Sligro Food Group N.V.

PRESS RELEASE
Half-year report 2020

Results for the first half-year heavily influenced by COVID-19

The Group's net sales in the first half of 2020 amounted to €943 million, down 16.9% on the corresponding period in 2019, driven by COVID-19. Accordingly, EBITDA declined by €29 million to €27 million. Our belief in a successful future in Belgium is undiminished, but the impact of COVID-19 means that it will take longer than previously expected to recover to profitability in Belgium. This is why we have recognised a non-cash impairment (in particular, goodwill) of €60 million. Excluding this impairment, the Group's net profit fell to a loss of €16 million.

Koen Slippens, CEO:

"The COVID-19 outbreak and the measures that the government took in response to it, have had a major impact on our sales market. Group net sales, excluding tobacco products and De Kweker, have fallen by almost 55% since mid-March compared with last year. The second quarter saw a slow recovery with the gradual relaxation of the government measures, resulting in a decline of approximately 35% towards the end of June. De Kweker added €42 million in non-organic net sales and tobacco product sales have shown remarkable growth in recent months.

We have protected our cash flow by means of a successful early intervention in our cost base, choosing our investments carefully, using government facilities and closely monitoring working capital. Even after the sharp decline in net sales, we were still able to achieve a positive EBITDA (even if adjusted for leases), however, our net profit was hit hard.

Key figures[1)]
for the first half year

x € million	2020	2019
Net sales	943	1,135
Organic net sales growth in %	(20.6)	0.4
Gross operating result (EBITDA)	27	56
Operating result before amortisation (EBITA)	(7)	28
Operating profit (EBIT)	(79)	18
Net profit	(72)	13
Net profit excluding impairment	(16)	13
Free cash flow[2)]	28	(25)
Earnings per share (x € 1)	(1.63)	0.29

x € million	30 June 2020	28 December 2019
Net invested capital	835	902
Net interest-bearing debt	439	424

1) Figures based on continuing operations unless stated otherwise.
2) The free cash flow has been adjusted for the impact of lease liabilities paid.

In spite of the necessary short-term intervention, we have continued to target our investment at the important programmes cited in our annual theme of 'Give me Five'. Where possible, we have accelerated operations, which means that the integration of the Heineken premises and the integration of De Kweker will be finalised more quickly. Our new SAP online environment went live for the first customers in early July. Later this year, Heineken customers will also be able to place orders on this platform, delivering on our promise of one order, one truck, one invoice, earlier than planned at the time of the deal, and we will have completed the integration well ahead of schedule.

We are making steady progress on the construction of the ERP landscape and are preparing the changes needed in the organisation. In spite of the flexibility of our teams in this programme, the economic and physical restrictions of COVID-19 mean that we are unable to prevent the go live from being pushed into next year. We have continued to build further on the foundations of our organisation, where happy, committed and professionally strong teams are achieving our ambitions.

Owing to the sharp decline in net sales as a result of COVID-19 and a slow recovery in the coming period, it will take longer for us to achieve the level of profit we had hoped for in Belgium. This has led to a one-off, non-cash impairment in the first half of 2020.

In the second half of this year, we will be adapting our organisation further, looking ahead to a recovery phase post COVID-19, which we are not expecting until the second half of 2021. We will also remain flexible so that we can deal with a potential 'second wave'. We will set up an amended medium-term and long-term financing structure in the second half of the year, in line with the recovery phase and supporting the achievement of our ambitions.

We are incredibly proud of the contribution our colleagues and partners have made in these tough market conditions. They have been decisive, flexible and have shown strength in unity. Our entrepreneurial culture and the mentality of doing business fairly are showing their true strengths in these difficult times.
We are a reliable partner for our customers and suppliers and we are convinced that together we will get through this period successfully."

