INTERIM FINANCIAL REPORT 2019

B&S GROUP S.A.

Interim condensed consolidated financial statements for the six-month period ended June 30, 2019

Contents

Interim Management report

This Interim Financial Report should be read in conjunction with our Annual Report 2018, which includes a detailed analysis of our operations and activities as well as explanations of financial measures used.

Statement by the Executive Board

In accordance with the Luxembourg Transparency Law, i.e. the law of January 11, 2008 on transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market, as amended, we confirm that, to the best of our knowledge:

1. the interim condensed consolidated financial statements for the six-month period ended June 30, 2019 have been prepared in accordance with IAS 34 as adopted by the European Union and give a true and fair view of, assets, liabilities, financial position and profit or loss of B&S Group S.A.; and
2. the interim report for the six-month period ended June 30, 2019 gives a fair review of the information required pursuant the Luxembourg Transparency Law.

Luxembourg, August 26, 2019

Bert Meulman, CEO
Gert van Laar, CFO
Bas Schreuders, Senior Counsel
Niels Groen, Finance Director

Message from the CEO

Dear Shareholder,

We are pleased that we once again realised double-digit growth in turnover in the first half of 2019. All segments contributed but growth was fuelled by the performance of HTG and more particular by the Health & Beauty category, where we further strengthened our international positions, intensified our relationships in value retail and increased our focus on the online platform business. Synergies that originated from combined sourcing further boosted the performance of this category.

Our investments over the past years in the HTG infrastructure combined with the technology already operational at FragranceNet.com, gives us a robust robotised logistics platform that allows us to expand our position in the Health & Beauty category further.

The B&S Segment performed as expected at current levels given the market conditions with modest growth and the extra costs we endured before the new warehouse got into operation mid-June. During our Capital Markets Day we communicated the € 4 million additional costs in H1; a clear performance improvement trend was noticeable in the second quarter with modest turnover growth foreseen in the third quarter. With our logistics operations fully on track, we are now preparing the integration of the Lagaay activities into the B&S operations. The results of Lagaay will be consolidated from the closing in July onwards.

Our retail segment performed as expected. We are on track for further new shop openings in the second half of 2019.

Overall, the trade war between China and the USA did not impact our turnover. A slightly higher gross margin could have been realised should the Chinese currency not have depreciated against the US dollar and Euro.

For the coming period our focus is on expanding our e-commerce platform business, the roll out of FragranceNet.com outside the USA, the integration of Lagaay into the B&S Segment and on capturing further opportunities for organic growth.

Bert Meulman
CEO

Operational review

Key figures[1], [2], [3]

€ million (unless otherwise indicated)	**HY 2019 reported**	**HY 2019 pre IFRS 16**	**HY 2018 reported**	**Δ (%) reported**
Profit or loss account				
Turnover	898.3	898.3	766.9	17.1%
Gross profit	126.3	126.3	105.3	19.9%
EBITDA	52.9	48.1	45.9	15.2%
Depreciation & Amortisation	12.1	7.6	4.4	
Result before tax	35.1	35.5	38.4	(8.6%)
Profit for the year from continuing operations	28.2	28.4	31.4	(10.1%)
EPS (in euro)	0.27		0.32	
Inventory in days	98		103	
Working capital in days	100		107	
Financial position				
Solvency Ratio	33.7%		37.3%	
Net Debt	329.8		277.0	
Net Debt/EBITDA	2.9		2.7	

The HY 2019 results are reported including IFRS 16, with the exception of our financial position and ratios related thereto. As from 2020 onwards, all reported figures will be presented including IFRS 16.

[1] HY 2019 figures are unaudited

[2] The HY 2019 results are reported including IFRS 16, with the exception of our financial position and ratios related thereto. IFRS 16 is having an effect of 0.5 on the Net debt / EBITDA ratio.

[3] Due to the international nature of our business, significant portions of our turnover and expenses are denominated in currencies other than the Euro, including the US dollar. Consequently, our results from operations are affected by translational foreign exchange risk and currency translation can affect the comparability of our consolidated financial results. To explain the impact of currency volatility on our consolidated financial results, in this press release we include some constant currency disclosure, which is calculated by translating current balances at prior rates. The average EUR/USD FX rate for HY 2019 is 1.1298 (vs.1.2104 for HY 2018).

Financial performance

Turnover

Turnover in HY 2019 increased by 17.1% at reported rates[4] to € 898.3 million. Organic growth was mainly driven by the Health & Beauty category in all regions, and the Liquor business in Europe, with business in Asia remaining flat. FragranceNet.com contributed 9.7% acquisitive growth to our top line.

Gross Profit

Gross profit came in at € 126.3 million, an increase of 19.9% at reported rates[5]. As a percentage of turnover, gross profit increased to 14.1% (HY 2018: 13.7%). This was primarily the result of increased demand in the Health & Beauty category and further boosted by the sourcing synergies within this category.

EBITDA

EBITDA increased 15.2% in HY 2019 compared to HY 2018 to € 52.9 million, with an EBITDA margin almost equal to HY 2018. Further growth in EBITDA was held back by the earlier communicated additional costs in the B&S segment, with a clear positive improvement trend in the second quarter when the automated warehouse became operational. Overall staff costs slightly increased following the FragranceNet.com acquisition and general company growth.

Result for HY 2019

Depreciation of right-of-use assets increased with € 4.6 million, offsetting the € 4.8 million positive effect on EBITDA as a result of IFRS 16. Amortisation of intangible fixed assets increased to € 4.2 million from € 1.4 million, being the effect of the acquisition of FragranceNet.com. As communicated before, FragranceNet.com realises over 60% of EBITDA in the second half of the year and as such the straight-line amortisation of intangible fixed assets relating to FragranceNet.com is having a material impact on the contribution to results in the first six months from FragranceNet.com.

