



Schoeller Allibert Group BV.
Second Quarter 2019



Schoeller Allibert

Schoeller Allibert Group B.V.
Second Quarter 2019
Condensed consolidated interim financial statements

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Cautionary statement: The operating and financial review and certain other sections of this document contain forward looking statements which are subject to risk factors associated with, amongst others, the economic and business circumstances occurring from time to time in the countries and markets in which the Group operates. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a wide range of variables, which could cause actual results to differ materially from those currently anticipated.

Principal Activities

Schoeller Allibert Group BV. (the “Company”) and its subsidiaries (collectively, the “Group” or “Schoeller Allibert”) is Europe’s largest manufacturer of plastic containers and returnable transit packaging (RTP). Schoeller Allibert offers a wide range of products to meet the storage, handling and distribution needs of large and medium sized companies on a local, regional and global level. Schoeller Allibert employs approximately 2,000 people with the majority employed in Europe, where the Group has production and sales activities in over 20 countries.

Schoeller Allibert’s products include tough stacking containers, rigid pallet containers (RPCs) for secure distribution, heavy-duty rigid and folding large containers (FLCs), pallets and dollies which have been designed to protect small, large or unusually shaped components; to timely deliver goods and, thanks to foldable or stackable units to save valuable space on return journeys. Manufactured to precise dimensions, to fit and function seamlessly with all handling equipment, Schoeller Allibert’s containers are the ideal handling medium for automated warehouses and distribution centers. They promote a reliable and consistent flow, withstanding heavy unit loads and allow fast movement through automated storage and retrieval systems, thereby helping customers to speed handling operations, reduce logistics costs and eliminate packaging waste.

Schoeller Allibert has extensive expertise in a range of industries, including agriculture, automotive, food and food processing, beverage, retail, industrial manufacturing and pooling. With more than 50 years of experience in developing industrial reusable packaging, Schoeller Allibert has built leading market positions by understanding its target industry sectors and applying extensive expertise to design and implement customized industrial reusable packaging solutions that address industry specific handling, logistics, storage and retrieval requirements.

Key Financial Results

The table below shows the Group’s key consolidated financial results for the three and six months ended 30 June 2019 and 2018:

EUR'000	THREE MONTHS ENDED 30 JUNE		SIX MONTHS ENDED 30 JUNE	
	2019	** 2018	2019	** 2018
Revenue	135.893	* 135,553	244.942	* 242,987
Revenue growth	0.3%	16.5%	0.8%	7.2%
Operating profit	8.756	5,605	8.583	6,490
Operating profit as % revenue	6.4%	4.1%	3.5%	2.7%
EBITDA	17.978	13,093	28.672	21,511
EBITDA as a % of revenue	13.2%	9.7%	11.7%	8.9%
Profit (loss) before income taxes	2.377	1,042	(4.563)	(4,473)
Net capital expenditure	12,051	4,149	17,058	8,402
Net capital expenditure as a % of revenue	8.9%	3.1%	7.0%	3.5%
Cash generated from operations	7,714	9,998	3,922	8,347

* As a result of retrospective IFRS 15 adoption, revenue was reduced by EUR 4.3 million (three months ended 30 June) and by EUR 8.1 million (six months ended 30 June).

** 2018 comparatives are not restated for the impact of IFRS 16.

The table below shows the Group’s key other financial metrics as at 30 June 2019 and 31 December 2018:

EUR'000	AS AT 30 JUNE	AS AT 31 DECEMBER
	2019	2018
Net working capital*	4.036	(16,311)
Cash and cash equivalents	(17.334)	8,634
Total net loans and borrowings	291.418	** 226,819

* Net working capital for June 2019 is adjusted for the Swedish tax liability of EUR 2,808 thousand (December 2018: EUR 4,366 thousand) and accrued interest of EUR 270 thousand (December 2018: EUR 389 thousand).

** 2018 comparatives are not restated for the impact of IFRS 16.

Net working capital is defined as current assets (excluding cash and cash equivalents and receivables from related parties) less current liabilities (excluding current portion of loans and borrowings, bank overdrafts and payables due from related parties).

Cash and cash equivalents is defined as cash and cash equivalents on the balance sheet less bank overdrafts.

Net loans and borrowings are defined as total current and non-current loans and borrowings less cash and cash equivalents.

