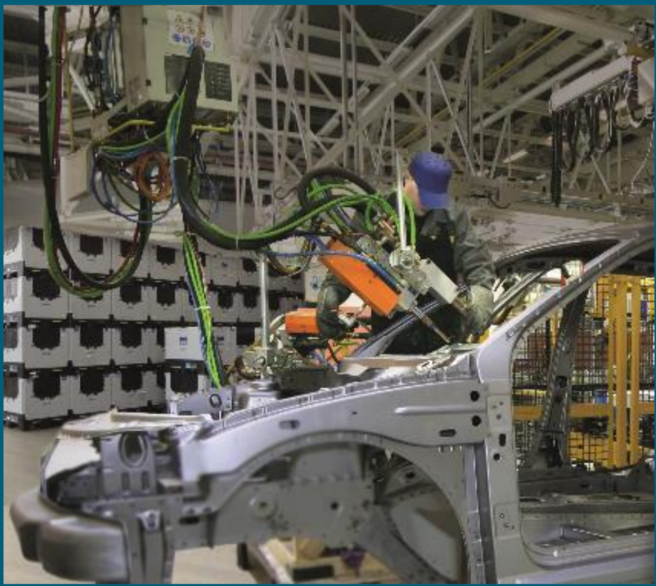

Schoeller Packaging B.V.

Third Quarter ended September 30, 2019

Schoeller Allibert

Schoeller Packaging B.V.
Third quarter ended 30 September 2019
Unaudited condensed combined interim special purpose 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 Packaging B.V. (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 nine months ended 30 September 2019 and 30 September 2018:

	THREE MONTHS ENDED 30 SEPTEMBER		NINE MONTHS ENDED 30 SEPTEMBER	
EUR'000	2019	** 2018	2019	** 2018
Revenue	136,494	* 131,442	381,436	* 374,429
Revenue growth	3.8%	3.4%	1.9%	5.8%
Operating profit	7,016	6,318	15,599	12,809
Operating profit as % revenue	5.1%	4.8%	4.1%	3.4%
Adjusted EBITDA	17,698	13,212	46,370	34,724
EBITDA as a % of revenue	13.0%	10.1%	12.2%	9.3%
Profit (loss) before income taxes	(30)	(127)	(4,593)	(4,600)
Net capital expenditure	9,380	4,961	26,438	13,363
Net capital expenditure as a % of revenue	6.9%	3.8%	6.9%	3.6%
Cash generated from operations	26,426	3,875	30,347	12,222

* As a result of retrospective IFRS 15 adoption, revenue was reduced by EUR 4.6 million (three months ended 30 September) and by EUR 12.5 million (nine months ended 30 September).

** 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 September 2019 and 31 December 2018:

	AS AT 30 SEPTEMBER	AS AT 31 DECEMBER
EUR'000	2019	2018
Net working capital	(8,062)	(16,311)
Cash and cash equivalents	(9,841)	8,634
Total net loans and borrowings	286,027	** 226,819

** 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 nine months ended 30 September 2019 and 30 September 2018:

	THREE MONTHS ENDED 30 SEPTEMBER		NINE MONTHS ENDED 30 SEPTEMBER	
EUR'000	2019	2018	2019	2018
Northern Europe	56,579	54,242	157,393	153,316
Southern Europe	31,655	29,467	88,835	89,866
UK and rest of Europe	25,517	28,103	70,607	72,001
United States of America	7,740	6,463	25,151	22,295
All Other Segments	15,003	13,167	39,450	36,951
Total revenue	**136,494**	**131,442**	**381,436**	**374,429**

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 2,337 thousand, or 4.3%, to EUR 56,579 thousand for the three months ended 30 September 2019 from EUR 54,242 thousand for the three months ended 30 September 2018. This growth in revenue was partly offset by lower volumes in beverage and automotive.

Revenue in Southern Europe increased by EUR 2,188 thousand, or 7.4%, from EUR 29,467 thousand for the three months ended 30 September 2018 to EUR 31,655 thousand for the three months ended 30 September 2019. This growth in revenue was driven by strong performance in the retail and food and food processing markets offset partly by weaker sales in the agriculture and pooling markets.