Financial expenses increased by € 0.6 million resulting from IFRS 16 and an increased USD lending rate (average USD LIBOR interest rate at 2.38% in HY 2019 compared to 1.61% in HY 2018).

The effective tax rate stood at 19.7% compared to 18.3% HY 2018. This is mainly attributable to the inclusion of FragranceNet.com which significantly increases our business in the US, a higher tax jurisdiction.

As a result, net profit came in at € 28.2 million (HY 2018: € 31.4 million). Net profit attributable to the owners of the company amounted to € 22.8 million (HY 2018: € 26.8 million

[4] 15.1% on a constant currency basis.

[5] 17.9% on a constant currency basis.

Developments by business segment

HTG segment

€ million (unless stated otherwise)	**HY 2019**	**HY 2018**	**Δ (%)**
Turnover	643.5	500.8	28.5%
Gross profit	82.9	58.7	41.1%
EBITDA	40.4	30.8	31.4%
EBITDA margin	6.3%	6.1%	

The HTG segment realised a turnover growth of 28.5% at reported rates to € 643.5 million with a gross profit growth of 41.1% in HY 2019 compared to HY 2018. EBITDA increased by 31.4% to € 40.4 million at reported rates, resulting in an EBITDA margin of 6.3%.

The growth was mainly attributable to the Health & Beauty category that saw increased demand in Asia, growth from key clients in value retail and the inclusion of FragranceNet.com. The increase in gross profit is the result of increased demand in the Health & Beauty category and sourcing synergies in this category.

B&S segment

€ million (unless stated otherwise)	**HY 2019**	**HY 2018**	**Δ (%)**
Turnover	221.3	220.3	0.5%
Gross profit	27.2	31.3	(13.0%)
EBITDA	9.5	11.5	(17.1%)
EBITDA margin	4.3%	5.2%	

The B&S segment increased turnover by 0.5% at reported rates to € 221.3 million with a gross profit decline of 13.0% in HY 2019 compared to HY 2018. EBITDA decreased by 17.1% at reported rates to € 9.5 million resulting in an EBITDA margin of 4.3%.

Profitability in the first half of 2019 of the segment was impacted by the earlier indicated additional costs in logistics, albeit with a clear positive improvement trend in the second quarter when the automated warehouse became operational.

Our focus for H2 is on serving volume contracts to boost turnover growth and – over time – improve profitability at stable margins.

Retail segment

€ million (unless stated otherwise)	**HY 2019**	**HY 2018**	**Δ (%)**
Turnover	64.7	63.7	1.6%
Gross profit	16.5	15.8	4.3%
EBITDA	4.2	4.1	0.6%
EBITDA margin	6.4%	6.5%	

The Retail segment showed an increase in turnover of 1.6% at reported rates to € 64.7 million following new shop openings.

Gross profit was positively impacted by shops on board cruise vessels and airport electronics.

Higher concession fees at contract renewals and new concessions as well as new tenders led to higher costs in this segment, holding back EBITDA growth to a slight increase of 0.6% resulting in an EBITDA margin of 6.4%.

Financial position

With solvency at June 30, 2019 being close to 34% and the net debt / EBITDA ratio standing at 2.9 - well within agreed bank covenants - the financial position of the Group continued to be within pre-determined objectives.

The increase in working capital was mainly related to increased inventory levels, which supports our growth expectations for the second half of the year. The number of inventory days decreased in HY 2019 to 98 (HY 2018: 103). Trade receivables increased compared to HY 2018 in line with the growth of the company.

Net debt increased to € 329.8 million (HY 2018: € 277 million), resulting to a large extend from the acquisition of FragranceNet.com for which financing amounted to € 75.6 million and from the acquisition of the airport shops in Rotterdam and Weeze. Furthermore, net debt was affected by the increase in working capital. Working capital in days decreased from 107 to 100.

Dividends

B&S Group will announce the interim dividend for HY 2019 on November 4, 2019, together with the 9M 2019 trading update. The interim dividend will be paid on December 4, 2019.

Notice of change to timing of dividend payments

For practical reasons, the Group will propose to the shareholders in the May 2020 Annual Meeting to shift from semi-annual payment of dividend to an annual payment.

This change will be effective from 2020 onwards, where a year-end dividend pay-out for the FY 2020 period is anticipated in H1 2021. The earlier indicated dividend policy will further remain intact.

Outlook

Based on the current outlook on the markets, we are confident that we will continue our top line growth trend in the second half of the year. We anticipate a particularly strong last quarter in HTG which expectations are reflected in HY 2019 inventory levels. New business opportunities are being identified in our B2B distribution to value retailers and ecommerce platforms, while demand in the online B2C business of FragranceNet.com continues to grow. All in all, we foresee the seasonality in our business to be further amplified and expect continuation of the trend we saw last year with sales shifting towards late Q4.

With the warehouse in the B&S Segment being operational and a clear trend in improved performance noticeable in the second quarter, we are now well underway towards realising growth in this segment. Our focus for H2 is to realise turnover growth and – over time – improve profitability at stable margins. Additionally, the integration of Lagaay is expected to have a positive effect on our maritime and remote business in the second half of the year.

We are expecting continued growth from our retail operations with new shop openings contributing to turnover and profitability, and we will continue to invest in new tenders and concessions to further build our store portfolio.