Operating and Financial Review

Revenue

The table below shows the Group's operating segment revenue for the three and six months ended 30 June 2019 and 2018:

EUR'000	THREE MONTHS ENDED 30 JUNE		SIX MONTHS ENDED 30 JUNE	
	2019	2018	2019	2018
Northern Europe	55,383	54,177	100,814	99,074
Southern Europe	34,407	33,605	57,180	60,398
UK and rest of Europe	22,541	25,588	45,090	43,897
United States of America	10,968	9,275	17,410	15,833
All Other Segments	12,594	12,908	24,448	23,785
Total revenue	135,893	135,553	244,942	242,987

Operating segments are aggregated to the following reportable segments which include:

- Northern Europe: the Netherlands, Belgium, Germany, Austria and Switzerland.
- Southern Europe: France, Italy, Spain and Portugal.
- UK and rest of Europe: the United Kingdom, Czech Republic, Romania, Slovakia, Hungary, Poland, Serbia, Turkey, Sweden, Finland, Latvia, Ukraine and Russia.
- United States of America: the USA.
- All Other Segments: Services business and International businesses, which are comprised of the sale of moulds and RTP products into emerging markets, and Head Office.

Revenue in Northern Europe increased by EUR 1,206 thousand, or 2.2%, to EUR 55,383 thousand for the three months ended 30 June 2019 from EUR 54,177 thousand for the three months ended 30 June 2018. This growth in revenue was primarily attributable to higher pooling volumes in the quarter offset by lower volumes in beverage and automotive.

Revenue in Southern Europe increased by EUR 802 thousand, or 2.4%, from EUR 33,605 thousand for the three months ended 30 June 2018 to EUR 34,407 thousand for the three months ended 30 June 2019. This growth in revenue was driven by strong performance in the agriculture market offset partly by weaker sales in the automotive, retail and beverage markets.

Revenue in the UK and rest of Europe decreased by EUR 3,047 thousand, or 11.9%, from EUR 25,588 thousand for the three months ended 30 June 2018 to EUR 22,541 thousand for the three months ended 30 June 2019. This decrease was primarily attributable to lower sales to retail, automotive and industrial manufacturing customers.

Revenue in the USA increased by EUR 1,693 thousand, or 18.3%, from EUR 9,275 thousand for the three months ended 30 June 2018 to EUR 10,968 thousand for the three months ended 30 June 2019. This increase was attributable to new customers in retail, industrial manufacturing and agriculture, offsetting lower pooling volumes.

Revenue in all Other Segments decreased by EUR 314 thousand, or 2.4%, from EUR 12,908 thousand for the three months ended 30 June 2018 to EUR 12,594 thousand for the three months ended 30 June 2019. This decrease is attributable to lower revenues from the Services business offset in part by higher sales of moulds.

Operating result

EUR'000	THREE MONTHS ENDED 30 JUNE		SIX MONTHS ENDED 30 JUNE	
	2019	2018	2019	2018
Operating result	8,756	5,605	8,583	6,490

Operating result increased by EUR 3,151 thousand, to EUR 8,756 thousand for the three months ended 30 June 2019 compared to EUR 5,605 thousand for the three months ended 30 June 2018. The higher profit resulted mainly from lower raw material costs.

The following table shows a breakdown of operating result by geographic segment for the three and six months ended 30 June 2019 and 2018:

EUR'000	THREE MONTHS ENDED 30 JUNE		SIX MONTHS ENDED 30 JUNE	
	2019	2018	2019	2018
Northern Europe	3,702	3,238	4,042	3,108
Southern Europe	4,317	3,187	3,883	4,421
UK and rest of Europe	394	(439)	61	(2,290)
United States of America	(1,761)	(2,044)	(4,904)	(6,475)
All Other Segments	2,104	1,663	5,501	7,726
Operating profit	8,756	5,605	8,583	6,490

Adjusted EBITDA– reconciliation

The Company discloses Adjusted EBITDA as a non-IFRS performance measure. The Group defines Adjusted EBITDA as the operating result for the year excluding depreciation, amortisation and impairment, adjusting items and shareholder management fees. Items are disclosed as adjusting where it is necessary to do so to provide further understanding of the financial performance of the Group. As such, items are presented as adjusting if management finds these to meet the following criteria: material; non-recurring and require separate disclosure due to the significance of their nature or amount.

Adjusting items relate to material non-recurring items of income and expense arising from circumstances or events such as: business combinations; closure of manufacturing locations; litigation settlements and certain shareholder exit fees.