Revenue in the UK and rest of Europe decreased by EUR 2,586 thousand, or 9.2%, from EUR 28,103 thousand for the three months ended 30 September 2018 to EUR 25,517 thousand for the three months ended 30 September 2019. This decrease was primarily attributable to lower sales to retail, automotive and industrial manufacturing customers in Eastern Europe and Scandinavia.

Revenue in the USA increased by EUR 1,277 thousand, or 19.8%, from EUR 6,463 thousand for the three months ended 30 September 2018 to EUR 7,740 thousand for the three months ended 30 September 2019. This increase was attributable to higher pooling volumes.

Revenue in all Other Segments increased by EUR 1,836 thousand, or 13.9%, from EUR 13,167 thousand for the three months ended 30 September 2018 to EUR 15,003 thousand for the three months ended 30 September 2019. This increase is attributable to higher revenues from key customers in beverage.

Operating result

	THREE MONTHS ENDED 30 SEPTEMBER		NINE MONTHS ENDED 30 SEPTEMBER	
EUR'000	2019	2018	2019	2018
Operating profit	7,016	6,318	15,599	12,809

Operating profit increased by EUR 698 thousand, to EUR 7,016 thousand for the three months ended 30 September 2019 compared to EUR 6,318 thousand for the three months ended 30 September 2018. This strong improvement is partly due to the focus on pricing, better factory utilisation and the expansion of the impact of Big 3 sales

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

	THREE MONTHS ENDED 30 SEPTEMBER		NINE MONTHS ENDED 30 SEPTEMBER	
EUR'000	2019	2018	2019	2018
Northern Europe	2,417	2,036	6,459	5,143
Southern Europe	1,429	2,116	5,312	6,537
UK and rest of Europe	2,588	1,019	2,649	(1,270)
United States of America	(3,194)	(2,781)	(8,097)	(9,256)
All Other Segments	3,776	3,928	9,276	11,655
Operating profit	**7,016**	**6,318**	**15,599**	**12,809**

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 such as: business combinations; closure of manufacturing locations; litigation settlements and certain shareholder exit fees.

	THREE MONTHS ENDED 30 SEPTEMBER		NINE MONTHS ENDED 30 SEPTEMBER	
EUR'000	2019	2018	2019	2018
Operating profit	7,016	6,318	15,599	12,809
Adjusting items	1,210	1,004	3,366	5,536
Shareholder management fees	375	750	1,125	750
Depreciation and impairment expense	8,613	4,734	24,887	14,473
Amortisation and impairment expense	484	406	1,393	1,156
Adjusted EBITDA	**17,698**	**13,212**	**46,370**	**34,724**

Adjusting items increased by EUR 206 thousand from EUR 1,004 thousand for three months ended 30 September 2018 to EUR 1,210 thousand for three months ended 30 September 2019. Adjusting items for the three months ended 30 September 2019 relate to non-recurring items arising from EUR 764 thousand of employee benefits concerning severance costs resulting from restructuring activities, EUR 446 thousand mainly related to refinancing activities. Adjusting items for three months ended 30 September 2018 relate to non-recurring items arising from EUR 596 thousand related to onerous leases, EUR 408 thousand of mainly pertaining to employee benefits concerning severance costs and other restructuring activities.

Depreciation expense increased by EUR 3,879 thousand, to EUR 8,613 thousand for the three months ended 30 September 2019 compared to EUR 4,734 thousand for the three months ended 30 September 2018, mainly driven by the adoption of IFRS 16.

Amortisation expense increased by EUR 78 thousand, to EUR 484 thousand for the three months ended 30 September 2019 compared to EUR 406 thousand for the three months ended 30 September 2018.

Net finance expense

Net finance expense for the three months ended 30 September 2019 was EUR 7,046 thousand (expense for the three months ended 30 September 2018: EUR 6,445 thousand). The largest item driving this increase is interest expense on borrowing.

Profit (loss) before income taxes

The loss before income taxes was EUR 30 thousand for the three months ended 30 September 2019 (the three months ended 30 September 2018: loss of EUR 127 thousand).