Over the past years, we have consistently and conclusively developed our future proof business strategy with investments in IT, our logistics platform and selective M&A to further leverage our scale and our extended role in the value chain. Combined with current market developments, we believe this will accommodate further growth of current positions in the unique channels and markets we serve. We will continue our focus on growing our business profitably, not only in the remainder of this year but also in the years thereafter.

Principal Risks & uncertainties

In our Annual Report 2018 we described certain risks that could have a material impact on our business, our financial condition, our reputation or that could cause actual results to differ materially from those discussed in the forward-looking statements included throughout this Interim Financial Report.

During the reporting period we have identified no further significant risks besides those presented in our Annual Report 2018. There may be risks or risk categories that are currently identified as not having a significant impact on the business but that could develop into main risks in the future. The objective of the Group's ERM model is to timely identify changes in risk profiles so that appropriate measures can be taken.

Interim condensed consolidated financial statements

Condensed consolidated statement of profit or loss

x € 1,000 (for six-month period ended June 30)	**Note**	**2019**	**2018**
CONTINUING OPERATIONS			
Turnover	6	898,336	766,931
Purchase value		772,065	661,608
Gross profit		**126,271**	**105,323**
Investment income		**134**	**107**
Personnel costs		52,042	38,700
Amortisation		4,150	1,396
Depreciation		3,327	3,033
Depreciation right-of-use assets		4,639	-
Other operating expenses		21,511	20,846
Total operating expenses		**85,669**	**63,975**
Operating result		**40,736**	**41,455**
Financial expenses		(5,120)	(3,000)
Interest on lease liabilities		(647)	(21)
Share of profit of associates		140	(26)
Result before taxation		**35,109**	**38,408**
Taxation on the result	7	(6,914)	(7,025)
Profit for the first half year from continuing operations		**28,195**	**31,383**
Attributable to:			
Owners of the Company		22,792	26,812
Non-controlling interests		5,403	4,571
Total		**28,195**	**31,383**
Earnings per share			
From continuing operations in euros	11	**0.27**	**0.32**

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Condensed consolidated statement of profit or loss and other comprehensive income

x € 1,000 (for six-month period ended June 30)	**2019**	**2018**
Profit for the first half year from continuing operations	**28,195**	**31,383**
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
● Fair value gain/(loss) arising on hedging instruments during the period	613	-
● Foreign currency translation differences net of tax	264	(133)
Other comprehensive income for the first half year net of tax	**877**	**(133)**
Total comprehensive income for the first half year	**29,072**	**31,250**
Attributable to:		
Owners of the Company	23,429	26,741
Non-controlling interests	5,643	4,509
Total	**29,072**	**31,250**

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Condensed consolidated statement of financial position

x € 1,000	Note	30.06.2019	30.06.2018	31.12.2018
Non-current assets				
Goodwill		60,172	18,104	59,915
Other intangible fixed assets		61,933	17,093	61,678
Property, plant & equipment		34,393	28,025	31,033
Right-of-use assets	3	69,885	-	-
Investments in associates		2,200	2,038	2,140
Receivables		2,335	2,481	2,331
Deferred tax assets		261	330	160
		231,179	**68,071**	**157,257**
Current assets				
Inventory		431,923	379,041	377,880
Trade receivables		193,360	160,512	205,722
Corporate income tax		2,911	1,386	1,752
Other tax receivables		4,743	6,040	5,985
Other receivables		30,297	22,854	21,690
Cash and cash equivalents		32,603	15,671	26,900
		695,837	**585,504**	**639,929**
Total assets		**927,016**	**653,575**	**797,186**

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

x € 1,000	Note	30.06.2019	30.06.2018	31.12.2018
Equity attributable to				
Owners of the Company		246,609	214,383	233,985
Non-controlling interests		42,389	29,636	39,110
		288,998	**244,019**	**273,095**
Non-current liabilities				
Borrowings		52,890	20,012	55,429
Lease liabilities	3	61,211	607	341
Deferred tax liabilities		11,271	3,076	11,737
Employee benefit obligations		652	240	603
Other liabilities	12	34,168	773	24,627
		160,192	**24,708**	**92,737**
Current liabilities				
Credit institutions		299,135	267,165	271,494
Borrowings due within one year		9,783	4,262	11,807
Lease liabilities due within one year	3	8,718	613	570
Supplier finance arrangements		24,574	10,748	21,177
Derivative financial instruments		108	460	288
Trade payables		88,072	68,488	69,630
Corporate income tax liability		11,412	3,976	11,811
Other taxes and social security charges		9,075	10,112	14,588
Other current liabilities		26,949	19,024	29,989
		477,826	**384,848**	**431,354**
Total equity and liabilities		**927,016**	**653,575**	**797,186**

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Condensed consolidated statement of changes in equity

x € 1,000							2019
	Paid-up share capital	Cash flow hedging reserve	Reserve for translation differences	Retained earnings	Total attributable to Owners	Non-controlling interests	Total equity
Opening balance at January 1,	**5,051**	**-**	**(540)**	**229,474**	**233,985**	**39,110**	**273,095**
Total comprehensive income							
• Profit for the period	-	-	-	22,792	22,792	5,403	28,195
• Other comprehensive income for the period	-	518	119	-	637	240	877
	-	**518**	**119**	**22,792**	**23,429**	**5,643**	**29,072**
Other transactions							
• Dividend	-	-	-	-	-	(3,557)	(3,557)
• Share-based payments	-	-	-	450	450	-	450
• Profit share certificates	-	-	-	(38)	(38)	(465)	(503)
• Other movements	-	-	-	-	-	-	-
	-	**-**	**-**	**412**	**412**	**(4,022)**	**(3,610)**
• Reclassification to non-current liabilities	-	-	-	-	-	1,658	1,658
• Fair value adjustment non-current liabilities	-	-	-	(11,217)	(11,217)	-	(11,217)
	-	**-**	**-**	**(11,217)**	**(11,217)**	**1,658**	**(9,559)**
Closing balance at June 30,	**5,051**	**518**	**(421)**	**241,461**	**246,609**	**42,389**	**288,998**

