Sligro Food Group N.V.

HALF-YEAR REPORT
Sligro Food Group 2018

SLIGRO FOOD GROUP NET PROFIT €29 MILLION

Sales from continued operations in the first half of 2018 were €1,131 million, up 11.0% on the corresponding period in 2017. Organic sales declined by 0.1%, partly as a result of a change in reporting rules. Operating profit from continued operations fell €2 million to €31 million. Net profit from continued operations declined by €1 million to €25 million in the first six months of the year. The Group's net profit, including discontinued operations, increased by €1 million to €29 million.

Koen Slippens, CEO:

"After a difficult start to the year, we closed the first half of the year with two fantastic summer months. We are seeing net growth in our sales markets, even though it doesn't appear to be as strong we had originally expected. At Foodservice, the first six months of the year were dominated by the acquisition of the Heineken wholesale operations. Our first priority is of course to look after our joint customers and to ensure continuity of operations. In addition, we are working hard on the preparations for the further integration of the activities, due to start later this year. There is a strong belief in the partnership and we are seeing the opportunities for sales and logistical benefits over the next few years confirmed. The preparations for the opening of Sligro-ISPC in Antwerp and the launch of our IT transition, both scheduled for later this year, are fully under way.

At Food Retail, the first half of the year was dominated by the sale of the activities and the preparations for the transfer of activities. This resulted in the completion of the transaction on 2 July 2018 and a smooth transfer of the operation to the buyers. We have great respect for our many EMTÉ colleagues, who have continued to work with great passion and commitment throughout this difficult period."

Key figures [1)]

x € million	2018	2017	Change %
Net sales	1,131	1,019	11.0
Organic sales growth in %	(0.1)	4.6	
Gross operating profit (EBITDA)	62	58	7.1
Operating profit before amortisation (EBITA)	43	41	4.0
Operating profit (EBIT)	31	33	(7.1)
Net profit	25	26	(8.4)
Net profit from discontinued operations	4	2	259.7
Free cash flow of the Group	(1)	16	(106.3)
Shareholders' equity (mid-year)	647	621	4.3
Net interest-bearing debt (mid-year)	179	123	45.4
Earnings per share (x €1)	0.55	0.60	
Earnings per share from discontinued operations (x €1)	0.10	0.03	

1) Figures based on continued operations unless stated otherwise.

Foodservice results (continued operations)

Sales rose by €112 million compared with last year, or 11.0%. Sales from acquisitions added a net €113 million, as a result of which there is an organic decline in sales of €1 million or 0.1%. As already explained, the organic trend in sales is influenced by several exceptional effects. The timing of public holidays means that there was a shift between quarters. After a less strong first quarter, the second quarter saw a recovery, in spite of a tough comparison with last year, when the weather was equally as good. The recovery was partly the result of improved market trends. The table below shows the various exceptional effects as stated previously.

x € million	Q1	Q2	H1
Sales 2018	525	606	1,131
Sales 2017	466	553	1,019
Total increase	**59**	**53**	**112**
Growth	+ 12.7%	+ 9.5%	+ 11.0%
Export consignment volumes	-7	-7	-14
Fee Fresh Partners (impact of IFRS 15)	-4	-5	-9
Easter (timing)	7	-7	-
Other organic	6	16	22
Increase in organic	**2**	**-3**	**-1**
Organic growth	+ 0.3%	+ -0.6%	+ -0.1%
Heineken	36	50	86
ISPC	19	6	25
Tintelingen	2	0	2
Increase in non-organic	**57**	**56**	**113**

The gross profit margin increased by €46 million to €276 million. This is largely the result of the consolidation of the acquisitions, but there is also an underlying improvement in the margin. As a percentage of sales, the gross margin increased by 1.8% to 24.4%.

Costs increased by €48 million to €245 million. Here, too, this was largely the result of consolidating the acquisitions. In addition, we have also seen an increase in costs owing to our launch in Belgium and the run-up to our IT transition, even if taken together for this first half year, they are similar in size to the more exceptional items of last year. The costs of the activities acquired from Heineken are relatively high and will remain high until the integration of the physical premises. We are convinced that we can achieve the efficiency benefits intended with this partnership when we physically integrate the locations.