EUR'000	THREE MONTHS ENDED 30 JUNE		SIX MONTHS ENDED 30 JUNE	
	2019	2018	2019	2018
Operating result	8,756	5,605	8,583	6,490
Adjusting items	1,445	2,718	2,155	4,532
Shareholder management fees	375	-	750	-
Depreciation and impairment expense	6,932	4,388	16,274	9,739
Amortisation and impairment expense	470	382	910	750
Adjusted EBITDA	17,978	13,093	28,672	21,511

Adjusting items decreased by EUR 1,273 from EUR 2,718 thousand for three months ended 30 June 2018 to EUR 1,445 thousand for three months ended 30 June 2019. Adjusting items for the three months ended 30 June 2019 relate to non-recurring items arising from EUR 1.203 thousand of employee benefits concerning severance costs resulting from restructuring activities, EUR 242 thousand related mostly to other restructuring activities. Adjusting items for three months ended 30 June 2018 relate to non-recurring items arising from EUR 1.707 thousand related employee benefits concerning severance costs, EUR 1.011 thousand of other restructuring activities.

Depreciation expense increased by EUR 2,547 thousand, to EUR 6,935 thousand for the three months ended 30 June 2019 compared to EUR 4,388 thousand for the three months ended 30 June 2018, mainly driven by the adoption of IFRS 16.

Amortisation expense increased by EUR 88 thousand, to EUR 470 thousand for the three months ended 30 June 2019 compared to EUR 382 thousand for the three months ended 30 June 2018.

Net finance expense

Net finance expense for the three months ended 30 June 2019 was EUR 6,379 thousand (expense for the three months ended 30 June 2018: EUR 4,563 thousand). This increase was mainly due to unfavourable foreign exchange developments.

Profit (loss) before income taxes

The profit before income taxes was EUR 2,377 thousand for the three months ended 30 June 2019 (the three months ended 30 June 2018: profit of EUR 1,042 thousand).

Cash generated from operations

Cash generated from operations during the three months ended 30 June 2019 amounted to a EUR 7,714 thousand inflow (the three months ended 30 June 2018 EUR 9,997 thousand inflow).

Net capital expenditure

Net capital expenditure was EUR 12,051 thousand outflow for the three months ended 30 June 2019 (the three months ended 30 June 2018: EUR 4,149 thousand outflow), which represented 8.9% of revenue for the three months ended 30 June 2019 (3.1% for the three months ended 30 June 2018). The increase was driven by timing of investments and new finance leases.

Net working capital

Net working capital is defined as current assets (excluding cash and cash equivalents and receivables from related parties) less current liabilities (excluding current portion of loans and borrowings, bank overdrafts and payables due from related parties).

As of 30 June 2019, the receivables from related parties were equal to nil (31 December 2018: nil) and the payables due to related parties were equal to EUR 85 thousand (31 December 2018: EUR 599).

As of 30 June 2019, the Group had a net working capital of EUR 4,036 thousand, adjusted for the Swedish tax liability of EUR 2,808 EUR thousand and related accrued interest of EUR 270 thousand (31 December 2018 negative net working capital of EUR 16,311 thousand). The increase in the net working capital was mainly due to higher inventory and lower trade payable levels, offset partially by lower trade receivables balances as of 30 June 2019.

Cash and cash equivalents

Cash and cash equivalents is defined as cash and cash equivalents on the balance sheet less bank overdrafts. As of 30 June 2019, the Group had negative EUR 17,334 thousand (31 December 2018: EUR 8,634 thousand positive) of net cash on its balance sheet.

As at 30 June 2019, the Group had one revolving credit facility of EUR 30 million (31 December 2018: EUR 30 million). As at 30 June 2019 the facility was fully utilized for guarantees and cash drawings (31 December 2018: EUR 18.7 million).

Total net loans and borrowings

Net loans and borrowings is defined as total current and non-current loans and borrowings less cash and cash equivalents, which increased to EUR 291,418 thousand as at 30 June 2019 (31 December 2018: EUR 226,819 thousand), driven by adaption of IFRS 16 of EUR 29.1 million, a new shareholder loan of EUR 7.6 million as well as seasonally lower cash balances.

Subsequent events

There were no events after the balance sheet date.

Consolidated Income Statement

EUR'000	Note	THREE MONTHS ENDED 30 JUNE		SIX MONTHS ENDED 30 JUNE	
		2019	2018	2019	2018
Revenue	8	135,893	* 135,553	244,942	* 242,987
Other income		18	27	126	61
Raw materials and consumables used		(68,010)	* (71,764)	(117,708)	* (124,072)
Costs for subcontracting		(460)	(694)	(1,054)	(1,062)
Employee benefit expense		(30,941)	(31,325)	(61,637)	(60,887)
Other operating costs		(20,342)	(21,422)	(38,902)	(40,048)
Depreciation and impairment expense		(6,932)	(4,388)	(16,274)	(9,739)
Amortisation and impairment expense		(470)	(382)	(910)	(750)
Total operating expenses		(127,155)	(129,975)	(236,485)	(236,558)
Operating result		8,756	5,605	8,583	6,490
Net finance expense		(6,379)	(4,563)	(13,146)	(10,963)
Profit (loss) before income taxes		2,377	1,042	(4,563)	(4,473)
Income tax (expense) income		(813)	(888)	(1,047)	(812)
Profit (loss) for the period		1,564	154	(5,610)	(5,285)
Attributable to:					
Owners of the Company		1,533	179	(5,524)	(5,171)
Non-controlling interests		31	(25)	(86)	(114)

