Sligro Food Group N.V.

PRESS RELEASE
2017 results

SLIGRO FOOD GROUP'S 2017 NET PROFIT: €81 MILLION

Net profit for the year amounted to €81 million, which is an increase of 9.9% compared with 2016. Sales in 2017 amounted to €2,970 million, an increase of 5.6%. Excluding the effect of acquisitions, organic growth was 2.1%.

Koen Slippens, CEO:

"Keep Building the Future" was the theme for 2017. We can look back with satisfaction on the way we have done this with the start of a long-term strategic partnership with HEINEKEN, the acquisition of ISPC, the start of work on the Sligro-ISPC building in Antwerp and preparations for the new international organisation structure, our management model and the replacement of our entire IT landscape.

Earnings per share were up by 9.6% at €1.83. We propose increasing the dividend by €0.10 to €1.40 per share, in part because our financial position remains strong.

Foodservice again outperformed the market and, according to FSIN, our market share in the Netherlands grew to 24.4%. According to Foodservice Alliance, our market share in Belgium increased to 3.4%. We outperformed the market in both countries in terms of organic growth and this underlines the strength of our formats. In the Netherlands and Belgium, we worked hard on integrating existing and newly-acquired operations and the related organisational and technical conditions. We are, therefore, on course, even though we are not yet satisfied with the degree to which we have converted economies of scale into an improvement in returns.

Key figures[1) 2)]

x € million	2017	2016	Change %
Net sales	2,970	2,813	5.6
Organic sales growth Foodservice in %	3.0	3.3	
Like-for-like growth EMTÉ in %	0.2	(1.4)	
Organic sales growth Group in %	2.1	2.3	
Ebitda	174	156	11.3
Ebita	123	112	10.3
Ebit	97	87	12.1
Net profit	81	73	9.9
Free cash flow	98	72	36.1
Shareholders' equity	651	627	3.8
Net interest-bearing debt	146	60	143.8
Earnings per share (x €1)	1.83	1.67	9.6
Dividend per share (x €1)	1.40	1.30	7.7

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Food Retail is still lagging behind the market and we saw our market share fall to 2.5%. During the second quarter of 2017, we evaluated the EMTÉ format and considered our future in Food Retail. In the second half of the year, we looked right across the market for the strategic alternative that would create the greatest value. The decision, based on our findings, was to start a formal process for bringing about a partnership or sale. This process can be expected to lead to a transaction during 2018.

We are looking forward to 2018 and later years with every confidence. There are positive expectations for the market and we are well positioned to benefit from them. Over the next few years, we will revise our organisation and prepare it for further growth and our international ambitions. This will require focused decisions, an organisation fully aimed at and managed on priorities and perfect execution of the related plans. We will not be distracted from this course and so "Focus!", our theme for 2018, fits this perfectly.

Gross margin increased by €50 million to €695 million and rose as a percentage of sales by 0.5 percentage points compared with the previous year. Considerable attention was directed towards price and promo management during the year. By making new decisions and specific use of data, we were able to present our customers with attractive offers on terms that were also attractive for our suppliers.

Other operating income increased by €15 million compared with the previous year as a result of a non-recurring book profit on the sale of Foodservice beer and cider distribution to HEINEKEN as part of our partnership agreement. We further reduced our Food Retail property portfolio. Book profits were made on the sale of these properties.

Total operating expenses were up by €55 million to €617 million. As a percentage of sales, that meant an increase of 0.9 percentage points to 20.8%. The expense level in the converted 3.0 EMTÉ stores is higher than for the 2.0 format and so the cost of the conversion programme increased further. The conversion of Sligro and EMTÉ sites also has the effect of increasing depreciation charges. Consultancy fees for acquisitions and the start-up costs for Belgium were €4 million higher than the previous year.

Group EBITA rose by €11 million to €123 million or 4.2% of sales. At Foodservice, the increase was €12 million, while Food Retail saw a fall of €1 million in its result.

Results were affected relatively strongly by non-recurring exceptional income and charges and changes in amortisation of other intangible assets obtained with acquisitions. Adjusting for these, the Group made the same operating profit as in the previous year of €101 million, made up of an underlying operating improvement at Foodservice of €6 million to €94 million and a fall of €6 million at Food Retail to €7 million.

The Group net profit rose by €8 million compared with the previous year to €81 million. Ignoring the non-recurring book profit on the sale of Foodservice beer and cider distribution to HEINEKEN, net profit rose by €1 million to €74 million, being a rise of 0.6%.