Results in the Netherlands

Net sales in the Netherlands fell by €164 million to €858 million. The acquisition of De Kweker added €42 million in non-organic net sales in the first half of the year, which offset some of the net sales lost as a result of COVID-19. The gross margin fell, primarily as a result of extra shrinkage of €3 million and a change in the mix of activities, customer base and product range.
Net sales in the delivery sector declined in recent months. In the healthcare sector and in the petrol channel with high tobacco product sales, net sales held up relatively well. This changed the customer mix, which led to a lower relative gross profit margin. Cash-and-carry sales grew, which had a positive impact on gross profit.

The decline in net sales could be offset in part by reducing costs. A decline in the number of temporary staff and third-party transport were the largest items. The sum of a number of smaller initiatives and minimum vacancy-filling also contributed to a reduction in costs. Furthermore, in the Netherlands, we were able to use the NOW scheme (temporary emergency bridging measure to preserve employment) to reduce costs and to protect jobs.
An additional provision for doubtful debts of €3 million has been accounted for under costs to sell.
Accommodation costs increased as a result of a sharp increase in energy tariffs. Depreciation and amortisation increased as a result of investments in IT and infrastructure in recent years. Furthermore, approximately €2 million was recognised as impairments for software no longer used.

Results in Belgium

Net sales in Belgium declined by €28 million to €85 million. The net sales mix also changed significantly in Belgium. At JAVA, which is a major player in the healthcare sector, there was a relatively limited decline in delivery net sales, whereas at Sligro-ISPC, deliveries to the hospitality sector and corporate catering almost collapsed. Cash-and-carry net sales at Sligro-ISPC absorbed some of the losses in delivery net sales. In Antwerp, that share of net sales more than doubled and the number of new customers rose sharply.
This also had a net positive impact on the gross profit margins in Belgium.

In Belgium, there was also a significant intervention to reduce costs in line with the decline in net sales and the business was also able to make use of the temporary unemployment scheme. As explained previously, a non-cash impairment of intangible fixed assets was accounted for in the first half of the year.
This related to goodwill and some of the intangible fixed assets resulting from the acquisitions of JAVA and ISPC, and amounted to €60 million.

Net investments

As part of the measures to protect our cashflow, we made choices in our investment programme. We have continued online and ERP investments and have finalised the infrastructure changes for the Heineken integration. We have temporarily postponed the renovation of cash-and-carry locations and non-essential maintenance or replacements. Gross investments in the first half of the year amounted to €43 million.

We were able to accelerate and slightly expand the planned sale and leaseback of the new delivery locations, following the completion of the Heineken premises integration at a number of locations. As a result, we sold and leased back on a long-term basis the locations in Maastricht, Breda and Drachten. In addition, we sold a number of properties that we were no longer using, including the former EMTÉ meat-processing plant and the land that we already owned with a view to opening a site in Bruges. Net disposals amounted to €61 million.
Net investments amounted to a net disposal of €18 million.

Working capital

We have focussed specifically on working capital management in recent months. A massive fall in demand brought the front end of the supply chain to a standstill, but the incoming flow of goods at the back end could not be halted immediately. We now have a balanced chain. Where possible, we have helped our customers by allowing them to defer payments until they were able to start up their businesses again. Now that this is happening, we are seeing that most of our customers are gradually able to settle their payment arrears. We have used the opportunity to defer payments and taxes for a three-month period. Since June, we have been making payments on the usual terms.
In July and August, we will clear approximately €24 million in 'deferred' tax payments.

Net interest-bearing debt and liquidity

As a result of the measures taken, we have been able to reduce our net debt position (excluding IFRS 16) by €31 million to €205 million in the first half of the year.
This means that despite the fact that EBITDA (excluding IFRS 16) fell to €82 million in the past 12 months, we have remained well within our financing covenants with a net debt to EBITDA ratio of 2.5 (standard a maximum of 3.0). In the discussions with our principal bank and the USPP financiers, at 30 June scope for a temporary extension of up to 4.0 was created.
The liquidity position also improved in the first half of the year. In mid-2020 the net cash position was €22 million. In addition, we have €161 million in committed facilities available with our principal bank, which we are not currently using.
Our repayment obligations at the end of the year were approximately €70 million.

