fraud and non-compliance with laws and regulations at Sligro Food Group N.V.

In accordance with the Dutch Standards on Auditing, we are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatements, whether due to fraud or error. Non-compliance with law and regulation may result in fines, litigation or other consequences for the Company that may have a material effect on the financial statements.

Consideration of fraud

In identifying potential risks of material misstatement due to fraud, we obtained an understanding of the Group and its environment, including the entity’s internal controls. We have evaluated the Group’s fraud risk assessment which we have discussed with the Executive Board and Audit Committee. We have also made inquiries with other employees within the Group, including the legal counsel and head of the central purchasing department. We evaluated several fraud risk factors to consider whether those factors indicated a risk of material misstatement due to fraud. We have involved our forensic specialists in our risk assessment.

Following these procedures, and the presumed risks under the prevailing auditing standards, we considered the fraud risks in relation to management override of controls, including evaluating whether there was evidence of bias by the Executive Board, the executive leadership team and other members of management, which may represent a risk of material misstatement due to fraud.

As part of our audit procedures to respond to these fraud risks, we evaluated the design and implementation of the internal controls relevant to mitigate these risks. We performed substantive audit procedures, including detailed testing of journal entries, the evaluation of the accounting estimates for bias (including retrospective reviews of prior year’s estimates) and the evaluation of the supporting documentation in relation to post-closing adjustments. The procedures described are in line with the applicable auditing standards and are not primarily designed to detect fraud.

We refer to the audit procedures as described in the separate Key Audit Matters in addressing fraud risks in connection with bonuses and promotional contributions.

Consideration of compliance with laws and regulations
We assessed the laws and regulations relevant to the Company through discussion with the Executive Board and legal counsel and by reading the minutes of management meetings. We have involved our forensic specialists in this evaluation.

As a result of our risk assessment procedures, and while realizing that the effects from non-compliance could considerably vary, we considered adherence to (corporate) tax law and financial reporting regulations, the requirements under the International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and Part 9 of Book 2 of the Dutch Civil Code with a direct effect on the financial statements as an integrated part of our audit procedures, to the extent material for the related financial statements.

We obtained sufficient appropriate audit evidence regarding provisions of those laws and regulations generally recognized to have a direct effect on the financial statements.

Apart from these, the Group is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts and/or disclosures in the financial statements, for instance, through imposing fines or litigation. In addition, we considered major laws and regulations applicable to listed companies.

Our procedures are more limited with respect to these laws and regulations that do not have a direct effect on the determination of the amounts and disclosures in the financial statements. Compliance with these laws and regulations may be fundamental to the operating aspects of the business, to the Group's ability to continue its business, or to avoid material penalties (e.g., compliance with the terms of operating licenses and permits or compliance with environmental regulations) and therefore non-compliance with such laws and regulations may have a material effect on the financial statements. Our responsibility is limited to undertaking specified audit procedures to help identify non-compliance with those laws and regulations that may have a material effect on the financial statements:

(i) Inquiry of the Executive Board and Supervisory Board as to whether the Group is in compliance with such laws and regulations and;
(ii) inspecting correspondence, if any, with the relevant licensing or regulatory authorities to help identify non-compliance with those laws and regulations that may have a material effect on the financial statements.

Naturally, we remained alert to indications of (suspected) non-compliance throughout the audit.

Finally, we obtained written representations that all known instances of (suspected) fraud or non-compliance with laws and regulations have been disclosed to us.

Because of the characteristics of fraud, particularly when it involves sophisticated and carefully organized schemes to conceal it, such as forgery, intentional omissions, misrepresentation and collusion, an unavoidable risk remains that we may not detect all fraud during our audit.

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. Valuation of (in)tangible fixed assets cash generating unit Belgium

Description

Belgium is one out of two cash generating units of Sligro Food Group N.V.

The results in 2020 in Belgium were lower than expected, partially due to the effect of Covid-19. On June 30, 2020, as a result an impairment on Goodwill was recorded amounting to € 43 million. In addition, an impairment of € 17 million was recorded relating to customer relations. The remaining net investment as of December 31, 2020 amounts to € 57 million, which includes € 5 million relating to intangible fixed assets.