* As a result of retrospective IFRS15 adoption, revenue, raw materials and consumables were reduced by EUR 4.3 million (three months ended 30 June) and by EUR 8.1 million (six months ended 30 June) from reported in 2018 Interim Financial Statements.

Consolidated Statement of Comprehensive Income

EUR'000	THREE MONTHS ENDED 30 JUNE		SIX MONTHS ENDED 30 JUNE	
	2019	2018	2019	2018
Profit (loss) for the period	1.564	154	(5.610)	(5,285)
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation differences - foreign operations	(1.674)	(650)	338	(570)
Total comprehensive loss for the period, net of income tax	(110)	(496)	(5.272)	(5,855)
Attributable to:				
Owners of the Company	(138)	(463)	(5.191)	(5,733)
Non-controlling interests	28	(33)	(82)	(122)
Total comprehensive loss for the period	(110)	(496)	(5.272)	(5,855)

Consolidated Balance Sheet

EUR'000	Note	AS AT 30 JUNE	AS AT 31 DECEMBER
		2019	2018
ASSETS			
Non-current assets			
Property, plant and equipment		114,843	126,263
Right of use assets		48,524	-
Intangible assets		7,282	6,516
Equity accounted investments		663	663
Other financial assets		8,967	8,082
Deferred income tax assets		13,001	13,525
Total non-current assets		193,280	155,049
Current assets			
Inventories		41,880	33,876
Trade and other receivables		63,576	55,550
Current income tax assets		2,688	2,317
Prepayments and accrued income		10,496	9,839
Derivative financial instruments		-	44
Cash and cash equivalents		19,256	14,899
Total current assets		137,896	116,525
TOTAL ASSETS		331,176	271,574
EQUITY			
Equity attributable to owners of the Company		(104,300)	(99,108)
Non-controlling interests		434	515
Total equity		(103,866)	(98,593)
LIABILITIES			
Non-current liabilities			
Loans and borrowings	11	251,987	225,360
Employee benefits		7,829	7,778
Provisions	13	523	784
Deferred income tax liabilities		1,360	1,715
Total non-current liabilities		261,699	235,637
Current liabilities			
Loans and borrowings	12	18,987	5,040
Bank Overdraft		36,590	6,265
Provisions	13	911	1,827
Current income tax liabilities		4,978	5,244
Derivative financial instruments		21	-
Trade and other payables		111,856	116,154
Total current liabilities		173,343	134,530
Total liabilities		435,042	370,167
TOTAL EQUITY AND LIABILITIES		331,176	271,574

Consolidated Statement of Cash Flows

EUR'000	THREE MONTHS ENDED 30 JUNE		SIX MONTHS ENDED 30 JUNE	
	2019	2018	2019	2018
Profit (loss) for the year	1,564	154	(5,610)	(5,285)
Adjustments for:				
Depreciation and impairment	6,932	4,388	16,274	9,740
Amortisation and impairment	470	382	910	750
Profit on sale of property, plant and equipment	(18)	(27)	(126)	(61)
Net finance costs	6,684	4,396	13,867	11,101
Tax expense	813	888	1,047	812
Change in:				
Inventories	934	3,516	(7,964)	(10,193)
Trade and other receivables	(12,070)	(3,299)	(8,000)	8,305
Prepayments and accrued income	(799)	138	(698)	601
Trade and other payables	3,840	(840)	(4,604)	(7,435)
Provisions and employee benefits	(635)	301	(1,173)	12
Cash generated from operations	7,714	9,997	3,922	8,347
Interest received	(218)	11	(199)	79
Interest paid	(9,836)	(9,578)	(10,913)	(10,655)
Income tax paid	(306)	(1,653)	(1,478)	(4,979)
Net cash inflow from operating activities	(2,646)	(1,223)	(8,668)	(7,208)
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment	127	58	259	106
New long term loans receivable granted	(424)	(3,058)	(882)	(3,559)
Acquisition of property, plant and equipment	(11,284)	(3,996)	(15,642)	(8,070)
Acquisition of intangible assets	(894)	(211)	(1,675)	(437)
Net cash (outflow) from investing activities	(12,475)	(7,207)	(17,940)	(11,960)
Cash flows from financing activities				
Payment of transaction costs related to loans and borrowings	(20)	(586)	(11)	(893)
Proceeds from borrowings	1,390	-	9,740	212
Repayment of borrowings	(1,790)	(1,634)	(2,013)	(2,517)
Payment of finance lease liabilities	(3,389)	(1,141)	(7,119)	(2,151)
Net cash (outflow) from financing activities	(3,809)	(3,361)	597	(5,349)
Net change in cash and cash equivalents	(18,931)	(11,791)	(26,012)	(24,517)
Cash and cash equivalents at beginning of period	1,710	21,992	8,634	34,834
Effect of exchange rate fluctuations on cash and cash equivalents	(113)	13	44	(103)
Cash and cash equivalents at end of period	(17,334)	10,214	(17,334)	10,214