Outlook

We expect that the government measures relating to COVID-19 will put pressure on our sales markets for some time to come. We do not expect to return to pre-COVID-19 net sales levels until the second half of 2021.

We continue to be vigilant and will align our organisation with this outlook for a longer period. Our motto will remain tight cost control and targeted investment and we will reconsider previous choices in the organisation structure and priorities.

For example, we have already started to further integrate work carried out in the Netherlands and Belgium in the supply chain. We will be further exploring and implementing the relevant opportunities in other areas over the coming months. While we had previously opted to undertake some of our own transport activities in the Netherlands, we have put these plans on hold for the time being and our transport colleagues from De Kweker have moved to two of our transport partners.

We are finalising the integration of De Kweker and the premises integration of Heineken earlier than planned, as a result of which we will be able to benefit more quickly from the efficiency savings of the integration when net sales recovers.

Our new web environment on SAP-Hybris is now live and all customers, including Heineken and De Kweker customers, will be helped to move to the new environment in the second half of the year. This will allow us to deliver on our promise of one order, one truck and one invoice and to capitalise on the benefits for the customer and for ourselves.

Over the coming months, we are seeing and expecting a gradual recovery in our sales markets, but we are unsure to what extent. We are not therefore providing any concrete predictions on the full-year results, but we expect to surrender net sales and results in the second half of the year compared with the previous year.

Given the results for 2020 so far and the uncertainty surrounding the second half of the year, we believe, as previously communicated, that the recovery of our financial position takes priority and there is an insufficient basis to pay a dividend for the 2020 calendar year.

A presentation of the half-year figures will be given in a meeting for analysts today. The presentation is available from www.sligrofoodgroup.nl.

The trading update on the third quarter is due to be published on 22 October 2020.

Veghel, 23 July 2020

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

Koen Slippens, CEO
Rob van der Sluijs, CFO

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Appendices

Directors' statement

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

1. The interim financial statements, as shown on pages 7-15 of this report, provide a true and fair view of the assets, liabilities, financial position and result for the first half-year of Sligro Food Group N.V. and its subsidiaries included in the consolidated statements.

2. The interim report, as shown on pages 1-4 of this report, provides a true and fair view of the position at the reporting date and the business conducted during the first half of the financial year of Sligro Food Group N.V. and its subsidiaries, details of which are contained in the interim financial statements. The interim report also provides a true and fair view of the expected course of business, the investments and the circumstances affecting net sales and results.

Koen Slippens, CEO
Rob van der Sluijs, CFO

Consolidated statement of profit or loss
for the first half year

x € million	2020	2019	2018
Continuing operations			
Net sales	**943**	**1,135**	**1,131**
Cost of net sales	(722)	(863)	(855)
Gross margin	**221**	**272**	**276**
Other operating income	**3**	**9**	**0**
Employee expenses	(114)	(130)	(124)
Accomodation costs	(16)	(14)	(20)
Costs to sell	(9)	(9)	(8)
Logistics costs	(41)	(55)	(51)
General costs	(17)	(17)	(11)
Depreciation of tangible fixed assets and right-of-use assets	(34)	(28)	(19)
Amortisation of intangible fixed assets	(10)	(10)	(12)
Impairment of software	(2)		
Impairment of goodwill and other intangible fixed assets	(60)		
Total operating costs	**(303)**	**(263)**	**(245)**
Operating profit	**(79)**	**18**	**31**
Financing income and expenses	(4)	(3)	(2)
Share in the result of associates	1	1	2
Pre-tax profit	**(82)**	**16**	**31**
Income taxes	10	(3)	(6)
Profit from continuing operations	**(72)**	**13**	**25**
Discontinued operations			
Profit from discontinued operations, after tax			4
Profit for the first half year	**(72)**	**13**	**29**
To be attributable to shareholders of the company	**(72)**	**13**	**29**

x €	2020	2019	2018
Details per share			
Basic earnings per share	(1.63)	0.29	0.65
Diluted earnings per share	(1.63)	0.29	0.65
Basic earnings per share from continuing operations	(1.63)	0.29	0.55
Diluted earnings per share from continuing operations	(1.63)	0.29	0.55