The aforementioned resulted in us identifying the valuation of the (in)tangible assets of Belgium as a key audit matter.

The results of the discounted cash flow model that was used to value the cash generating unit was most sensitive to:

- Net sales growth;
- 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 2021 that is approved by the Supervisory Board and the long-term forecast up to 2025.
- 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 2020 taking in to account the impact of Covid-19;
- Assessment of the impairment model, the calculated WACC and the long-term growth percentage, using internal valuation experts.
- Evaluation of the reasonableness of growth assumptions based on backtesting and inspection of external data sources, including market reports.
- Assessment of the anticipated improvement in gross margins in comparison to the realized gross margin in 2020, the expected improvement in the operations and purchase bonus conditions.
- Evaluation of the expected recovery after Covid-19 that was included in the forecast based on external expectation, including an evaluation of different scenario's. The uncertainty of the forecast due to Covid-19 has been disclosed by Sligro Food Group N.V. in disclosure note D and 12.
- The accuracy and completeness of the related disclosures in the annual report.

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.

2. Impact of Covid-19

Description

Covid-19 had a significant impact on the financial year 2020 of Sligro Food Group N.V. The impact can be summarized as follows:

- **Valuation of assets**
  Valuation of inventories and accounts receivable.

- **Government grants and support**
  The Dutch and Belgian government have supported Sligro Food Group N.V. with the partial payment of personnel expenses. In the Netherlands, the grant in relation to the tijdelijke Noodmaatregel Overbrugging Werkgelegenheid (NOW) amounted to € 22 million, which was recorded as a credit in other personnel expenses. In Belgium, the government took over payment of a portion of the salaries and social securities, which resulted in a decrease of € 4 million of personnel expenses during 2020.

- **Financing**
  Anticipating a relatively low result in 2020 (EBITDA) in relation to the total debt of Sligro Food Group N.V., the covenants of the loan agreements relating to the long term debt of Sligro Food Group N.V. have been adjusted and increased during the second half of 2020 for December 31, 2020 and June 30, 2021. This has been disclosed by the company in disclosure note 24.
  Non-compliance of these covenants could result in the financing parties being able to directly collect all open positions.

How the key audit matter was addressed in the audit

Valuation of assets:

The procedures on the valuation of inventory and accounts receivable mainly focused on:

- Obtaining and evaluation the analysis of the provision for inventory obsolescence, including the key estimates included in this analysis.
- Obtaining and evaluating the allowance for doubtful accounts and determining whether excluding certain accounts receivable from this allowance was appropriate as of December 31, 2020.

Government grants and assistance:

The following procedures were performed in relation to the Dutch NOW grant:

- Performing the audit on grant received in relation to NOW 1.0 in line with the protocol that was issued by the Dutch government.
- Recalculation of the grant received in relation to NOW 3.1 and verification of compliance with the additional requirements that have been set for NOW 3.1.

The government assistance in Belgium was addressed as follows:

- Evaluation of the estimated savings by Sligro that resulted from this arrangement.
- Verification of compliance by Sligro (Belgium) with the requirements set out in the TWO.

Financing:

We have performed the following audit procedures in relation to the assessment of the impact of Covid-19 on the financing of Sligro Food Group N.V.:

- Obtaining and evaluating the most recent agreements with the financing parties on the covenants and other relevant loan conditions.
- Obtaining and evaluating the going concern analysis that includes an analysis of compliance with the financing conditions during the forecasted period.
- Evaluation of the process of Sligro Food Group N.V. on preparing the going concern analysis.
- Inquiry of representatives of the key financing parties and the Executive Board of Sligro Food Group N.V., including a discussion on the covenants and various scenarios that could occur and how those would affect the decisions of the key financing parties.
- Evaluation of the forecast relating to revenues, profit before tax and liquidity, including the assumptions and different scenarios relating to the recovery of Covid-19 and the related disclosure note.

Observation

Based on the materiality level and our procedures performed we concur with the estimates of the Executive Board in relation to the valuation of the mentioned assets and the government grants and assistance. 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.

In relation to the financing we concur with management's analysis, which includes the compliance of loan covenants for the coming 12 months following the date of our audit report. Covid-19 will remain a source of uncertainty for Sligro Food Group N.V. in the coming months. This uncertainty has been disclosed in disclosure note D – Going concern.