Operating profit fell €2 million to €31 million, mainly because of the performance in the first quarter, which was not as strong, and we were unable to make up for this in the second quarter. The extra sales from acquisitions made a marginal contribution to the operating result in the pre-integration phase, partly owing to the sharp increase in amortisation of other intangible assets. This also explains why the operating result as a percentage of sales fell by 0.5% to 2.7%.

Net profit on the continued operations declined by €1 million to €25 million.

Foodretail results (discontinued operations)

Net profit from discontinued operations amounted to €4 million for the first half-year, an increase of €2 million compared with last year. This year there were no depreciation charges, which had a positive impact on net profit. Last year's results were positively influenced by a net result of impairments and book profits on the sale of property. Adjusted for these effects in both years, we see a similar result on these activities. The sales transaction and the corresponding income and expenditure will be accounted for in the second half of the year, as explained below.

Completion of sale of Retail activities

On 2 July 2018, we were able to report that the sale announced on 5 March 2018 of all the shares in EMTÉ Holding B.V. and its subsidiaries, EMTÉ Supermarkten B.V., EMTÉ Franchise B.V. and EMTÉ Vleescentrale B.V., to the consortium of Jumbo and Coop had been finalised by Sligro Food Group. The retail property related to these activities was also sold on the same day in an asset/liability transaction. Sligro started supplying La Place in the week prior to closing.

The sale of the shares led to a non-recurring, untaxed book profit of approximately €215 million and the sale of the property led to a non-recurring, taxed book profit of approximately €18 million, which will both be accounted for in the second half of the year under 'discontinued operations'. The consultancy costs and non-recurring separation costs related to this transaction amount to approximately €11 million and will also be deducted from book profit under 'discontinued operations' in the second half of the year. This transaction will have a €219 million positive impact on net profit for 2018.

As already announced, the separation of EMTÉ from the Group has led to dis-synergy in the short term. In 2018, this is expected to have a negative impact on the 'continued operations' of approximately €12 million. We expect to be able to offset the dis-synergies within a few years. With the separation of EMTÉ on the one hand and the international ambitions of Foodservice on the other, quantitative and qualitative changes will have to be made to the central organisation to ensure that it meets our requirements. A full provision will be made for the associated non-recurring costs in 2018 under 'continued operations' and these costs will amount to approximately €16 million.

Dividend

Based on the half-year figures for 2018, in accordance with our dividend policy, it has been decided to pay an interim dividend. In principle, the interim dividend is set at half the regular dividend for the preceding year. The interim dividend is therefore €0.55 per share and will be made payable on 01 October 2018. The ex-dividend date will be Friday, 21 September 2018 and the record date is Monday, 24 September 2018.

The Group's financial position remains strong and offers sufficient scope for sustainable investment in our operations and to take advantage of any acquisition opportunities that may arise. We do not therefore consider it necessary to hold extra financial headroom from the acquisition price for the sold Retail activities. The €335 million proceeds from the sale will be paid out in the form of a non-recurring special dividend. The special dividend is €7.57 per share and will be made payable on Tuesday, 31 July 2018. The ex-dividend date will be Tuesday, 24 July 2018 and the record date is Wednesday, 25 July 2018.

Board changes

Mr Willem-Jan Strijbosch has announced that after eight years as director of Foodservice, he plans to leave Sligro Food Group. With a view to the current programmes at Foodservice in the Netherlands and Belgium, the succession procedure to be launched and the subsequent transfer, he will continue to work at Sligro Food Group until 31 March 2019 at the latest. We will report further as soon as there is more news on the succession and transfer.

We greatly appreciate the contribution that Willem-Jan Strijbosch has made to the development of our Foodservice activities in the Netherlands and the Group's initial steps in Belgium. We are sorry that our enjoyable working relationship is coming to an end, but we understand and respect his decision.

Outlook

We are seeing our sales markets recover after a slow start to the year, but for the time being at a slightly slower rate than envisaged. We estimate annual market growth to be between 2.5% and 3.5%.