Consolidated statement of comprehensive income
for the first half year

x € million	2020	2019	2018
Profit for the first half year	(72)	13	29
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	0
Total unrealised profit/loss	1	1	0
Other comprehensive income for the financial half year	**(71)**	**14**	**29**
To be attributable to shareholders of the company	**(71)**	**14**	**29**
Comprehensive income to be allocated to:			
Continuing operations	(71)	14	25
Discontinued operations			4
Comprehensive income for the first half year	**(71)**	**14**	**29**

Abridged consolidated statement of cash flows[1)]

for the first half year

x € million	2020	2019	2018
Net cash flow from business operations	19	48	67
Interest received and paid	(3)	(2)	(2)
Dividends received from associates	0	5	4
Income tax paid	2	(7)	(24)
Net cash flow from operating activities	**18**	**44**	**45**
Acquisitions/participations		(55)	0
Divested operations	1	1	
Expenditure for investments in tangible fixed assets	(32)	(58)	(37)
Proceeds from disposal of tangible fixed assets/assets held for sale	61	6	0
Expenditure for investments in intangible fixed assets	(11)	(5)	(9)
Investment in/loans to associates		0	0
Repayments by/net divestment receipts from associates		0	0
Net cash flow from investing activities	**19**	**(111)**	**(46)**
Long-term borrowings drawn		50	0
Repayments on long-term borrowings	0	(8)	0
Change in own shares	1	1	7
Lease liabilities paid	(9)	(9)	
Dividend paid		(37)	(40)
Net cash flow from financing activities	**(8)**	**(3)**	**(33)**
Change in cash, cash equivalents and short-term borrowings from credit institutions	**29**	**(70)**	**(34)**
Opening balance	(7)	33	60
Closing balance	**22**	**(37)**	**26**

1) Contains the cash flows from both continuing and discontinued operations.

Consolidated statement of financial position

x € million	30 June 2020	28 December 2019	30 June 2019
Assets			
Goodwill	125	168	161
Other intangible fixed assets	146	163	164
Tangible fixed assets	319	362	360
Right-of-use assets	212	176	161
Investments in associates	52	50	50
Other financial fixed assets	8	10	14
Total fixed assets	**862**	**929**	**910**
Inventories	208	230	226
Trade and other receivables	122	228	202
Other current assets	45	46	40
Income tax	1	3	18
Cash and cash equivalents	22	19	23
	398	**526**	**509**
Assets held for sale			8
Total current assets	**398**	**526**	**517**
Total assets	**1,260**	**1,455**	**1,427**
Liabilities			
Paid-up and called-up capital	3	3	3
Reserves	426	497	499
Shareholders' equity	**429**	**500**	**502**
Deferred tax liabilities	17	26	28
Employee benefits provision	2	2	2
Other provisions	0	0	0
Long-term borrowings from credit institutions	160	160	236
Lease liabilities	216	174	159
Total non-current liabilities	**395**	**362**	**425**
Provisions	2	8	9
Repayment obligations	77	77	10
Short-term borrowings from credit institutions	0	26	60
Lease liabilities	18	15	17
Accounts payable	219	350	320
Income tax	0	0	0
Other taxes and social security contributions	63	33	21
Other liabilities and accruals and deferred income	57	84	63
	436	**593**	**500**
Liabilities directly related to assets held for sale		0	
Total current liabilities	**436**	**593**	**500**
Total liabilities	**1,260**	**1,455**	**1,427**