3. 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. 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 tax is substantial. The final agreements with the suppliers on these contributions are mostly concluded in the year following the year of reporting. This leads to a management estimate in the financial statements. The Company discloses the relevant accounting policies in Note G.2 of the consolidated financial statements.

Sligro Food Group N.V. received various types of compensation from suppliers, which can be divided into 2 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 financial statements is mainly related to the second type of suppliers' bonuses and promotional contributions. Management makes use of a tool to estimate the total bonus amount with a bottom-up method, based on the purchases of the Group and the applicable contractual bonus conditions. The actual bonus that was received in 2020 over 2019 exceeded prior year's estimate by 2.3%.

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 Food Group N.V., internal reviews, contract management and authorizations). Our forensic experts were involved in obtaining an understanding of the entity, including the participation of interviews held with employees of the purchasing department.

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 2019 in 2020 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 resulted from the bonus estimation tool.
- Bonus calculation with focus on the relationship between revenues and receipts during the year and receivables at the end of the year.
- Assessment of realized 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.

Compared to prior year we have not included the key audit matter in relation to IFRS 16, as this key audit matter was specifically aimed at the first time adoption of this new standard.

Emphasis of matter in relation to the claim of the consortium

We would like to draw your attention to page 129 in the notes of the financial statements, where management discloses a 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 the court would rule in the favor of the Consortium, 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 REPORT

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- Executive Board 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 the Executive Board and the Supervisory Board for the financial statements

The Executive Board 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, the Executive Board is responsible for such internal control as the Executive Board 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, the Executive Board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Executive Board should prepare the financial statements using the going concern basis of accounting unless the Executive Board either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The Executive Board 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 the Executive Board.
- Concluding on the appropriateness of the Executive Board'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, February 5, 2021

Deloitte Accountants B.V.

drs. A.J. Heitink RA

Profit distribution 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 overview

x € million1)	2020	2019	2018	2017	2016
Result					
Net sales	1,946	2,395	2,346	2,142	2,813
EBITDA	75	127	114	144	156
EBITA	7	66	73	110	112
EBIT	(76)	44	53	91	87
Profit (loss) from continuing operations	(70)	34	46	76	73
Net cash flow from operating activities	101	132	45	172	153
Free cash flow	67	38	102	98	72
Dividend proposed		24	62	62	57
Capital					
Equity	432	500	537	651	627
Net invested capital2)3)	802	902	675	779	668
Net interest-bearing debts3)	402	424	162	146	60
Total capital	1,198	1,455	1,214	1,347	1,215
Staff					
Annual average (full-time)	4,116	4,100	4,056	3,995	6,571
Workforce male/female ratio	73/27	74/26	74/26	58/42	57/43
Executive Board male/female ratio4)	87/13	83/17	88/12	92/8	100/0
Supervisory Board male/female ratio	80/20	80/20	80/20	80/20	80/20
Employee expenses5)	219	218	209	177	272

	2020	2019	2018	2017	2016
Corporate Social Responsibility					
Carbon reduction since 2010 as %	22.7	27.7	20.9	20.1	17.4
Sustainable product range as % of net sales	10.8	11.6	10.0	8.7	8.2
Customer satisfaction6)	73	73	75		
Employee satisfaction6)	63	56	57		
Supplier satisfaction6)	63	67	63		
Investments					
Net investments7)	13	85	74	59	80
Depreciation and amortisation8)	(58)	(54)	(50)	(45)	(52)
Ratios					
Net sales growth as %	(18.7)	2.1	9.5	7.9	5.4
Profit (loss) growth as %	(304.3)	(25.3)	(39.6)	9.2	(9.1)
Gross margin as % of net sales	24.0	24.4	24.1	23.1	22.9
EBITDA as % of net sales	3.9	5.3	4.9	6.7	5.6
EBITA as % of net sales	0.4	2.8	3.1	5.1	4.0
EBIT as % of net sales	(3.9)	1.8	2.2	4.3	3.1
Profit (loss) as % of net sales	(3.6)	1.4	2.0	3.5	2.6
Net profit (loss) as % of average shareholders' equity	(15.0)	6.4	7.7	12.1	11.9
EBIT as % of average net invested capital	(8.9)	5.0	7.2	12.6	13.5
Net interest-bearing debts/EBITDA10)	2.8	2.2	1.4	1.0	0.4
Shareholders' equity as % of total capital	36.0	34.3	44.2	48.3	51.6
Net sales per employee (x €1,000)	473	584	578	536	428
Employee expenses per employee (x €1,000)	53	53	51	44	41