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Reference is made to note 12 for an explanation on the ‘Reclassification to non-current liabilities’ and the ‘Fair value adjustment non-current liabilities’.

x € 1,000						2018
	Paid-up share capital	**Reserve for translation differences**	**Retained earnings**	**Total attributable to Owners**	**Non-controlling interests**	**Total equity**
Opening balance at January 1,	**5,238**	**(80)**	**196,370**	**201,528**	**40,442**	**241,970**
• IFRS 15 adjustments	-	-	(2,380)	(2,380)	-	(2,380)
Restated opening balance	**5,238**	**(80)**	**193,990**	**199,148**	**40,442**	**239,590**
Total comprehensive income						
• Profit for the period	-	-	26,812	26,812	4,571	31,383
• Other comprehensive income for the period	-	(71)	-	(71)	(62)	(133)
	-	**(71)**	**26,812**	**26,741**	**4,509**	**31,250**
Other transactions						
• Dividend	-	-	(24,411)	(24,411)	(2,462)	(26,873)
• Share-based payments	-	-	225	225	-	225
• Profit share certificates	-	-	-	-	(100)	(100)
• Pre-IPO restructuring	(187)	-	12,867	12,680	(12,753)	(73)
• Other movements	-	-	-	-	-	-
	(187)	**-**	**(11,319)**	**(11,506)**	**(15,315)**	**(26,821)**
Closing balance at June 30,	**5,051**	**(151)**	**209,483**	**214,383**	**29,636**	**244,019**

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Condensed consolidated statement of cash flows

x € 1,000 (for six-month period ended June 30)	**2019**	**2018**
Profit for the year from continuing operations	28,195	31,383
Adjustments for:		
Taxation on the result	6,914	7,025
Share of profit of associates	(140)	26
Interest on lease liabilities	647	21
Financial expenses	5,120	3,000
Depreciation right-of-use assets	4,639	-
Depreciation	3,327	3,033
Amortisation	4,150	1,396
Investment income	(134)	(107)
Provisions	31	(1,377)
Non-cash share-based payment expense	450	225
Other non-cash movements	290	(34)
Operating cash flows before movements in working capital	**53,489**	**44,591**
Decrease / (increase) in inventory	(53,348)	(59,322)
Decrease / (increase) in trade receivables	12,362	(19,465)
Decrease / (increase) in other tax receivables	1,242	(2,507)
Decrease / (increase) in other receivables	(9,074)	(9,918)
Increase / (decrease) in trade payables	18,014	12,686
Increase / (decrease) in other taxes and social security charges	(5,581)	(1,281)
Increase / (decrease) in other current liabilities	(3,136)	(3,225)
Cash generated by operations	**13,968**	**(38,441)**
Income taxes paid	(9,025)	(6,572)
Interest paid	(5,300)	(3,227)
Net cash from operations	**(357)**	**(48,240)**

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

x € 1,000 (for six-month period ended June 30)	**2019**	**2018**
Interest received	134	107
Dividend received from associates	93	-
Net cash outflow on acquisition of subsidiaries	(1,513)	-
Payment for property, plant and equipment	(7,072)	(4,914)
Payment for intangible assets	(3,018)	(1,774)
Proceeds from disposals	17	59
Net cash from investing activities	**(11,359)**	**(6,522)**
Repayments on loans from banks	(4,663)	(2,259)
Repayments on loans from shareholders	(2,500)	-
Repayments on lease liabilities	(5,057)	(305)
New loans received from banks	2,600	-
Paid to profit share certificates	(503)	(100)
Repurchase P-shares	-	(228)
Dividend paid to owners of the Company	-	(24,411)
Dividend paid to non-controlling interests	(3,557)	(2,462)
Change in supplier finance arrangements	3,397	98
Changes in credit facilities	27,641	82,715
Net cash from financing activities	**17,358**	**53,048**
Balance at January 1,	26,900	17,385
Movement	5,642	(1,714)
Balance at June 30,	**32,542**	**15,671**

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Notes to the interim condensed consolidated financial statements

1. Corporate information

B&S Group S.A. (the “Company” or the “Group”) has its registered office at 14 Rue Strachen, Mensdorf, G.D. Luxembourg.

2. Basis of preparation

The interim condensed consolidated financial statements include the parent company and its subsidiaries (together also referred to as the “Group”). The interim condensed consolidated financial statements cover the first six months of 2019, from January 1, 2019 to June 30, 2019, inclusive. The comparative figures cover the corresponding period in 2018.

The interim condensed consolidated financial statements for the six-month period ended June 30, 2019 have been prepared in accordance with International Accounting Standards (“IAS”) No. 34, Interim Financial Reporting. The interim condensed consolidated financial statements do not include all the information and disclosures as required in the annual financial statements, and should be read in conjunction with B&S Groups’ consolidated financial statements as of December 31, 2018 which are available on www.bs-group-sa.com.

The interim condensed consolidated financial statements have not been audited or reviewed by the external auditor. The interim condensed consolidated financial statements were authorised for issuance on August 26, 2019 by the Company’s Executive Board.