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 for the first half year			33			33
Cash flow hedge				1	0	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					0	0
Transactions with owners	0	0	0	0	0	0
Profit for the first half year			(72)			(72)
Cash flow hedge				1		1
Total realised and unrealised profit/loss	0	0	(72)	1	0	(71)
Balance as at 30 June 2020	**3**	**31**	**401**	**0**	**(6)**	**429**

Notes
to the interim financial statements 2020

General

Sligro Food Group N.V. is established in Veghel, Netherlands. The consolidated interim financial statements include the parent company and its subsidiaries (also referred to as the Group). With effect from the 2020 financial year, the Group has switched from a financial year spanning fifty-two weeks (with a fifty-three-week financial year once every five years) to a financial year that coincides with the calendar year. The interim figures cover the period 29 December 2019 to 30 June 2020. The comparative figures cover the period 30 December 2018 to 30 June 2019.

Statement of compliance

This half-year report has been prepared in accordance with the International Financial Reporting Standards as adopted within the European Union (EU-IFRS) and IAS 34 Interim Financial Reporting. It does not contain all the information required for full financial statements and should be read in conjunction with the 2019 consolidated financial statements.

Audit status

This half-year report is unaudited.

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

The accounting policies for financial reporting that the Group has applied in this half-year report are the same as the accounting policies applied in the consolidated financial statements for the 2019 financial year.

Seasonal influences

There is a seasonal pattern. Net sales in the second half of the year is normally higher than in the first half. This is mainly due to relatively high expenditure in the Foodservice channel in the Christmas period, followed by relatively low expenditure at the start of the new year. Because this variation in net sales is also accompanied by a shift in the net sales mix, profitability in the second half of the year is generally higher than in the first half. This year, we expect this effect to be even more marked in connection with the substantially lower net sales in the first half of 2020 owing to COVID-19.

Segment reporting
for the first half year

	Netherlands		Belgium		Group	
x € million	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Net sales	858	1,022	85	113	943	1,135
Gross margin as % of net sales	23.4	24.2	23.1	22.1	23.4	24.0
Gross operating result (EBITDA)	30	59	(3)	(3)	27	56
Operating result before amortisation (EBITA)	0	34	(7)	(6)	(7)	28
Operating profit (EBIT)	(11)	25	(68)	(7)	(79)	18
Net profit	(10)	18	(62)	(5)	(72)	13
Average net invested capital[1]	803	n/a [1]	83	n/a [1]	886	n/a [1]
EBITDA as % of sales	3.5	5.8	(3.0)	(1.8)	2.9	5.0
EBIT as % of sales	(1.3)	2.4	(79.4)	(6.2)	(8.4)	1.5
EBITDA as a % of the average net invested capital	12.5	n/a [1]	(4.2)	n/a [1]	10.9	n/a [1]
EBIT as a % of the average net invested capital	2.7	n/a [1]	(88.4)	n/a [1]	(5.9)	n/a [1]
Free cash flow[2]	26	(26)	2	1	28	(25)
Net investments	(18)	53	(0)	4	(18)	57

1) No comparative figures are available in connection with the adjustments in IFRS 16.
2) The free cash flow has been adjusted for the impact of lease liabilities paid.

Other operating income

Other operating income includes a book profit of €1 million on premises in Amersfoort that the Group has recognised as sold. In addition, the delivery service location of Drachten was sold and leased back on a long-term lease. The selling price was €8 million higher than the carrying amount, of which €1 million was recognised as income under other operating income. The balance of €7 million will be recognised in the result during the life of the lease agreement.

Impairments

The Group recognises two cash flow-generating entities, the Netherlands and Belgium. The recoverable amount of these entities is based on a value in use calculation and determined by calculating the net present value of estimated future cash flows generated by the continued use of these cash flow-generating entities. In connection with the impact of COVID-19 on the net sales and performance of the Group, it has been assessed whether a recalculation of the recoverable amount at 30 June 2020 could lead to an impairment.