Details per share with nominal value of €0.06

x €1	2020	2019	2018	2017	2016
Number of shares in issue (x million)	44.1	44.1	44.1	44.0	43.9
Equity	9.78	11.33	12.16	14.80	14.29
Profit (loss)	(1.59)	0.78	1.04	1.73	1.67
Dividend proposed		0.55	1.40	1.40	1.30
Special dividends9)			7.57		

---

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) Excluding associates.

3) Inclusive of IFRS 16 Leases from 2019

4) Concerns the International Board, Dutch Executive Board and Belgian Executive Board.

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

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

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

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

9) 2018: special dividend following sale of food retail.

10) Excluding IFRS 16 Leases.

Profile

Sligro Food Group comprises companies which focus specifically on the food service market in the Netherlands and Belgium, and offer a comprehensive range of food and food-related non-food products and services to the wholesale market.

Netherlands
We are the market leader in the Netherlands where we operate a nationwide network of Sligro cash-and-carry and delivery service wholesale outlets serving large and small 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. Van Hoekel focuses specifically on the institutional market, while Sligro serves all the other segments. We operate 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/De Kweker and Van Hoeckel each have a dedicated commercial organisation focusing on their specific markets, while they make operational use of joint delivery and other shared networks and the back-office organisation.

Belgium
In Belgium, JAVA Foodservice, based in Rotselaar, focuses primarily on the institutional, corporate catering and hotel chain market segments in Belgium. Sligro-ISPC supplies high-quality, innovative food and non-food products to culinary professionals, the rest of the hospitality market, wholesale customers and small and medium-sized enterprises. Sligro-ISPC operates combined cash-and-carry and wholesale delivery service outlets in Antwerp, Ghent and Liege. Sligro-ISPC and JAVA Foodservice both have their own commercial organisation and are increasingly making use of a single joint delivery service structure and 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.

Sligro Food Group has two specialist companies: Bouter for advertising, design, delivery, fitting out and maintenance of professional kitchen layouts, equipment and cooling and freezing technologies. Tintelingen is our business unit for online gift concepts and Christmas gifts. Sligro also sells traditional Christmas hampers.

We offer our customers a selection of around 75,000 food and food-related non-food items, together with numerous services to support our customers' businesses and help them to advance. 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 on a national and international level. 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.

Key dates

Agenda

Scheduled press releases will be published at 7.30am

6 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
5 February 2021	Publication of the annual report
24 February 2021	General Meeting of Shareholders registration date
24 March 2021	General Meeting of Shareholders for 2020 at the company's offices, 10.30am
22 April 2021	First quarter trading update
22 July 2021	2021 interim figures
22 July 2021	Analysts' meeting, 1.30pm
21 October 2021	Third quarter trading update

5 January 2022	2021 annual net sales
3 February 2022	2021 annual figures
3 February 2022	Press conference, 11.00am
3 February 2022	Analysts' meeting, 1.30pm
3 February 2022	Publication of the annual report
23 March 2022	General Meeting of Shareholders for 2021 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.

Corridor 11, PO Box 47, 5460 AA Veghel, Netherlands
Telephone +31 413 34 3500 www.sligrofoodgroup.nl

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.

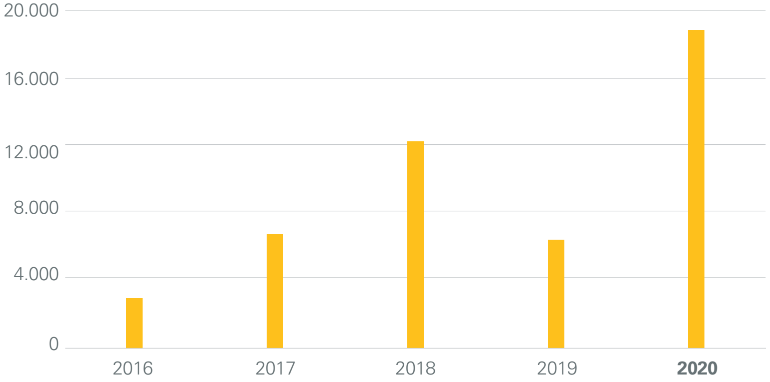
The share

There were 44,143,415 shares in issue at the end of 2020, an increase of 35,000 compared with year-end 2019. This increase can be attributed to the shares sold for the share option plan.