Cash generated from operations

Cash generated from operations during the three months ended 30 September 2019 amounted to a EUR 26,426 thousand inflow (the three months ended 30 September 2018 EUR 3,876 thousand inflow).

Net capital expenditure

Net capital expenditure is defined as acquisition of property, plant and equipment and intangible assets less proceeds from sale of property, plant and equipment and less proceeds from new finance leases. Net capital expenditure was EUR 9,380 thousand outflow for the three months ended 30 September 2019 (the three months ended 30 September 2018: EUR 4,961 thousand outflow), which represented 6.9% of revenue for the three months ended 30 September 2019 (3.8% for the three months ended 30 September 2018). The increase was driven by higher investments in machinery and equipment.

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 September 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 163 thousand (31 December 2018: EUR 599 thousand).

As of 30 September 2019, the Group had a net working capital of EUR 8,062 thousand (31 December 2018 negative net working capital of EUR 16,311 thousand). The increase in net working capital was mainly due to higher inventory and trade and other receivables, offset partially by lower trade payable levels as of 30 September 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 September 2019, the Group had a Cash and cash equivalents position in overdraft of EUR 9,841 thousand (31 December 2018: EUR 8,634 thousand positive) on its balance sheet.

As at 30 September 2019, the Group had one revolving credit facility of EUR 30 million (31 December 2018: EUR 30 million). The unused part of the facility as at 30 September 2019 amounted to EUR 12 million (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 286 million as at 30 September 2019 (31 December 2018: EUR 226.8 million), driven by adoption of IFRS 16 of EUR 25.3 million, a new shareholder loan of EUR 7.6 million as well as seasonally lower cash balances.

Unaudited Condensed Combined Special Purpose Income Statement

		THREE MONTHS ENDED 30 SEPTEMBER		NINE MONTHS ENDED 30 SEPTEMBER	
EUR'000	Note	**2019**	**2018**	**2019**	**2018**
Revenue	8	136,494	* 131,442	381,436	* 374,429
Other income		(882)	309	(756)	370
Total revenue		**135,612**	**131,751**	**380,680**	**374,799**
Raw materials and consumables used		(68,231)	* (69,557)	(185,939)	* (193,629)
Costs for subcontracting		(635)	(537)	(1,690)	(1,599)
Employee benefit expense		(31,286)	(28,660)	(92,922)	(89,547)
Other operating costs		(19,347)	(21,539)	(58,250)	(61,588)
Depreciation and impairment expense		(8,613)	(4,734)	(24,887)	(14,473)
Amortisation and impairment expense		(484)	(406)	(1,393)	(1,156)
Total operating expenses		**(128,596)**	**(125,433)**	**(365,081)**	**(361,992)**
Operating profit		**7,016**	**6,318**	**15,599**	**12,808**
Finance income		4	52	27	384
Finance expense		(7,050)	(6,497)	(20,219)	(17,793)
Net Finance Expense		**(7,046)**	**(6,445)**	**(20,192)**	**(17,409)**
Profit (loss) before income taxes		**(30)**	**(127)**	**(4,593)**	**(4,601)**
Income tax		385	(745)	(662)	(1,557)
Profit (loss) for the period		**355**	**(872)**	**(5,256)**	**(6,158)**
Attributable to:					
Owners of the Company		330	(840)	(5,195)	(6,012)
Non-controlling interests		25	(32)	(61)	(146)

* As a result of retrospective IFRS15 adoption, revenue, raw materials and consumables were reduced by EUR 4.6 million (three months ended 30 September) and by EUR 12.5 million (nine months ended 30 September) from reported in 2018 Interim Financial Statements.