The valuation of the assets is based on the going concern principle. The Group sees no reason to assume that it cannot continue its activities in the foreseeable future, given its current liquidity and solvency position.
This assessment is based on the EBIT of the past half year, the forecast for the coming half year, and projections for the next four and a half years, which are based partly on empirical figures. Based on this assessment, the recoverable amount was recalculated for the segment of the Netherlands and it was concluded that based on the revised forecast and projections, there is still ample headroom available.

The headroom for the cash flow-generating entity of Belgium was limited at the end of 2019 and the impact of COVID-19 is significant. Based on the recalculation of the recoverable amount, it was concluded that there is an impairment.
The assumptions used to calculate the recoverable amount concern the discount rate and the terminal growth rate. Other key assumptions are the average net sales growth, average improvement in the gross profit margin compared with net sales and average improvement in the EBITDA percentage compared with the net sales for the next five years. Given the uncertainty surrounding the COVID-19 developments, these assumptions are based on three possible scenarios.

Based on the relaxations of government measures currently known and the news about the regional and global expectations concerning the development of COVID-19, the Group has made assumptions that are as realistic as possible, based on various scenarios. For the longer term, the Group is still assuming that net sales in Belgium will outperform the market. However, the further accrual on the one hand and the transfer of some net sales from the Netherlands to Belgium on the other have been delayed owing to the recent COVID-19 developments.

These assumptions are the following:

Belgium segment Assumptions used

	Mid-2020			Year-end 2019
	(1)	(2)	(3)	
as %	Base scenario	Upwards	Downwards	Applied
Pre-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

The pre-tax discount rate has been taken from the weighted average cost of capital (WACC). The WACC has been calculated by a professional external party and the parameters used have been taken from a peer group and market data. The risk-free interest rate used to calculate the WACC is 0.0%. In line with this, a terminal growth rate of 0% has been applied.
The estimated EBIT growth is expressed as the compound annual growth as a percentage of net sales in the five years of the projections used.

Based on this calculation, it has been concluded that the recoverable amount of the cash flow-generating entity of Belgium is lower than the net invested capital and therefore an impairment loss of€60 million has been recognised, consisting of €43 million in goodwill and €17 million in customer relationships. After accounting for the impairment, the goodwill and acquisition-related intangible fixed assets can be analysed as follows:

x € million	30 June 2020	28 December 2019
Goodwill	125	168
Intangible fixed assets relating to acquisitions[1)]		
Customer relationships	80	102
Site locations	15	15
Brand names	10	11
	105	**128**

A sensitivity analysis was performed on the assumptions applied to estimate the present value of the cash flows for the Belgian cash flow-generating entity, taking into account which adjustment of the key assumptions used is required to reduce the remaining headroom to zero.

The sharp rise in the WACC and the adjusted expectations in net sales growth are the most important adjustments in the assumptions that have resulted in a decline in the recoverable amount.

Assumptions

	Mid-2020	Year-end 2019	
as %	Base scenario	Applied	Nil headroom scenario
Net sales growth	5.4	5.1	3.8
WACC	6.7	5.8	6.6

The expected net sales growth from mid-2020 may be higher than expected at year-end 2019, but it is from a 12% lower starting point, as a result of which there is a net negative impact on net sales projections.
Approximately one-third of the difference in headroom of €21 million at year-end 2019 and the impairment of €60 million can be explained by the increase in the WACC and two-thirds by the adjusted net sales projections.

The recent figures and the plans for the next year are the starting point for the assumptions used. Based on the knowledge and experience gained in recent years, the Group considers these assumptions to be realistic.

1) The breakdown of the acquisition-related intangible fixed assets of the comparative figures at the end of the 2019 financial year has been adjusted relative to the 2019 financial statements.

Other impact of COVID-19

In the Netherlands, the Group used the first period of the NOW (NOW 1.0). Based on the fall in net sales expected in March, advances of €15 million were received. Based on the net sales actually realised, we expect to repay €2 million of this amount later this year. The NOW income of €13 million has been deducted from employee expenses. The Group has not yet submitted an application for the second NOW period. We are awaiting the net sales trend for the next month.