3. Significant accounting policies

Apart from the newly adopted accounting policies as explained below, the accounting policies applied in these interim condensed consolidated financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended December 31, 2018.

IFRS 16 Leases

IFRS 16 introduced a single, on-balance sheet accounting model for leases. It eliminated the dual accounting model for lessees, which distinguished between on-balance sheet finance leases and off-balance sheet operating leases. The impact of adoption of this new standard and the new accounting policy for B&S Group is disclosed below.

The Group adopted IFRS 16 using the modified retrospective approach, with the date of initial application of January 1, 2019. Under this approach, adjustments following the adoption are recognised in the balance sheet on January 1, 2019. Comparative information is not restated.

Nature and effect of adoption of IFRS 16

Leases previously classified as finance leases

For finance leases where the Group is a lessee, the Group had already recognised assets and a related finance lease liability for the lease arrangement. The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for these leases. The requirements of IFRS 16 have been applied to these leases from January 1, 2019 onwards. Existing financial leases have been reclassified from 'Property, plant & equipment' to 'Right-of-use assets'.

Leases previously accounted for as operating leases

The Group, as lessee, has a portfolio of operating leases, mainly consisting out of real estate leases for various offices and warehouses. These leases were previously held off-balance sheet and were disclosed as part of the "Contingent liabilities and contingent assets".

The Group recognised right-of-use assets and lease liabilities for the leases previously classified as operating leases, except for short-term leases (remaining duration twelve months or less) and leases of low-value assets (individual value less than € 5,000). On transition, the right-of-use assets for leases previously classified as operating leases, are measured at an amount equal to the lease liability, adjusted for any related prepaid or accrued lease payments previously recognised.

Lease liabilities were recognised based on the present value of remaining lease payments, discounted using the discount rate implicit in the lease. If the discount rate could not readily be determined, the lessee's incremental borrowing rate was used. The weighted average incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 1.8%.

New leases

At the commencement date of a new lease, a right-of-use asset is recognised. The right-of-use asset is initially measured at cost and is subsequently measured at cost less accumulated depreciation and impairment losses, adjusted for certain remeasurements of the lease liability. The right-of-use asset is depreciated on a straight-line basis, over the shorter of the asset's useful life and lease term.

Lease liabilities are recognised at the commencement date of a lease based on the present value of lease payments to be made over the lease term. The discount rate implicit in the lease is used. If the discount rate cannot be readily determined, the lessee's incremental borrowing rate is used. After initial recognition, the lease liability is subsequently adjusted for interest and lease payments.

Extension and termination options are included in a number of property leases across the Group. In determining the lease term, all facts and circumstances are considered that create an economic incentive to exercise the respective option. Options are recognised in the lease term, if execution is reasonably certain.

Impact on financial statements on transition

The change in accounting policy affected the balance sheet on January 1, 2019 as follows:

x € 1,000	31.12.2018	Impact IFRS 16	01.01.2019
Assets			
Intangible fixed assets	122,105	-	122,105
Property, plant & equipment	34,776	(497)	34,279
Right-of-use assets	-	71,632	71,632
Other non-current assets	74,303	-	74,303
Current assets	696,439	(595)	695,844
	927,623	**70,540**	**998,163**
Equity and liabilities			
Group equity	298,562	-	298,562
Non-current liabilities	151,235	62,314	213,549
Current liabilities	477,826	8,226	486,052
	927,623	**70,540**	**998,163**

The increase as compared to the € 62.8 million indicated in the Annual Report 2018 stems from the inclusion of extension options for some of our warehouses not included in our earlier estimates.

Impact on financial statements for the period

Consolidated statement of financial position

Set out below are the carrying amounts of the Group's right-of-use assets and lease liabilities, as well as the movements during the period:

x € 1,000	Right-of-use assets	Lease liabilities
Closing balance at 31.12.2018	**-**	**911**
First time IFRS 16 adoption	71,632	70,540
Opening balance at 01.01.2019	**71,632**	**71,451**
Additions	2,842	2,842
Depreciation	(4,639)	-
Financial expenses	-	647
Payments	-	(5,057)
Exchange rate differences	50	46
Closing balance at 30.06.2019	**69,885**	**69,929**

Consolidated statement of profit or loss

IFRS 16 resulted in a change in the amount and presentation of expenses related to leases formerly classified as operating leases. Formerly, operating lease expenses were presented as part of operating expenses. With the application of IFRS 16, the expense is split into financial expenses and depreciation. Consequently, key performance indicators (KPIs) such as operating profit and EBITDA, which are reported by the Group, are affected.

In the first half of 2019, application of IFRS 16 has a positive effect of € 4.8 million on the Group's EBITDA, by lowering the other operating expenses. The depreciation expense for right-of-use assets amounted to € 4.6 million. The corresponding financial expenses amounted to € 0.6 million.

Consolidated statement of cash flows
Before the application of IFRS 16, payments under operating leases were presented as part of cash flows from operating activities. Under IFRS 16 lease payments are split between cash payments for the interest portion of the lease liability and repayment of its principal portion. As required by IFRS 16, the Group presents repayment of principal within the cash flows from financing activities. In accordance with IAS 7, interest paid is classified as part of cash flows from operating activities.

In the first half of 2019, the application of IFRS 16 resulted in an € 5.1 million increase of the operating cash flows and a corresponding € 5.1 million decrease of the financing cash flows.