Unaudited Condensed Combined Special Purpose Statement of Comprehensive Income

	THREE MONTHS ENDED 30 SEPTEMBER		NINE MONTHS ENDED 30 SEPTEMBER	
EUR'000	**2019**	**2018**	**2019**	**2018**
Profit (loss) for the period	355	(872)	(5,256)	(6,158)
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation differences - foreign operations, net of tax	1,275	796	1,613	224
Total comprehensive income (loss) for the period, net of income tax	1,630	(76)	(3,643)	(5,934)
Attributable to:				
Owners of the Company	1,606	(41)	(3,586)	(5,777)
Non-controlling interests	24	(35)	(57)	(157)
Total comprehensive loss for the period	**1,630**	**(76)**	**(3,643)**	**(5,934)**

Unaudited Condensed Combined Special Purpose Balance Sheet

		AS AT 30 SEPTEMBER	AS AT 31 DECEMBER
EUR'000	Note	**2019**	**2018**
ASSETS			
Non-current assets			
Property, plant and equipment		114,410	126,263
Right of use assets	5	53,353	-
Intangible assets		8,038	6,516
Equity accounted investments		663	663
Other financial assets		9,871	8,082
Deferred income tax assets		13,313	13,525
Total non-current assets		**199,648**	**155,049**
Current assets			
Inventories		47,884	33,876
Trade and other receivables		61,662	55,550
Current income tax assets		2,425	2,317
Prepayments		12,319	9,839
Derivative financial instruments		-	44
Cash and cash equivalents		19,870	14,899
Total current assets		**144,120**	**116,525**
TOTAL ASSETS		**343,768**	**271,574**
EQUITY			
Equity attributable to owners of the Company		(102,694)	(99,108)
Non-controlling interests		458	515
Total equity		**(102,236)**	**(98,593)**
LIABILITIES			
Non-current liabilities			
Loans and borrowings	12	256,554	225,360
Employee benefits		7,884	7,778
Provisions	13	601	784
Deferred income tax liabilities		1,339	1,715
Total non-current liabilities		**266,378**	**235,637**
Current liabilities			
Loans and borrowings	12	17,443	5,040
Bank Overdraft	12	29,711	6,265
Provisions	13	1,109	1,827
Current income tax liabilities		1,794	5,244
Trade and other payables		129,569	116,154
Total current liabilities		**179,626**	**134,530**
Total liabilities		**446,004**	**370,167**
TOTAL EQUITY AND LIABILITIES		**343,768**	**271,574**

Unaudited Condensed Combined Special Purpose 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)	(99,109)	516	(98,593)
Loss for the period	-	-	-	(5,195)	(5,195)	(61)	(5,256)
Foreign currency translation differences – foreign operations; net of income tax	-	-	1,607	-	1,607	5	1,612
Total comprehensive loss for the year	-	-	1,607	(5,195)	(3,588)	(57)	(3,644)
Balance as at 30 September 2019	-	106,979	(143,661)	(66,015)	(102,696)	458	(102,237)

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)**	**(88,511)**	**606**	**(87,905)**
Profit/(loss) for the year	-	-	-	(6,012)	(6,012)	(146)	(6,158)
Other comprehensive income for the year:							
Foreign currency translation differences – foreign operations; net of income tax	-	-	235	-	235	(11)	224
Total comprehensive loss for the year	**-**	**-**	**235**	**(6,012)**	**(5,777)**	**(157)**	**(5,934)**
Balance as at 30 September 2018	**-**	**106,979**	**(145,010)**	**(56,257)**	**(94,287)**	**448**	**(93,839)**