The second half of the year will be dominated by the further integration of Heineken and the completion of the carve-out of the Retail activities and the subsequent organisational changes. Furthermore, we will be opening our Sligro-ISPC site in Antwerp in the autumn and we will be beginning the IT transition in the fourth quarter.

In a year with lots of large programmes and shifts in figures as a result of changes in accounting rules and exceptional effects, we believe it is important that we are transparent about the results we can expect. While we do not normally comment on concrete results, and do not plan to do so in the future, we are making an exception in this special year.

We expect to achieve an operating profit of approximately €55 million from 'continued operations', taking account of the previously explained €12 million in dis-synergy and the non-recurring costs to ensure that our organisation is suitable of €16 million. We expect a net profit for the Group, including discontinued operations of approximately €270 million.

We described the most important risks and uncertainties in our 2017 annual report. There have been no material changes in this regard.

A presentation of the half-year figures will be given in a meeting for analysts today. The presentation can be found on our corporate website **www.sligrofoodgroup.nl**. The trading update on the third quarter is due to be published on 18 October 2018.

Veghel, 19 July 2018

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

Koen Slippens
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DIRECTORS' statement

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

1. The interim financial statements, as shown on pages 6-11 of this report, provide a true and fair view of the assets, liabilities, financial position and result for the first half-year of Sligro Food Group N.V. and its subsidiaries included in the consolidated statements.

2. The interim report, as shown on pages 1-4 of this report, provides a true and fair view of the position at the balance sheet date and the business conducted during the first half of the financial year of Sligro Food Group N.V. and its subsidiaries, details of which are contained in the interim financial statements.

The interim report also provides a true and fair view of the expected course of business, the investments and the circumstances affecting sales and results.

K.M. Slippens, CEO

R.W.A.J. van der Sluijs, CFO

W.J.P. Strijbosch, Foodservice director

CONSOLIDATED
PROFIT AND LOSS ACCOUNT
for the first half of 2018

x € million	2018	2017	2016
CONTINUED OPERATIONS			
Net sales	**1,131**	**1,019**	**941**
Cost of sales	(855)	(789)	(730)
Gross margin	**276**	**230**	**211**
Other operating income	**0**	**0**	**0**
Staff costs	(124)	(103)	(92)
Premises costs	(20)	(17)	(16)
Selling costs	(8)	(6)	(8)
Logistics costs	(51)	(35)	(33)
General and administrative expenses	(11)	(11)	(9)
Impairments		(0)	
Depreciation of property, plant and equipment	(19)	(17)	(15)
Amortisation of intangible assets	(12)	(8)	(7)
Total operating expenses	**(245)**	**(197)**	**(180)**
Operating profit	**31**	**33**	**31**
Finance income and expense	(2)	(2)	(2)
Share in result of associates	2	3	3
Profit before tax	**31**	**34**	**32**
Tax	(6)	(8)	(6)
Profit from continued operations	**25**	**26**	**26**
DISCONTINUED OPERATIONS			
Profit from discontinued operations, after tax	4	2	2
Profit for the year	**29**	**28**	**28**
Attributable to shareholders of the company	**29**	**28**	**28**

Figures per share	**€**	**€**	**€**
Basic earnings per share	0.65	0.63	0.65
Diluted earnings per share	0.65	0.63	0.65
Basic earnings per share from continued operations	0.55	0.60	0.60
Diluted earnings per share from continued operations	0.10	0.03	0.05

CONSOLIDATED STATEMENT OF **RECOGNISED INCOME AND EXPENSE**

for the first half of 2018

x € million	2018	2017	2016
Profit for the first half year	29	28	28
Items recognised or which may be recognised in the profit and loss account:			
Effective part of movements in the fair value of cash flow hedge of long-term loans, net of tax	0	0	1
Income and expense recognised directly in shareholders' equity	0	0	1
Recognised income and expense for the first half year	**29**	**28**	**29**
Attributable to shareholders of the company	**29**	**28**	**29**
Recognised income and expense attributable to:			
Continued operations	25	26	27
Discontinued operations	4	2	2
Recognised income and expense for the first half year	**29**	**28**	**29**

