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 - 33⅓
Other	12½ – 33⅓

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.

[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.

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.

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

x € million	Netherlands 2020	Netherlands 2019	Belgium 2020	Belgium 2019	Group 2020	Group 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**

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.

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.

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:

x € million	2020 Deloitte Accountants B.V.	2020 Deloitte network	2019 Deloitte Accountants B.V.	2019 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 acquisitions[1]		
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 685,000m² (2019: 849,000m²), of which 288,000m² is used for the central complex (2019: 288,000m²).

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	2020 Projected credit loss
< 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	2019 Projected credit loss
< 1 month	0.08%	136	0
1 - 3 months	0.42%	33	0
3 - 12 months	5.13%	4	0
> 12 months	13.43%	0	0
Doubtful debts	98.63%	5	5
Closing balance		**178**	**5**

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	How the key audit matter was addressed in the audit
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%.	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 € million[1]	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 capital[2][3]	802	902	675	779	668
Net interest-bearing debts[3]	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 ratio[4]	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 expenses[5]	219	218	209	177	272

[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.

	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 satisfaction[6]	73	73	75		
Employee satisfaction[6]	63	56	57		
Supplier satisfaction[6]	63	67	63		
Investments					
Net investments[7]	13	85	74	59	80
Depreciation and amortisation[8]	(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/EBITDA[10]	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 dividends[9]			7.57		

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.

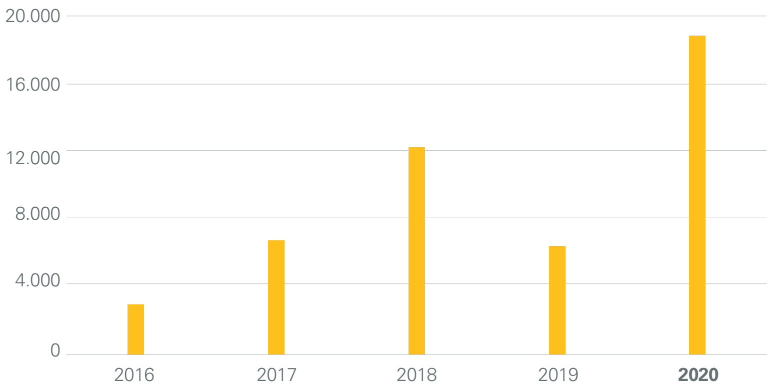
The share

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.

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