Unaudited Condensed Combined Special Purpose Statement of Cash Flows

	THREE MONTHS ENDED 30 SEPTEMBER		NINE MONTHS ENDED 30 SEPTEMBER	
EUR'000	**2019**	**2018**	**2019**	**2018**
Profit (loss) for the period	**355**	**(872)**	**(5,256)**	**(6,158)**
Adjustments for:				
Depreciation and impairment	8,613	4,734	24,887	14,747
Amortisation and impairment	484	406	1,393	1,156
Profit on sale of property, plant and equipment	882	(309)	756	(370)
Net finance costs	8,246	6,337	22,113	17,437
Tax expense	(385)	745	662	1,557
Change in:				
Inventories	(5,806)	(597)	(13,770)	(10,790)
Trade and other receivables	2,466	(1,141)	(5,534)	7,165
Prepayments and accrued income	(1,696)	(1,756)	(2,394)	(1,155)
Trade and other payables	12,979	(3,273)	8,375	(10,708)
Provisions and employee benefits	289	(398)	(884)	(386)
Cash generated from operations	**26,426**	**3,876**	**30,347**	**12,222**
Interest received	3	51	26	130
Interest paid	(1,943)	(1,210)	(13,079)	(11,865)
Income tax paid	(2,845)	(1,974)	(4,323)	(6,953)
Net cash inflow from operating activities	**21,642**	**743**	**12,972**	**(6,466)**
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment	(96)	497	164	602
New long term loans receivable granted	(910)	(28)	(1,793)	(3,586)
Acquisition of property, plant and equipment	(8,045)	(5,190)	(23,687)	(13,260)
Acquisition of intangible assets	(1,240)	(268)	(2,915)	(705)
Dividends from associates	-	4	-	4
Net cash (outflow) from investing activities	**(10,290)**	**(4,985)**	**(28,231)**	**(16,945)**
Cash flows from financing activities				
Payment of transaction costs related to loans and borrowings	(55)	(76)	(66)	(969)
Proceeds from borrowings	1,162	-	10,902	212
Repayment of borrowings	(1,282)	(219)	(3,295)	(2,736)
Payment of lease liabilities	(3,802)	(954)	(10,920)	(3,104)
Net cash (outflow) from financing activities	**(3,977)**	**(1,249)**	**(3,380)**	**(6,597)**
Net change in cash and cash equivalents	7,374	(5,491)	(18,638)	(30,009)
Cash and cash equivalents at beginning of period	(17,334)	10,214	8,634	34,834
Effect of exchange rate fluctuations on cash and cash equivalents	118	8	162	(95)
Cash and cash equivalents at end of period	**(9,841)**	**4,731**	**(9,841)**	**4,730**

Notes to the Unaudited Interim Condensed Combined Special Purpose Financial Statements

1. General information

1.1 The Company and the Group

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 Packaging B.V. (Schoeller Packaging or the Company) is a company domiciled in the Netherlands, having its statutory seat in Amsterdam. The address of the Company's registered office is Taurusavenue 25, 2132 LS Hoofddorp. The company was incorporated on 2 October 2019, subsequently became the parent company of Schoeller Allibert Group ("SAG"). The Company and its direct and indirect subsidiaries are collectively referred to as the 'Group', and individually as "Group entities".

Schoeller Packaging B.V. is a wholly owned subsidiary of Schoeller Packaging Holding 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 B.V., a company incorporated in the Netherlands that is active in supply chain systems.

1.2 Formation of the Group

Up to 30 September 2019, the majority of the Group's operations were owned by SAG.

1.3 Composition of the Group

There were no significant changes in the composition of the Group during the period 1 July 2019 to 30 September 2019.

2. Basis of Preparation

Given that the Company did not exist as at 30 September 2019 and became the parent company of Schoeller Allibert Group B.V. (SAG) only after 30 September 2019, no consolidated interim financial statements have been prepared by the Company. Therefore, alternatively, Condensed Interim Combined Special Purpose Financial Statements for the three and nine month period ended 30 September 2019 have been prepared for the Group as if it existed as from 1 January 2018.

The Condensed Interim Combined Financial Statements of Schoeller Packaging B.V. have been derived from the financial information of SAG and its direct and indirect subsidiaries, as all these entities were under the control of Schoeller Packaging Holding B.V. for the entire period covered by these Interim Combined Special Purpose Financial Statements. In the Condensed Interim Combined Special Purpose Financial Statements, income and expenses, balances and unrealized gains and losses resulting from transactions within the Group have been eliminated.

The Condensed Combined Interim Special Purpose Financial Information for the three and nine months ended 30 September 2019 has been prepared on a going concern basis and in accordance with IAS 34 'Interim financial reporting'. The Condensed Combined Special Purpose Interim Financial Information should be read in conjunction with the Consolidated financial statements of Schoeller Allibert Group B.V. 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

On October 25, 2019, Schoeller Allibert issued EUR 250 million Senior Secured Notes, the proceeds were used to repay the Senior Secured Notes due in 2021 and to repay the revolving credit facility. In addition to the issuance of Eur 250 million Senior Secured Notes, Schoeller Allibert entered into a new revolving credit facility of Eur 30 million. 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 September 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 7.6 million from the facility. (Refer to note 12 for further details).

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 third 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 B.V., 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:

- Amendment to 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.