Other newly adopted accounting policies
On January 1, 2019, the Company also adopted IFRIC 23 Uncertainty over Income Tax Treatments, the amendment to IFRS 9 Financial instruments, the amendment to IAS 28 Investments in Associates and Joint Ventures, Annual Improvements 2015-2017 and amendments to IAS 19 Employee benefits, all of which do not have a material impact on the interim condensed consolidated financial statements.

4. Hedge accounting

The Group purchases and sells internationally in different currencies however mainly in USD, GBP and JPY. The Group as such has positions in non-functional currencies being, purchase and sales obligations (recorded purchase and sales orders) and forecasted sales (inventory destined to be invoiced in a non-functional currency, for example inventory destined for a USD market). If B&S Group would not hedge these positions it would run transactional risk until the moment the cash is received. Since the Group does not want to be subject to these risks the positions are hedged on a daily basis. The positions are hedged by maintaining a bank balance in the matching currency. On a daily basis via spot FX purchases and sales, the bank balance in foreign currencies is matched with the outstanding exposure following the sales orders, purchase orders and forecasted sales (inventory).

Prior to January 1, 2019 the group did not apply hedge accounting. As from January 1, 2019 the Group applies Cash Flow hedge accounting in line with IFRS 9 to hedge the transactional FX risks and as such to avoid temporary swings in the results. In line with IFRS 9 a cash flow hedge reserve has been formed for the fair value change of the hedged items and the change during the reporting period is presented as other comprehensive income (OCI). The hedge reserve is the lower of the cumulative change in the fair value hedging instrument and the hedged items. The hedge reserve is released to the profit or loss account upon termination of the hedge via either receiving the cash inflow following the transaction or upon cancellation of the exposure.

A breakdown of the hedged items and the hedging instruments as per June 30, 2019 is as follows:

	USD'000	GBP'000	JPY'000
Hedged items			
Purchase orders	(58,354)	(8,045)	(13,949)
Expected sales on purchase orders	58,845	320	1,269
Sales orders	46,573	6,876	86,195
Inventory	89,486	2,676	13,209
	136,550	**1,826**	**86,724**
Hedging instruments			
Credit institutions	(136,550)	(1,826)	(86,741)
	(136,550)	**(1,826)**	**(86,741)**

5. Seasonal influences

Although there is ongoing demand for our Fast Moving Consumer Goods ("FMCG"), we experience a peak in sales in the third and fourth quarter of the year, with a tendency for sales to even move into the fourth quarter of the year. While airport retail and our maritime business peak in summer, our Health & Beauty and Liquor business are generating the vast majority of its turnover and profitability in the second half of the year. The built up of inventory effectively starting in the first half of the year reflects that seasonality.

6. Turnover

The distribution of the turnover over the segments can be specified as follows:

x € 1,000 (for six-month period ended June 30)	2019	2018
HTG	643,516	500,821
B&S	221,325	220,305
Retail	64,676	63,663
Elimination	(31,181)	(17,858)
	898,336	**766,931**

The distribution of the turnover over the product groups can be specified as follows:

x € 1,000 (for six-month period ended June 30)	**2019**	**2018**
Liquors	276,180	298.169
Health & Beauty	410,541	289.749
Food & Beverages	123,412	113.845
Consumer electronics	44,781	45.024
Other	43,422	20.144
	898,336	**766,931**

The distribution of the turnover over the geographical regions can be specified as follows:

x € 1,000 (for six-month period ended June 30)	**2019**	**2018**
Europe	465,267	453,757
America	126,246	31,002
Asia	171,752	171,217
Africa	23,125	23,649
Middle east	102,245	83,056
Oceania	9,701	4,250
	898,336	**766,931**

7. Income tax charge

Interim period income tax is accrued based on the estimated average annual effective income tax rate applicable in each country of operation.

8. Dividend

During the six-month period ended June 30, 2019 no dividend has been paid to the shareholders (€ 24,411,000 in the six-month period ended June 30, 2018 has been paid before the IPO as final 2017 dividend). The final 2018 dividend amounting to € 13,468,000 has been paid at July 1, 2019.

9. Use of estimates and judgements in this interim condensed consolidated financial report

The preparation of these interim condensed consolidated financial statements in accordance with EU-IFRS requires management to make judgements, estimates and assumptions that affect the application of principles and reported values of assets and liabilities, and of income and expenses. Based on past experience the Group makes estimates and assumptions with regard to the future, that could reasonably be expected to occur. The outcome may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future period. Information about significant areas of estimation uncertainty and critical assessments in the application of the accounting principles are particularly important if they have a significant impact on the amounts in these interim condensed consolidated financial statements. The significant judgements made by the directors of the Company in applying the Group's accounting policies and the key sources of estimation uncertainty are the same as those applied to the consolidated financial statements as at and for the year ended December 31, 2018. The Group acknowledges the following areas:

- impairment of goodwill;
- useful lives of tangible fixed assets;
- useful lives of other intangible fixed assets;
- allowance for doubtful debts;
- provision for obsolescence of inventory.

10. Segment information

Segment information is based on the operating segments of the Group. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with other components of the Group. In line with the management approach, the operating segments are based on the structure of the internal management reporting as provided to the Executive Board and Supervisory Board (which are the Chief Office Decision Makers) to facilitate strategic decision-making, resource allocation and to assess performance.

The Group has the following operating segments, that are also considered the reportable segments:

- HTG;
- B&S;
- Retail.

These operating segments generate revenues from the sale of various product groups.

HTG is active as a global distributor of Liquors and Health and Beauty products. It mainly distributes and sells its products to value, online and secondary retailers (B2B), to local distributors and wholesalers and to online end-customers. HTG sources its product assortment from manufacturers, wholesalers, distributors and international retail chains. HTG has its headquarters in Delfzijl, the Netherlands.