Earnings per share amounted to €1.83 (2016: €1.67). In line with our dividend policy, we propose to increase the dividend by €0.10 to €1.40 per share. This increase in the dividend payment to our shareholders is possible without the business having to limit the financing of its capital expenditure or possible acquisitions. The proposed dividend consists of a regular dividend of €1.10 (2016: €1.00) and a variable dividend of €0.30 (2016: €0.30). An amount of €0.50 has already been paid as interim dividend. The final dividend therefore amounts to €0.90.

Free cash flow amounted to €98 million (2016: €72 million). The net investment level was lower than in the previous year, partly as a result of the sale of retail properties. The working capital position improved strongly once again as a result of the Supply Chain Finance programme and reductions in inventories.

Outlook

The Dutch economy has entered a growth phase and this can be seen in improving employment and higher consumer confidence. As a result of this, we have seen growth in our markets picking up for two consecutive years and we think they will continue to grow in 2018 in line with the level of the past year.

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In the Netherlands, recent years' trends in Foodservice will continue and we will again outperform the market with a combination of organic growth and sales from the acquisitions made in 2017. In the meantime, in 2018 we will be building up our international organisation, a new IT platform and growth in our Foodservice activities in the Netherlands and Belgium. Integrating HEINEKEN into our systems and approach to work will require much effort from our organisation and, furthermore, we will be taking initial steps on the physical integration of the distribution networks.

We expect to complete a transaction (sale or a partnership) for our Food Retail activities in 2018. We cannot currently comment on the impact of such a transaction on our figures. Operationally, we will continue the optimisation of the 2.0 and 3.0 format. An effect of the status of 'discontinued operations' does, however, mean that the Food Retail activities no longer have to be depreciated.

Like 2017, the financial year 2018 will be affected by exceptional effects and events. The acquisitions of Tintelingen, ISPC and HEINEKEN in 2017 are expected to contribute a net amount in 2018 of some €180 million in non-organic sales growth.

Since the second half of 2017, we have deliberately been reducing the volumes we deliver to export parties and will continue to do so in the first part of 2018 in particular, leading to a fall of some €10 million in sales.
The new standard IFRS 15 takes effect on 1 January 2018 and as a result we can no longer recognise the fees we receive from our Fresh Partners in Foodservice as sales. In absolute terms, the gross profit will not change although sales will fall by some €19 million.

The Dutch government is expected to carry out its plans for reducing the rate of corporate income tax in 2018. If implemented as planned, this will lead to a partial release of deferred tax liabilities in 2018, which will be about the same amount as the partial release of deferred tax liabilities in Belgium in 2017.

In the run-up to the opening of Sligro-ISPC in Antwerp, the start-up costs for Belgium will increase a little compared with 2017.

We will be working on replacing our IT landscape for the Group in the next few years. We believe that the running costs of such a new IT landscape will be a little higher than the costs today. In the next four to five years, we will also face non-recurring implementation costs that we estimate at €60 million for the entire project. We expect the impact on the 2018 figures to be about €6 million. Beyond this, we refrain from making any definite forecasts of the results for the year.

The 2017 Annual Report will be published on 2 February 2018.

A presentation of the results for the year will be given today at a press conference and a meeting for analysts. The presentation is also available on www.sligrofoodgroup.nl.

In our trading update of 19 April 2018, we will address the developments in the first quarter of 2018. The half-year figures will be published on 19 July 2018.

Veghel, 25 January 2018

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

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QR code: commentary on the annual figures by Koen Slippens

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Annex 1

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for 2017[1) 2)]

x € million	2017	2016	2015
Net sales	**2,970**	**2,813**	**2,670**
Cost of sales	(2,275)	(2,168)	(2,050)
Gross margin	**695**	**645**	**620**
Other operating income	**19**	**4**	**2**
Staff costs	(335)	(303)	(281)
Premises costs	(65)	(62)	(59)
Selling costs	(24)	(23)	(23)
Logistics costs	(89)	(82)	(79)
General and administrative expenses	(27)	(23)	(20)
Impairments	(2)	(2)	(0)
Depreciation of property, plant and equipment	(49)	(42)	(38)
Amortisation of intangible assets	(26)	(25)	(19)
Total operating expenses	**(617)**	**(562)**	**(519)**
Operating profit	**97**	**87**	**103**
Finance income and expense	(5)	(4)	(4)
Share in results of associates	9	8	6
Profit before tax	**101**	**91**	**105**
Tax	(20)	(18)	(24)
Profit for the year	**81**	**73**	**81**
Attributable to shareholders of the company	**81**	**73**	**81**
Figures per share	**€**	**€**	**€**
Basic earnings per share	1.83	1.67	1.84
Diluted earnings per share	1.83	1.67	1.84
Proposed dividend	1.40	1.30	1.20