Consolidated Statement of Changes in Equity

EUR'000	Share capital	Share premium	Other reserves	Accumulated deficit	Total	Non-controlling interest	Total equity
Balance as at 1 January 2019	-	106,979	(145,268)	(60,820)	(99,108)	515	(98,593)
Loss for the period	-	-	-	(5,524)	(5,524)	(86)	(5,610)
Foreign currency translation differences – foreign operations; net of income tax	-	-	332	-	332	5	337
Total comprehensive loss for the year	-	-	332	(5,524)	(5,192)	(81)	(5,273)
Balance as at 30 June 2019	-	106,979	(144,936)	(66,344)	(104,300)	434	(103,866)

EUR'000	Share capital	Share premium	Other reserves	Accumulated deficit	Total	Non-controlling interest	Total equity
Balance as at 1 January 2018	-	106,979	(145,245)	(50,245)	(88,510)	606	(87,904)
Profit/(loss) for the year	-	-	-	(10,952)	(10,952)	(69)	(11,021)
Other comprehensive income for the year:							
Gain on re-measurement of net defined benefit liability, net of income tax	-	-	-	376	376	-	376
Foreign currency translation differences – foreign operations; net of income tax	-	-	(23)	-	(23)	(21)	(44)
Total comprehensive loss for the year	-	-	(23)	(10,575)	(10,598)	(90)	(10,688)
Balance as at 31 December 2018	-	106,979	(145,268)	(60,820)	(99,108)	515	(98,593)

Notes to the Condensed Consolidated Interim Financial Statements

1. General information

Schoeller Allibert develops, produces and sells plastic returnable transport packaging solutions for large and medium sized companies on a local, regional and global level.

Schoeller Allibert Group BV. was incorporated on 24 September 2015 in the Netherlands. The Company and its direct and indirect subsidiaries are collectively referred to as the 'Group', and individually as "Group entities". The address of its registered office is Taurusavenue 35, 2132 LS Hoofddorp, the Netherlands.

Schoeller Allibert Group BV. is a subsidiary of Schoeller Packaging BV., a company incorporated in the Netherlands that is owned for 70% by BCP IV RTP Holdings Ltd., ultimately 100% held by Brookfield Asset Management Inc., and for 30% by Schoeller Industries BV., a company incorporated in the Netherlands that is active in supply chain systems.

2. Basis of Preparation

The interim financial information for the six months ended 30 June 2019 has been prepared on a going concern basis and in accordance with IAS 34 'Interim financial reporting' as adopted by the European Union. The condensed consolidated interim financial statements should be read in conjunction with the audited Annual Report of Schoeller Allibert Group BV. for the year ended 31 December 2018, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

3. Going concern

Although Q2 was a profit of EUR 1.6 million, Schoeller Allibert has a total negative equity of EUR 103.9 million as at 30 June 2019.

At the same time, Schoeller Allibert has a stable financing structure with the Senior Secured Notes due in 2021 with an access to the revolving credit facility. Additionally the acquisition of a controlling interest in the Group's parent Schoeller Packaging B.V. by Brookfield Business Partners L.P. for EUR 205 million in May 2018 demonstrates that the shareholders see a positive equity value ('equity cushion'). As at 30 June 2019, the Group had access to a committed credit facility of up to EUR 65 million from Brookfield, subject to shareholder consent. The Group used EUR 7.6m from the facility.

The Management believe that the years 2017-2018 were milestones for the Company which laid the foundation for its future profitability and cash flows. The Company incurred significant levels of capital expenditure focusing on innovation. The Group developed and launched 42 successful new products for eight different end-markets, from new beer crates to foldable large and small containers. Sales of these new products are expected to contribute to the revenue growth in 2019 and beyond.