ABRIDGED CONSOLIDATED
CASH FLOW STATEMENT
for the first half of 2018

x € million	2018	2017	2016
Net cash generated from operations	67	78	79
Interest received	(2)	(2)	(2)
Dividend received from associates	4	3	3
Corporate income tax paid	(24)	(24)	(26)
Net cash flow from operating activities	**45**	**55**	**54**
Acquisitions/investments	0	(38)	(51)
Capital expenditure on property, plant and equipment/investment property/ assets held for sale	(37)	(40)	(30)
Receipts from disposal of property, plant and equipment/investment property/ assets held for sale	0	9	1
Capital expenditure on intangibles	(9)	(8)	(6)
Investments in/loans to associates	0	0	0
Repayments by associates	0	0	0
Net cash flow from investing activities	**(46)**	**(77)**	**(86)**
Proceeds from long-term borrowings	0	0	30
Repayment of long-term borrowings	0	(1)	0
Change in own shares	7	3	2
Dividend paid	(40)	(37)	(35)
Net cash flow from financing activities	**(33)**	**(35)**	**(3)**
Movement in cash, cash equivalents and short-term bank borrowings	**(34)**	**(57)**	**(35)**
Opening balance	60	92	94
Balance of the first half year	**26**	**35**	**59**

CONSOLIDATED
BALANCE SHEET
as at 30 June 2018 before profit appropriation

x € million	30-06-2018	01-07-2017	31-12-2016
ASSETS			
Goodwill	154	174	145
Other intangible assets	138	87	76
Property, plant and equipment	318	378	361
Investment property		19	20
Investments in associates	51	51	51
Other financial assets	10	13	17
Total non-current assets	**671**	**722**	**670**
Inventories	207	238	245
Trade and other receivables	187	176	179
Other current assets	31	24	24
Corporate income tax	16	17	2
Cash and cash equivalents	24	35	92
	465	**490**	**542**
Assets held for sale	220	3	3
Total current assets	**685**	**493**	**545**
Total assets	**1,356**	**1,215**	**1,215**
EQUITY AND LIABILITIES			
Paid-up and called capital	3	3	3
Reserves	644	618	624
Total shareholders' equity attributable to shareholders of the company	**647**	**621**	**627**
Deferred tax liabilities	25	34	28
Employee benefits	3	4	5
Other provisions	0	0	0
Long-term borrowings	195	98	103
Total long-term liabilities	**223**	**136**	**136**
Current portion of long-term borrowings	14	73	71
Long-term borrowings	0	0	0
Trade and other payables	280	306	294
Corporate income tax	0	2	0
Other taxes and social security contributions	16	23	24
Other liabilities, accruals and deferred income	59	54	63
	369	**458**	**452**
Liabilities directly related to assets held for sale	117		
Total current liabilities	**486**	**458**	**452**
Total equity and liabilities	**1,356**	**1,215**	**1,215**

CONSOLIDATED STATEMENT
OF MOVEMENTS IN SHAREHOLDERS' EQUITY
for the first half of 2018 before profit appropriation

x € million	Paid-up and called capital	Share premium	Other reserves	Revaluation reserve	Hedging reserve	Reserve for own shares	Total
Balance at 31 December 2016	**3**	**31**	**605**	**4**	**(4)**	**(12)**	**627**
Transactions with owners							
Share-based payments			1				1
Dividend paid			(59)				(59)
Change in own shares						0	0
	0	0	(58)	0	0	0	(58)
Total realised and unrealised results							
Profit for the year			81				81
Investment property			(0)	0			
Cash flow hedge					1		1
	0	0	81	0	1	0	82
Balance at 30 December 2017	**3**	**31**	**628**	**4**	**(3)**	**(12)**	**651**
Transactions with owners							
Share-based payments			0				0
Dividend paid			(40)				(40)
Change in own shares						7	7
	0	0	(40)	0	0	7	(33)
Total realised and unrealised results							
Profit for the first half year			29				29
Investment property			(0)	0			
Cash flow hedge					0		0
	0	0	29	0	0	0	29
Balance at 30 June 2018	**3**	**31**	**617**	**4**	**(3)**	**(5)**	**647**

NOTES
to the interim financial statements 2018

General

Sligro Food Group N.V. is established in Veghel, Netherlands. The interim financial statements include the parent company and its subsidiaries (also referred to as the 'Group'). The interim financial statements cover the first 26 weeks of 2018, from 01 January 2018 to 30 June 2018, inclusive. The comparative figures cover the same period in 2017.