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Annex 2

CONSOLIDATED CASH FLOW STATEMENT

for 2017[1) 2)]

x € million	2017	2016	2015
Receipts from customers	3,275	3,102	2,953
Other operating income	3	2	2
	3,278	3,104	2,955
Payments to suppliers	(2,702)	(2,557)	(2,439)
Payments to employees	(182)	(169)	(157)
Payments to the government	(199)	(197)	(196)
	(3,083)	(2,923)	(2,792)
Net cash generated from operations	195	181	163
Interest received and paid	(5)	(4)	(4)
Dividend received from associates	7	5	3
Corporate income tax paid	(25)	(29)	(22)
Net cash flow from operating activities	**172**	**153**	**140**
Acquisitions/investments	(127)	(49)	(11)
Disposals of operations	11		
Capital expenditure on property, plant and equipment/investment property/assets held for sale	(74)	(74)	(51)
Receipts from disposal of property, plant and equipment/investment property/assets held for sale	14	6	0
Capital expenditure on intangible assets	(13)	(12)	(11)
Investments in/loans to associates	(1)	(1)	(0)
Repayments by associates	0	0	0
Net cash flow from investing activities	**(190)**	**(130)**	**(73)**
Long-term borrowings	110	30	
Repayment of long-term borrowings	(67)	(1)	
Change in own shares	2	1	1
Dividend paid	(59)	(55)	(48)
Net cash flow from financing activities	**(14)**	**(25)**	**(47)**
Movement in cash, cash equivalents and short-term bank borrowings	**(32)**	**(2)**	**20**
Opening balance	92	94	74
Closing balance	**60**	**92**	**94**
Free cash flow	**98**	**72**	**78**
Working capital in days' sales	**4**	**9**	**11**

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Annex 3

CONSOLIDATED BALANCE SHEET

as at 30 December 2017 before profit appropriation[1) 2)]

ASSETS x € million	30-12-2017	31-12-2016	02-01-2016
Goodwill	185	145	126
Other intangible assets	153	76	67
Property, plant and equipment	383	361	315
Investment property	20	20	19
Investments in associates	53	51	48
Other financial assets	11	17	25
Total non-current assets	**805**	**670**	**600**
Inventories	252	245	220
Trade and other receivables	200	179	144
Other current assets	29	24	9
Corporate income tax	1	2	
Assets held for sale	0	3	4
Cash and cash equivalents	60	92	94
Total current assets	**542**	**545**	**471**
Total assets	**1,347**	**1,215**	**1,071**

EQUITY AND LIABILITIES x € million	30-12-2017	31-12-2016	02-01-2016
Paid-up and called capital	3	3	3
Reserves	648	624	603
Total shareholders' equity attributable to shareholders of the company	**651**	**627**	**606**
Deferred tax liabilities	30	28	25
Employee benefits	5	5	4
Other provisions	0	0	0
Bank borrowings	193	103	138
Total non-current liabilities	**228**	**136**	**167**
Current portion of long-term borrowings	14	71	
Bank borrowings	0	0	0
Trade and other payables	347	294	207
Corporate income tax	1	0	6
Other taxes and social security contributions	24	24	26
Other liabilities, accruals and deferred income	82	63	59
Total current liabilities	**468**	**452**	**298**
Total equity and liabilities	**1,347**	**1,215**	**1,071**

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Annex 4

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for 2017 before profit appropriation[1) 2)]

x € million	Paid-up and called capital	Share premium	Other reserves	Revaluation reserve	Hedging reserve	Treasury shares reserve	Total
Balance as at 2 January 2016	**3**	**31**	**585**	**4**	**(4)**	**(13)**	**606**
Transactions with owners							
Share-based payments			2				2
Dividend paid			(55)				(55)
Change in own shares						1	1
	0	0	(53)	0	0	1	(52)
Total realised and unrealised results							
Profit for the year			73				73
Investment property			(0)	0			
Cash flow hedge					0		0
	0	0	73	0	0	0	73
Balance as at 31 December 2016	**3**	**31**	**605**	**4**	**(4)**	**(12)**	**627**
Transactions with owners							
Share-based payments			1				1
Dividend paid			(59)				(59)
Change in own shares						0	0
	0	0	(58)	0	0	0	(58)
Total realised and unrealised results							
Profit for the year			81				81
Investment property			(0)	0			
Cash flow hedge					1		1
	0	0	81	0	1	0	82
Balance as at 30 December 2017	**3**	**31**	**628**	**4**	**(3)**	**(12)**	**651**