In Belgium, the Group made use of the TWO scheme (temporary unemployment owing to force majeure). This resulted in a €2 million reduction in employee expenses in the first half of the year. This scheme can be used until the end of August.

In addition, the Group in the Netherlands has used the opportunity to defer the payment of taxes for a period of three months, for income tax, wages tax, VAT and duties. At 30 June 2020, there is €24 million in deferred tax payments.

There has been no significant additional write-down of inventories at the end of June 2020 given the saleability of inventories. Shrinkage in connection with lower net sales is recognised in the result on a monthly basis. This resulted in €3 million extra costs in the first half-year compared to the first half-year of 2019.

The credit risk that the Group runs, particularly on Foodservice customer receivables has been reviewed again in connection with the COVID-19 developments. At 30 June 2020, the Foodservice customer receivables included under financial assets of €6 million (year-end 2019: €7 million), whereby a provision has been formed for non-collectable loans of €1 million (year-end 2019: zero). The Foodservice customer receivables reported under receivables amounted to €98 million (year-end 2019: €173 million), whereby in the first half of 2020, an addition to the provision for uncollectability of €2 million was made. This addition is made up of €1 million from an addition to the provision for customers who are in major financial difficulties and €1 million determined on the basis of the expected credit loss model (ECL). The total expected credit loss on debtors is therefore €7 million (year-end 2019: €5 million).

Bank borrowings and facilities

In the first half of the year, the Group extended its overdraft facilities to €167 million (year-end 2019: €127 million), of which €161 has been committed (year-end 2019: €61 million). At 30 June 2020, these facilities had not yet been used.

The Group is required to calculate the following ratio every year on 30 June and 31 December for its non-current liabilities and overdraft facilities, whereby at the measurement date of 30 June 2020, scope for a temporary extension of 4.0 had been agreed with all lenders.

	Convenant	**Actual**
Net interest-bearing debt/EBITDA as % [1]	< 3.0	2.5

Contingent liabilities

Claims

On 13 March 2020, the Group learnt of a writ of summons issued by the Jumbo & Coop consortium, resulting from the transaction concerning the sale of EMTÉ in 2018. The consortium alleges that in the context of this transaction, an incorrect picture had been painted of EMTÉ's historic profitability, as a result of which the performance following the acquisition fell short of the consortium's own expectations. The Group dismisses all accusations out of hand.

The positions of the consortium do not have a factual or legal basis. The Group has therefore not made a provision for a potential future financial claim. The Group is preparing for substantive proceedings, scheduled to be held at the end of 2020 or early 2021.

1) The definition of financing differs from the reported figures. It is based on the adjusted figures, not including the 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.

Profile

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

Netherlands

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

Belgium

In Belgium, JAVA Foodservice focuses primarily on the institutional, corporate catering and hotel chain market segments. ISPC specialises in the hospitality industry and supplies high-quality, innovative food and non-food products to culinary professionals. ISPC operates combined cash-and-carry and wholesale delivery service outlets in Ghent and Liege. The first site for the Sligro-ISPC cash-and-carry format is in Antwerp. The first Sligro-ISPC wholesale formula outlet opened in Antwerp and the outlets in Ghent and Liege, as well as all new outlets that open over time, will also operate under the Sligro-ISPC brand. These outlets are mainly aimed at serving large-volume users and the hospitality market. Gradually, we will develop our operations so that our structure is similar to the one operating in the Netherlands. This consists of two formats, Sligro-ISPC and JAVA Foodservice, with their own commercial organisation and a joint delivery 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.

We offer our customers a selection of around 75,000 food and food-related non-food items, as well as a range of related services. The Group handles most of its own purchases for specific Foodservice products. In addition, some of the purchasing is carried out by CIV Superunie B.A.

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

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