- 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". The majority of lease payments represent fixed monthly disbursements. 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 2.7 million in the three months ended 30 September 2019.

IFRS 16 was issued in January 2016. It has resulted in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors did not significantly change, with only some additional disclosures required. During the period until September 30, 2019, no adjustments and or remeasurements to the lease liability have been made.

Changes in estimates in connection with renewal may lead to a remeasurement of the lease liability. It is currently not foreseen that such change will occur.

The Group has applied the standard from its mandatory adoption date of 1 January 2019. The Group applied the modified retrospective transition approach and did not restate comparative amounts for the year prior to first adoption.

Leases in which the Group is a lessee

The Group reviewed all of the Group's leasing arrangements over the last year in light of the new lease accounting rules in IFRS 16.

Firstly, on initial application, the Group presents equipment previously included in property, plant and equipment within the line item for right-of-use assets. Based on a review of the Group's finance leases as at 31 December 2018, the Group have assessed that the impact of this change will not have an impact on the amounts recognised in the Group's consolidated financial statements.

Secondly, the standard affects the accounting for the Group's operating leases. The Group recognised additional right-of-use assets of approximately EUR 34.5 million on 1 January 2019, and additional lease liabilities of EUR 34.5 million (there were no significant prepayments and accrued lease payments recognised as at 31 December 2018) in relation to operating leases. The Group has selected the modified retrospective transition approach and therefore did not restate prior years presented in the Group's financial statements upon adoption in 2019.

In addition, the Group no longer recognises provisions for operating leases that it assesses to be onerous. Instead, the Group includes the payments due under the lease in its lease liability.

Leases in which the Group is a lessor

The Group expects no impact for other leases in which the Group is a lessor.

Modified retrospective approach

The Group has selected to apply IFRS 16 using the modified retrospective approach and did not restate comparative amounts for the year prior to first adoption.

As a lessee, the Group elected to use a number of practical expedients, namely, short term and low value leases were expensed. Under this approach, the Group does not restate its comparative figures but recognises the cumulative effect of adopting IFRS 16 as an adjustment to equity at the beginning of the current period. The cumulative effect on equity at the date of initial application, however, is expected to be limited since we apply the option two under the modified retrospective approach and consider that the number of prepaid/accrued payments is not significant based on the results of the review of details provided by our subsidiaries.

As a lessor, the Group will not make any adjustments on transition.

Other standards and interpretations

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

6. Critical accounting estimates and judgments

The preparation of Condensed Combined 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 Combined 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 Third Quarter Condensed Combined 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 as those that applied to the audited Annual Report 2018 of Schoeller Allibert Group B.V.

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 B.V.

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		
	September Closing	Three Month Average	Nine Month Average	September Closing	Three Month Average	Nine Month Average
British pound	0.8857	0.9024	0.8824	0.8873	0.8907	0.8844
US dollar	1.0889	1.1024	1.1215	1.1576	1.1655	1.1931
Swiss franc	1.0847	1.0932	1.1161	1.1316	1.1438	1.1585

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

For the nine months ended 30 September 2019, approximately 68% of revenue 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. Revenue

	THREE MONTHS ENDED 30 SEPTEMBER		NINE MONTHS ENDED 30 SEPTEMBER	
EUR'000	**2019**	**2018**	**2019**	**2018**
Sales of goods	117,265	121,244	339,899	343,649
Services rendered	19,229	10,198	41,537	30,780
Revenue	**136,494**	*** 131,442**	**381,436**	*** 374,429**

* As a result of retrospective IFRS 15 adoption, revenue, raw materials and consumables were reduced by EUR 4.6 million (three months ended 30 September) and by EUR 12.5 million (nine months ended 30 September) from reported in 2018 Interim Financial Statements.

9. Segment Information

The Board of Directors ("BoD"), comprised of executive and non-executive directors, are responsible for allocating resources and assessing performance of the operating segments. This BoD has been identified as the chief operating decision-maker that makes strategic decisions. The operating segments are based on the information reviewed by the Board of Directors for the purposes of allocating resources and assessing performance.