Based on the above mentioned facts, Management believes that the application of the going concern assumption for the second quarter 2019 interim consolidated financial statements is appropriate.

4. Auditor involvement

The content of this interim financial report has not been audited by our external auditor Deloitte.

5. Accounting policies

The accounting policies applied are consistent with those applied in the audited Annual Report 2018 of Schoeller Allibert Group BV, except for the adoption of new and amended standards.

New and amended standards adopted by the Group:

The Group has applied the following standards and amendments for the first time for the financial year beginning on 1 January 2019:

- IFRS 3, "Business Combinations" – clarifies the standard in relation to obtaining control of a business that is a joint operation in a business combination, which is achieved in stages. This clarification does not have any material impact on the financial statements.

- IFRS 16, “Leases”: The Group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of IFRS16, “Leases”, the group recognized lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of IAS 17 “Leases”. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019. The weighted average discount rate was 2%. The right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet as at 31 December 2018. The amount recognized for the right-of-use assets and the lease liability was EUR 34.5 million. As a result of the change in this accounting policy, EBITDA is positively impacted EUR 2.4 million in the three months ended 30 June 2019.

6. Critical accounting estimates and judgments

The preparation of condensed consolidated interim financial statements in accordance with generally accepted accounting principles under IAS 34 requires the Group to make estimates, judgments and assumptions that may affect the reported amounts of assets, liabilities, revenue and expenses and the disclosure of contingent assets and liabilities in the condensed consolidated interim financial statements. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The resulting accounting estimates will, by definition, rarely equal the related actual results. Actual results may differ significantly from these estimates, the effect of which is recognized in the period in which the facts that give rise to the revision become known.

In preparing these Second Quarter condensed consolidated interim financial statements, the significant judgments made by the Management in applying the Group’s accounting policies and the key sources of estimation uncertainty, were the same (being income taxes, employee benefits, provisions and contingent liabilities and estimated useful lives and residual values) as those that applied to the audited Annual Report 2018 of Schoeller Allibert Group BV.

7. Financial risk management

The Group’s operations and financial results are subject to various risks and uncertainties that could adversely affect its business, financial position, results of operations and cash flows. The Group’s risk management objectives and policies are consistent with those disclosed in the audited Annual Report 2018 of Schoeller Allibert Group BV.

The Group operates internationally and generates foreign currency exchange risks arising from future commercial transactions, recognized assets and liabilities, investments and divestments in foreign currencies other than the Euro, the Group’s reporting currency. The main exchange rates are shown below:

	2019			2018		
	June Closing	Three Month Average	Six Month Average	June Closing	Three Month Average	Six Month Average
British pound	0.8965	0.8761	0.8761	0.8861	0.8793	0.8811
US dollar	1.1380	1.1246	1.1334	1.1658	1.1933	1.2054
Swiss franc	1.1105	1.1234	1.1279	1.1569	1.1708	1.1669

Revenues and expenses are translated to Euro at the average exchange rate for the applicable period for inclusion in the condensed consolidated interim financial statements. The business generates substantial revenues, expenses and liabilities in jurisdictions outside the Euro zone.

For the six months ended 30 June 2019, approximately 68% of revenue before adjusting items was generated by operations inside the Euro zone. Consequently the translation risk of non-Euro results to the Euro is the most significant currency risk. Currency fluctuations of especially the US dollar and British pound could materially affect the consolidated Group results. Translation risks of non-Euro equity positions in the Group are not hedged.

The Group's companies are also exposed to foreign currency transactional risks on revenues and expenses that are denominated in a currency other than the respective functional currencies of the Group's entities. The Group tries to

mitigate the risks of transactional currency exposures by natural hedges. The Group may use forward exchange contracts or currency swaps to hedge forecasted foreign exchange cash flow transactions.

8. Segment Information

The Board of Directors, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief operating decision-maker that makes strategic decisions. The Management has determined the operating segments based on the information reviewed by the Board of Directors for the purposes of allocating resources and assessing performance.

The Board of Directors considers the business from both a geographic and product perspective. Geographically, the Management considers the production and sale of Returnable Transport Packaging (“RTP”) products’ performance per region, also called the Manufacturing business. From a product perspective, the Management separately considers the Services activities of the Group. The Group’s manufacturing activities represent the primary business of the Group. As the operating segments of the Services business and the individual operating segments are not meeting the aggregation criteria or individual reporting thresholds, these are all reported in “All Other Segments”.

Sales between segments are carried out at arm’s length. The revenue from external parties reported to the Board of Directors is measured in a manner consistent with that in the statement of profit or loss.