Statement of compliance

This half-year report has been prepared in accordance with the International Financial Reporting Standards, as adopted the European Union (EU-IFRS), and IAS 34 Interim Financial Reporting. It does not contain all the information required for full financial statements and should be read in conjunction with the 2017 consolidated financial statements.

Audit status

This half-year report is unaudited.

Accounting policies for the preparation of the half-year financial statements

The financial reporting policies applied by the Group in this half-year report are the same as those for the consolidated financial statements for 2017.

Seasonal influences

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

New IFRS standards

The new IFRS standards, IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers, came into effect at the start of this year and are being applied. We do not consider the impact of IFRS 9 on the Group's figures to be significant. We have already explained the impact of IFRS 15 in the 2017 financial statements and we are reporting on the impact in our press releases this year.

IFRS 16 Leases takes effect on 1 January 2019 and we will apply it from this date. In the 2016 financial statements, we performed an impact analysis and explained how we view this standard. The impact of the standard will be materially different, in contrast to what we reported in 2016, given that a large quantity of leased retail property has disappeared with the sale of our EMTÉ portfolio. Later this year, we will prepare a new impact analysis and will include a note on this in our 2018 financial statements. From the various transition options, we have chosen the modified retrospective approach.

Net sales

x € million	2018	2017
The Netherlands	1,003	922
Belgium from the Netherlands[1)]	20	19
Belgium from Belgium[2)]	108	78
Total	**1,131**	**1,019**

1) This relates on the one hand to delivery sales from the Dutch delivery centres to Belgian customers. On the other hand, these are Belgian customers from the border region who shop in the Dutch cash & carry wholesale outlets.
2) In 2018 this relates to the JAVA and ISPC sales from January to June 2018. In 2017, this relates to the JAVA sales from January to June 2017 and for ISPC to May and June 2017.

PROFILE

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

In the Netherland, we are market leader with a national network of cash-and-carry wholesale outlets and delivery service centres servicing large and small-scale hospitality establishments, leisure facilities, company and other caterers, volume users, forecourt retailers, small and medium-sized enterprises, small retail businesses and the institutional market. In a long-term strategic partnership with Heineken, Sligro is responsible for the exclusive distribution of Heineken draught beer in the Netherlands. We trade under the Van Hoeckel name in the institutional market and under the Sligro name in other market segments. Sligro and Van Hoeckel each have a dedicated commercial organisation focussing on their specific markets, but use a joint delivery network for operations.

In Belgium, JAVA Foodservice concentrates on the institutional, company catering and hotel chain market segments. ISPC specialises in the catering sector and supplies high-quality, innovative food and non-food products to the professionals in gastronomy. ISPC has combined cash-and-carry and delivery outlets in Ghent and Liege. In future, ISPC Ghent and Liege and the new wholesale outlets, including in Antwerp, will operate under the name Sligro-ISPC, focussing on the volume user and other hospitality markets. Gradually, we will develop our operations so that our structure is similar to the one operating in the Netherlands. We will have two formats, Sligro-ISPC and JAVA Foodservice, with their own commercial organisation and a joint delivery structure and shared services.

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

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

Sligro Food Group companies actively seek to share expertise and utilise the substantial scope for synergy and economies of scale. Activities that are primarily customer-related are carried out by the various country and business units. We aim to increase our gross margins through centralised purchasing in combination with direct and detailed category and margin management and to offer a unique and innovative range.

Operating expenses are managed through an integrated supply chain and a permanent focus on cost control. Group synergy is further enhanced by centralised management of our ICT landscape, centralised design and control of master data management and centralised talent and management development.

Sligro Food Group strives to be a high-quality company achieving steady, managed growth for all its stakeholders. Sales in 2017 totalled €2,970 million, generating a net profit of €81 million. The average number of employees on a fulltime basis was 6,741. Sligro Food Group shares are listed on Euronext Amsterdam. The Group’s head office is in Veghel, the Netherlands.

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