The volume of traded shares in the reporting year amounted to 18,872 thousand (2019: 6,256) and the total value of shares traded was €301 million (2019: €178).

Following the change to the Dutch law on converting bearer shares, traditional bearer shares that are not included in the book-entry securities transfer system will automatically be converted into registered shares on 1 January 2020. As a result, physical bearer certificates have automatically ceased to be valid. The amendment to the articles of association on 27 June 2020 in connection with this law gives holders of former traditional bearer shares the opportunity to report to Sligro Food Group by 2 January 2026 to hand in bearer certificates and receive shares that will be included in the book-entry securities transfer system. As at 31 December 2020, Sligro shareholders hold a total of 3,800 former traditional bearer shares.

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 84% of the capital in 2020 (2019: 89%).

Breakdown of share capital

	Private individuals		Institutions		Total	
as %	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Netherlands	50	53	24	21	74	74
UK			4	8	4	8
USA			4	4	4	4
Other countries			2	3	2	3
Total	**50**	**53**	**34**	**36**	**84**	**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[1]

Date of most recent disclosure	Subject to reporting obligations	**in %**
2 September 2020	NN Group N.V.	10.15
1 November 2016	APG Asset Management N.V.	10.03
10 January 2016	B.V. 'Hoogh Blarick' investment fund	5.43
3 July 2015	Boron Holding N.V.	5.03
6 April 2009	Stichting Administratiekantoor Arkelhave B.V.	5.06
1 November 2006	Stichting Administratiekantoor Slippens	33.95

[1] This summary has been compiled on the basis of the 'Register of substantial holdings and gross short positions' (www.afm.nl).

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.

The General Meeting of Shareholders will be held on 24 March 2021.

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.

In our press release of 19 March 2020, we outlined the impact the COVID-19 outbreak is having on Sligro Food Group's operations. Due to the uncertainties that have arisen in this regard, the dividend for 2019 was set at €0.55 per share at the General Meeting of Shareholders on 9 June 2020, in line with the proposal. This equals the interim dividend that was paid out on 30 September 2019, meaning that final dividend for 2019 is nil. Given the 2020 results and the uncertainty about the coming months, recovery of our financial position will take priority, as communicated earlier, and there are insufficient grounds to pay a dividend for the 2020 calendar year.

A cash dividend of €0.00 per share was paid in 2020.

Earnings and dividend per share 2011-2020

x €1	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Profit (loss) from continuing operations	1.78	1.56	1.55	1.58	1.84	1.67	1.73	1.04	0.78	(1.59)
Dividend	1.05	1.05	1.05	1.10	1.20	1.30	1.40	1.40	0.55	-

Information for investors on the share of sales

Sustainable ('eerlijk & heerlijk')	10.8%	Organic, sustainable, fair trade, and locally sourced products
Tobacco	13.6%	All tobacco-containing products
Alcohol	8.9%	All alcohol-containing products fit for human consumption
Pork	1.8%	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: CF Report

Project management: CF Report/Sligro Food Group

Text: Sligro Food Group

Interviews: Tekstbureau CopyTed

Photography:
Sander van der Veen Photography
TradeMark Fotografie
New Brand Activators
Tim van der Hulst
Tim van Rijen
Jorrit Stollman
Dirk Vertommen

Printing: Bek 1 op 1 publiceren

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

FSC
www.fsc.org
MIX
Papier van
verantwoorde herkomst
FSC® C019106

Disclaimer:
The 2020 annual report of Sligro Food Group N.V. is available in Dutch and English. The original financial statements were drafted in Dutch. In case of any discrepancies between the English and Dutch texts, 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.

Sligro Food Group N.V.
Corridor 11
5466 RB Veghel
corporatecommunicatie@sligro.nl