Due to the fact that no balance sheet measures per operating segment are included in the information regularly reviewed by the Board of Directors, no measures on assets per segment are disclosed in Second Quarter condensed consolidated interim financial statements.

The segment results for the three and six months ended 30 June 2019 and 2018 are as follows:

THREE MONTHS ENDED 30 JUNE 2019							
EUR’000	Northern Europe	Southern Europe	UK and Rest of Europe	USA	All other Segments	Eliminations	Total
Total segment revenue	77,030	47,549	28,471	11,099	14,633	(42,889)	135,893
Inter-segment revenue	(21,646)	(13,142)	(5,930)	(131)	(2,039)	42,889	-
Total revenue from external customers	55,383	34,407	22,541	10,968	12,594	-	135,893
Operating result	3,702	4,317	394	(1,761)	2,104	-	8,756
Net finance cost							(6,379)
Income tax expense							(813)
Profit for the period							1,564

THREE MONTHS ENDED 30 JUNE 2018							
EUR’000	Northern Europe	Southern Europe	UK and Rest of Europe	USA	All other Segments	Eliminations	Total
Total segment revenue	61,538	40,568	30,686	9,275	14,134	(20,648)	135,553
Inter-segment revenue	(7,361)	(6,964)	(5,098)	-	(1,226)	20,648	(0)
Total revenue from external customers	54,177	33,605	25,588	9,275	12,908	-	135,553
Operating result	3,238	3,187	(439)	(2,044)	1,663	-	5,605
Net finance cost							(4,563)
Income tax expense							(888)
Loss for the period							154

SIX MONTHS ENDED 30 JUNE 2019							
EUR’000	Northern Europe	Southern Europe	UK and Rest of Europe	USA	All other Segments	Eliminations	Total
Total segment revenue	138,121	80,398	56,561	17,541	28,278	(75,958)	244,942
Inter-segment revenue	(37,307)	(23,218)	(11,471)	(131)	(3,830)	75,958	-
Total revenue from external customers	100,814	57,180	45,090	17,410	24,448	-	244,942
Operating result	4,042	3,883	61	(4,904)	5,501	-	8,583
Net finance cost							(13,146)
Income tax expense							(1,047)
Loss for the period							(5,610)

SIX MONTHS ENDED 30 JUNE 2018

EUR'000	Northern Europe	Southern Europe	UK and Rest of Europe	USA	All other Segments	Eliminations	Total
Total segment revenue	111,535	73,536	53,790	15,833	25,897	(37,605)	242,987
Inter-segment revenue	(12,461)	(13,139)	(9,892)	-	(2,112)	37,605	-
Total revenue from external customers	99,074	60,398	43,897	15,833	23,785	-	242,987
Operating result	3,108	4,421	(2,290)	(6,475)	7,726	-	6,490
Net finance cost							(10,963)
Income tax expense							(812)
Loss for the period							(5,285)

9. Net finance cost

EUR'000	THREE MONTHS ENDED 30 JUNE		SIX MONTHS ENDED 30 JUNE	
	2019	2018	2019	2018
Interest income on loans and receivables	4	11	23	79
Net foreign exchange gain	574	1,257	15	870
Finance income	578	1,268	38	949
Interest expense on borrowings	(5,097)	(4,771)	(9,839)	(9,467)
Amortisation deferred financing fees	(977)	(672)	(1,954)	(1,209)
Net foreign exchange (loss)	-	-	-	-
Other financial expenses	(883)	(388)	(1,391)	(1,236)
Finance expense	(6,957)	(5,831)	(13,184)	(11,912)
Net finance cost	(6,379)	(4,563)	(13,146)	(10,963)

Net finance expense for the three months ended 30 June 2019 was EUR 6,379 thousand (expense for the three months ended 30 June 2018: EUR 4,563 thousand). This increase was mainly due to higher finance expenses.

The net foreign exchange results are mainly attributable to the fluctuations of the Euro against the US dollar, British pound, Swiss franc and Swedish krona.

10. Income tax expense

Income tax expense/income is recognized based on management's estimate of the average annual income tax rate expected for the full financial year. The total income tax expense for the six months ended 30 June 2019 amounted EUR 813 thousand (six months ended 30 June 2018 income tax expense: EUR 1,047 thousand).