B&S is active as a specialty distributor for a wide range of Food and Beverage products, Liquors and Health and Beauty products to maritime, remote and retail B2B markets. B&S sources its product assortment from mainly A-brand owners and manufacturers. B&S has its headquarters in Dordrecht, the Netherlands.

Within our **Retail** operations, we primarily operate an airport retail format under the Royal Capi-Lux brand with two main differentiating concepts: an electronic consumer lifestyle format at international airports and a multi-category format at regional airports. Retail has its headquarters in Hoofddorp, the Netherlands.

For an extensive elaboration on our segments and served markets we refer to our company profile on our corporate website.

The Group operates with a centralised backbone that includes IT, Distribution, Legal & Compliance, HR and Finance & Control functions. Costs incurred at a Group level for operating segments where possible have been allocated to the operating segments they relate to. The results of these activities are reported separately to the Executive Board and are presented in the segment summary in the column ‘Holding & Eliminations’.

A summary of the results of the reportable segments is provided on the next page. The Executive Board assesses the performance of the operating segments on the basis of the EBITDA from ordinary activities. The accounting policies applied by the operating segments are identical to those of the Group. The EBITDA from ordinary activities per segment include the costs allocated at the Group level. EBITDA is defined as ‘Operating result’ corrected for ‘Depreciation and amortisation’. Depreciation includes depreciation of right of use assets resulting from the application of IFRS 16. Transactions between segments are at arm’s length.

x € 1,000 (for six-month period ended June 30)

	HTG		B&S		Retail	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Turnover	643,516	500,821	221,325	220,305	64,676	63,663
Purchase value	560,644	442,103	194,136	189,042	48,142	47,816
Gross profit	**82,872**	**58,718**	**27,189**	**31,263**	**16,534**	**15,847**
	12.9%	11.7%	12.3%	14.2%	25.6%	24.9%
Investment income	**52**	**25**	**-**	**-**	**-**	**-**
EBITDA	**40,438**	**30,773**	**9,510**	**11,465**	**4,151**	**4,126**
	6.3%	6.1%	4.3%	5.2%	6.4%	6.5%
Financial expenses	3,885	2,174	1,347	408	46	103
Share of profit of associates	11	-	-	-	(151)	(129)
Depreciation and amortisation	7,265	2,212	3,437	596	1,175	1,417
Taxation on the result	7,957	6,352	(947)	781	658	675
Consolidated result	**21,320**	**20,035**	**5,673**	**9,680**	**2,423**	**2,060**
Investments in associates	991	843	-	-	1,463	1,409
Current assets	509,571	428,612	204,320	191,554	70,307	48,526
Total assets	657,876	468,222	269,987	202,736	89,414	63,925
Net debt	266,875	224,152	71,317	60,472	(912)	(2,627)
Inventory in days	108	118	66	69	64	62
Debtors in days	34	30	54	62	3	4
Net debt [1] / EBITDA	3.0	3.4	4.2	2.2	(0.1)	(0.3)

x € 1,000 (for six-month period ended June 30)

	Total		Holding & Eliminations		Consolidated	
	2019	2018	2019	2018	2019	2018
Turnover	929,517	784,789	(31,181)	(17,858)	898,336	766,931
Purchase value	802,922	678,961	(30,857)	(17,353)	772,065	661,608
Gross profit	**126,595**	**105,828**	**(324)**	**(505)**	**126,271**	**105,323**
	13.6%	13.5%			14.1%	13.7%
Investment income	**52**	**25**	**82**	**82**	**134**	**107**
EBITDA	**54,099**	**46,364**	**(1,247)**	**(480)**	**52,852**	**45,884**
	5.8%	5.9%			5.9%	6.0%
Financial expenses	5,278	2,685	489	336	5,767	3,021
Share of profit of associates	(140)	(129)	-	155	(140)	26
Depreciation and amortisation	11,877	4,225	239	204	12,116	4,429
Taxation on the result	7,668	7,808	(754)	(783)	6,914	7,025
Consolidated result	**29,416**	**31,775**	**(1,221)**	**(392)**	**28,195**	**31,383**
Investments in associates	2,454	2,252	(254)	(214)	2,200	2,038
Current assets	784,198	668,692	(88,361)	(83,188)	695,837	585,504
Total assets	1,017,277	734,883	(90,261)	(81,308)	927,016	653,575
Net debt	408,963	281,997	(9,829)	(5,009)	329,803	276,988
Inventory in days					98	103
Debtors in days					38	37
Net debt [1] / EBITDA					2.9	2.7

[1] Net debt excludes the impact of IFRS 16

11. Earnings per share

x € 1 (for six-month period ended June 30)	**2019**	**2018**
Earnings per share		
From continuing operations in euros	**0.27**	**0.32**

The diluted earnings per share are equal to the basic earnings per share.

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

x € 1,000 (for six-month period ended June 30)	**2019**	**2018**
Profit for the period attributable to owners of the Company	22,792	26,812
	22,792	**26,812**

(for six-month period ended June 30)	**2019**	**2018**
Weighted average number of shares for the purpose of basic earnings per share	84,177,321	84,177,321
	84,177,321	**84,177,321**

There were no changes which significantly affect the earnings per share. In accordance with IAS 33, the earnings per share are calculated based on the weighted average number of shares outstanding during the financial period.