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CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

for 2017[1) 2)]

x € million	2017	2016	2015
Profit for the year	81	73	81
Items never recognised in the profit and loss account:			
Actuarial gains and losses on defined-benefit plans, net of tax			
Items recognised or which may be recognised in the profit and loss account:			
Effective part of movements in the fair value of cash flow hedge of longterm loans, net of tax	1	0	2
	1	0	2
Income and expense recognised directly in shareholders' equity	1	0	2
Recognised income and expense for the year	**82**	**73**	**83**
Attributable to shareholders of the company	**82**	**73**	**83**

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Annex 6

SEGMENT INFORMATION

for 2017[1) 2)]

	Foodservice		Food Retail		Total	
x € million	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Net sales	2,142	1,986	828	827	2,970	2,813
Other operating income	9	0	10	4	19	4
Ebitda	148	131	26	25	174	156
Ebita	111	99	12	13	123	112
Ebit	91	82	6	5	97	87
Net capital employed (year-end) [1)]	676	563	103	105	779	668
Ebitda as % of sales	6.9	6.6	3.2	3.0	5.9	5.6
Ebita as % of sales	5.2	5.0	1.4	1.5	4.2	4.0
Ebit as % of sales	4.3	4.1	0.7	0.6	3.3	3.1
Ebita as % of average net capital employed	18.1	18.9	11.1	10.9	17.1	17.5
Ebit as % of average net capital employed	14.7	15.6	5.9	4.1	13.4	13.5
Free cash flow	90	42	8	30	98	72
Net CAPEX [2)]	59	59	17	21	76	80

1) Excluding investments in associates.
2) On property, plant and equipment, investment property, software and assets held for sale (transaction basis).

Sales

Net sales	Foodservice		Food Retail		Total	
x € million	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Netherlands	1,912	1,841	828	827	2,740	2,668
Belgium from the Netherlands [1)]	41	39	0	0	41	39
Belgium from Belgium	189	106	0	0	189	106
Total	**2,142**	**1,986**	**828**	**827**	**2,970**	**2,813**

1) This relates on the one hand to delivery sales from the Dutch delivery centres to Belgian customers and on the other, these are Belgian customers from the border area who shop at the Dutch cash-and-carry wholesale outlets.

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PROFILE

Sligro Food Group encompasses food retail and foodservice companies that sell directly and indirectly to the entire food and beverages market. The group is active in foodservice as a wholesaler and in food retail as a wholesaler and retailer.

Foodservice

In the Netherlands, Foodservice is the market leader with a nationwide network of 50 cash-and-carry and eight delivery service outlets serving large and small-scale hospitality establishments, leisure facilities, volume users, company and other caterers, forecourt retailers, small and medium-sized enterprises, small retail businesses and the institutional market. We trade under the Van Hoeckel name in the institutional market and under the Sligro name in other market segments. Sligro and Van Hoeckel each have a dedicated commercial organisation focusing on their specific markets but use the same delivery network for operations.

In Belgium, JAVA Foodservice concentrates on the institutional, company catering and hotel chain segments in the Belgian foodservice market. ISPC specialises in the catering sector and supplies high-quality, innovative food and non-food products to professionals in gastronomy. ISPC has combined cash-and-carry and delivery outlets in Ghent and Liège and a fresh fish wholesale business in Brussels. In future, ISPC Ghent and Liège and the new outlets, including Antwerp, will operate under the Sligro-ISPC name, focusing on wholesaling and other hospitality markets.

Foodretail

The Food Retail activities comprise around 130 full-service EMTÉ supermarkets, of which 34 are operated by independent retailers.

Sligro Food Group also operates its own in-house production facilities for specialist convenience products, fish and patisserie and home caterer products, as well as a butchery centre focusing on the retail market. For meat, game and poultry, fruit and vegetables and bread and bakery products, we have participating interests in our Fresh Partners and these serve both the Dutch and Belgian markets.

Our foodservice customers have the choice of around 75,000 food and food-related non-food items. We also offer a range of related services.

CIV Superunie B.A., a leading purchasing cooperative with a share of almost 30% of the Dutch supermarket sector, handles Sligro Food Group's Food Retail purchases. As market leader in the sector, the Group handles most of its own purchases of foodservice products.

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

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

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

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