11. Loans and borrowings

The carrying amounts of loans and borrowings are as follows:

EUR'000	AS AT 30 JUNE			AS AT 31 DECEMBER		
	Current	Non-current	Total	Current	Non-current	Total
Senior secured note	-	209,800	209,800	-	209,800	209,800
Shareholder loans	-	7,844	7,844	-	-	-
Other credit institutions	4,374	2,269	6,643	4,247	1,531	5,778
Finance lease liabilities	17,432	32,365	49,797	2,965	16,910	19,875
Deferred financing costs	(2,819)	(291)	(3,110)	(2,172)	(2,881)	(5,053)
Total loans and borrowings	18,987	251,987	270,974	5,040	225,360	230,400

Movements during the period

As of 30 June 2019, the Group was financed via various sources of financing: Senior Secured Notes, other loans, non-recourse factoring arrangements, finance leases and a revolving credit facility.

Total loans and borrowings increased by EUR 41,153 thousand to EUR 271,553 thousand, mainly due to adoption of IFRS 16 by the Group and drawing from investor facility.

As at 30 June 2019, the Group had one revolving credit facility of EUR 30 million (31 December 2018: EUR 30 million). As at 30 June 2019 the facility was fully utilized for guarantees and cash drawings (31 December 2018: EUR 18.7 million).

12. Provisions

EUR'000	AS AT 30 JUNE	AS AT 31 DECEMBER
	2019	2018
Restructuring	838	1,099
Claims	596	1,512
Total Provisions	1,434	2,611

Restructuring

The restructuring provision reflects the directors' best estimates of the cost to fulfil internally announced plans. These costs are directly related to the plans, and include the cost of employee settlements and plant closures. It does not include any amount for the future performance of the on-going businesses concerned.

Claims

The provision for claims is mainly related to the settled historical claim, the onerous lease provision as well as claims related to disputes with customers.

13. Contingencies

Dutch fiscal unity

The wholly owned subsidiaries established in The Netherlands constitute a tax group for the purpose of corporate income tax together with the shareholder Schoeller Packaging BV. As a consequence, each company in the tax group is jointly and severally liable for tax liabilities of the tax group as a whole. The Group recognises the corporate income tax as if it is solely responsible for its own corporate income tax.

Guarantees to Dutch Group companies

The Group guarantees the liabilities of its Dutch group companies in accordance with the provisions of article 403, paragraph 1, Book 2, Part 9.

14. Related party transactions

There have been no changes in the nature of the related party transactions in the six months ended 30 June 2019 as compared to the year ended 31 December 2018.

The Group has a commitment for a EUR 65 million investor facility from entities affiliated with Brookfield Business Partners L.P. As of 30 June 2019, the Group drew EUR 7.6 million, presented as shareholder loan.

15. Seasonality of Operations

Although the Group's business is not significantly impacted by seasonality, there is a limited impact in line with the Group's end markets. For example, in the latter part of the year, the Group has higher sales to the retail industry in preparation of the holiday season and before the harvest season, the Group has higher sales to the agriculture industry.

16. Fair value of financial instruments

The principles used by the Management to measure fair value of financial assets and liabilities as at 31 December 2018 are disclosed in in Annual report Schoeller Allibert Group BV. The fair values of financial assets and liabilities as at 30 June 2019 and 31 December 2018 are as follows.

EUR'000	AS AT 30 JUNE			AS AT 31 DECEMBER		
	2019			2018		
	Carrying amount	Fair value	Fair value hierarchy	Carrying amount	Fair value	Fair value hierarchy
Financial assets						
Long-term receivables	1,485	1,485	2	962	962	2
Long-term receivables related parties	7,441	7,441	2	7,078	7,078	2
Trade and other receivables	63,576	63,576	2	55,551	55,551	2
Cash and cash equivalents	19,256	19,256	1	14,899	14,899	1
Derivative financial instruments	-	-	1	44	44	1

EUR'000	AS AT 30 JUNE			AS AT 31 DECEMBER		
	2019			2018		
	Carrying amount	Fair value	Fair value hierarchy	Carrying amount	Fair value	Fair value hierarchy
Financial liabilities						
Senior secured note	207,214	214,017	1	205,490	201,450	1
Shareholder loans	7,844	7,844	2	-	-	
Other credit institutions	6,643	6,643	2	5,778	5,778	2
Finance lease liabilities	20,683	20,683	2	19,875	19,875	2
Loans and payables related parties	85	85	2	599	599	2
Bank overdrafts	36,590	36,590	1	6,265	6,265	2
Trade payables and other accrued items	111,771	111,771	2	115,554	115,554	1
Derivative financial instruments	21	21	1	-	-	2

17. Events after the balance sheet date

There were no events after the balance sheet date.

Hoofddorp, 20th August 2019



Schoeller Allibert

Schoeller Allibert Group BV.

Visiting address:

Taurusavenue 35

Zuidtoren. 17th floor

2132 LS Hoofddorp

The Netherlands

+31 (0) 88 0047300

www.schoellerallibert.com