12. Deferred payment FragranceNet

The line item 'Other liabilities' mainly consists out of the Deferred payment for FragranceNet.com. The movements for this deferred payment can be specified as follows:

x € 1,000	2019	2018
Opening balance at January 1,	**23,871**	**-**
Reclassification from 'Non-controlling interest'	(1,658)	-
Fair value adjustment	11,217	-
Closing balance at June 30,	**33,430**	**-**

As part of the FragranceNet.com acquisition in October 2018, two put and two call options have been written on the remaining 25% of the shares. The exercise date of the "first tranche", a put and call option on effectively 12,5% of the FNet Acquisition Company LLC shares, is 5 years after closing date. The exercise date of the options on the remaining shares is 10 years after closing date. The exercise prices are dependent on future development of profitability. The put and call options have a similar strike price and exercise date and as such following IFRS a liability exists. The non-controlling interest is reclassified to other liabilities (long-term) at the end of each reporting period and valued at fair value, being the present value of the expected future consideration. Fair value adjustments are presented in retained earnings.

13. Financial instruments

The table below sets out the carrying amount of the various financial instruments by category as at the balance sheet date.

x € 1,000							30.06.2019
	Held to maturity	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3
Financial assets not measured at fair value							
Receivables, non-current assets	-	2,335	-	2,335			
Trade receivables	-	193,360	-	193,360			
Cash and cash equivalents	-	32,603	-	32,603			
	-	**228,298**	**-**	**228,298**			
Financial liabilities measured at fair value							
Derivative financial instruments	108	-	-	108	-	108	-
	108	**-**	**-**	**108**	**-**	**108**	**-**
Financial liabilities not measured at fair value							
Borrowings, non-current liabilities	-	52,890	-	52,890			
Lease liabilities	-	61,211	-	61,211			
Credit institutions	-	299,135	-	299,135			
Borrowings due within one year	-	9,783	-	9,783			
Lease liabilities due within one year		8,718	-	8,718			
Supplier finance arrangements	-	-	24,574	24,574			
Trade payables	-	-	88,072	88,072			
	-	**431,737**	**112,646**	**544,383**			

x € 1,000							30.06.2018
	Held to maturity	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3
Financial assets not measured at fair value							
Receivables, non-current assets	-	2,481	-	2,481			
Trade receivables	-	160,512	-	160,512			
Cash and cash equivalents	-	15,671	-	15,671			
	-	**178,664**	**-**	**178,664**			
Financial liabilities measured at fair value							
Derivative financial instruments	460	-	-	460	-	460	-
	460	**-**	**-**	**460**	**-**	**460**	**-**
Financial liabilities not measured at fair value							
Borrowings, non-current liabilities	-	20,012	-	20,012			
Lease liabilities	-	607	-	607			
Credit institutions	-	267,165	-	267,165			
Borrowings due within one year	-	4,262	-	4,262			
Lease liabilities due within one year		613	-	613			
Supplier finance arrangements	-	-	10,748	10,748			
Trade payables	-	-	68,488	68,488			
	-	**292,659**	**79,236**	**371,895**			

From the financial instruments listed above, cash and cash equivalents are likewise carried at fair value. The other items are measured at fair value on initial recognition only and subsequently at amortised cost. Refer to the accounting policies for further details.

14. Related party transactions

Associates

The following entities are considered as associates of the Group:

- Capi-Lux South Africa (PTY) Ltd., South Africa
- STG Logistica Y Depositos S.L., Spain
- Next Generation Perfumes B.V., the Netherlands

The table below sets out the transactions with these entities:

x € 1,000 (for six-month period ended June 30)	2019		2018	
	Transaction value	Balance outstanding	Transaction value	Balance outstanding
Sales of products and services	1,557	437	1,671	277
Purchase of products and services	1,684	594	94	2
Loans issued	-	446	-	831
Interest received on loans issued	15	53	25	52

Entities with joint control of, or significant influence over, the entity

The table below sets out the transactions with entities where the ultimate shareholders have joint control of, or significant influence over, the entity:

x € 1,000 (for six-month period ended June 30)		**2019**		**2018**
	Transaction value	**Balance outstanding**	**Transaction value**	**Balance outstanding**
Sales of products and services	1,433	33	8,592	1235
Purchase of products and services	5,867	408	6,253	6199
Leases	2,971	478	2,791	727
Interest received on loans issued	82	636	82	410
Loans issued	-	1,820	-	1,650
Operating expenses	66	-	150	-
Other income	1	4,988	37	29

15. Subsequent events

On July 15, 2019 B&S Group completed the acquisition of 70% of Lagaay Medical Group ("Lagaay"). Over financial year 2018 Lagaay reported a turnover of € 43 million and EBITDA of € 3 million. The company will be consolidated from acquisition date onwards.

There were no further material events after June 30, 2019 that would have changed the judgement and analysis by management of the financial condition as at June 30, 2019 or the result for the interim period ended June 30, 2019 of the Group.

For further information please contact:

Anke Bongers, Manager Investor Relations
T: +31 (0)78 653 4128
E: investor.relations@bs-group-sa.com

Visit our corporate website: www.bs-group-sa.com

About B&S Group

B&S Group is a global distribution partner for consumer goods in attractive channels and across specialised markets, such as Retail B2B (business-to-business), Maritime, Remote and Retail B2C (business-to-consumer). With a well-trained and experienced workforce of over 2,000 employees, the Group serves as a trusted and reliable partner to suppliers and customers, providing essential distribution services and solving their supply chain complexities. B&S Group operates a flexible, well invested and highly efficient distribution platform that comes with strong barriers to entry. Powered by high capacity warehouses and delivered with expertise in customs and compliance, the Group offers over 40,000 consumer goods to its customers in more than 100 countries.