The BoD considers the business primarily from a geographic perspective. The production and sale of Returnable Transport Packaging ("RTP") products' performance per region, also called the Manufacturing business is key. Smaller segments that are not meeting the aggregation criteria or individual reporting thresholds 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 BoD, no measures on assets per segment are disclosed in Third Quarter Condensed Combined interim financial statements.

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

THREE MONTHS ENDED 30 SEPTEMBER 2019

EUR'000	Northern Europe	Southern Europe	UK and Rest of Europe	USA	All other Segments	Eliminations	Total
Total segment revenue	79,652	44,174	34,291	7,740	19,503	(48,867)	136,494
Inter-segment revenue	(23,073)	(12,519)	(8,774)	-	(4,501)	48,867	-
Total revenue from external customers	**56,579**	**31,655**	**25,517**	**7,740**	**15,003**	**-**	**136,494**
Operating result	**2,417**	**1,429**	**2,588**	**(3,194)**	**3,776**	**-**	**7,016**
Net finance cost							(7,047)
Income tax expense							385
Profit for the period							**354**

THREE MONTHS ENDED 30 SEPTEMBER 2018

EUR'000	Northern Europe	Southern Europe	UK and Rest of Europe	USA	All other Segments	Eliminations	Total
Total segment revenue	62,674	37,085	33,147	6,463	14,588	(22,515)	131,442
Inter-segment revenue	(8,432)	(7,618)	(5,044)	-	(1,421)	22,515	-
Total revenue from external customers	**54,242**	**29,467**	**28,103**	**6,463**	**13,167**	**-**	**131,442**
Operating result	**2,036**	**2,116**	**1,019**	**(2,781)**	**3,928**	**-**	**6,318**
Net finance cost							(6,445)
Income tax expense							(745)
Loss for the period							**(872)**

NINE MONTHS ENDED 30 SEPTEMBER 2019

EUR'000	Northern Europe	Southern Europe	UK and Rest of Europe	USA	All other Segments	Eliminations	Total
Total segment revenue	217,774	124,572	90,851	25,282	47,782	(124,825)	381,436
Inter-segment revenue	(60,381)	(35,737)	(20,245)	(131)	(8,331)	124,825	-
Total revenue from external customers	**157,393**	**88,835**	**70,607**	**25,151**	**39,451**	**-**	**381,436**
Operating result	**6,459**	**5,312**	**2,649**	**(8,097)**	**9,276**	**-**	**15,599**
Net finance cost							(20,192)
Income tax expense							(662)
Loss for the period							**(5,255)**

NINE MONTHS ENDED 30 SEPTEMBER 2018

EUR'000	Northern Europe	Southern Europe	UK and Rest of Europe	USA	All other Segments	Eliminations	Total
Total segment revenue	174,209	110,621	86,938	22,295	40,484	(60,119)	374,429
Inter-segment revenue	(20,893)	(20,756)	(14,936)	-	(3,534)	60,119	-
Total revenue from external customers	**153,316**	**89,866**	**72,001**	**22,295**	**36,950**	**-**	**374,429**
Operating result	**5,142**	**6,537**	**(1,271)**	**(9,256)**	**11,654**	**-**	**12,806**
Net finance cost							(17,409)
Income tax expense							(1,557)
Loss for the period							**(6,160)**

10. Net finance cost

EUR'000	THREE MONTHS ENDED 30 SEPTEMBER 2019	THREE MONTHS ENDED 30 SEPTEMBER 2018	NINE MONTHS ENDED 30 SEPTEMBER 2019	NINE MONTHS ENDED 30 SEPTEMBER 2018
Interest income on loans and receivables	4	51	26	130

	THREE MONTHS ENDED 30 SEPTEMBER		NINE MONTHS ENDED 30 SEPTEMBER	
Net foreign exchange gain	-	-	-	254
Finance income	**4**	**51**	**26**	**384**
Interest expense on borrowings	(5,094)	(4,810)	(14,933)	(14,278)
Amortisation deferred financing fees	(977)	(573)	(2,931)	(1,782)
Net foreign exchange (loss)	(178)	(617)	(163)	-
Other financial expenses	(801)	(497)	(2,192)	(1,733)
Finance expense	**(7,050)**	**(6,497)**	**(20,219)**	**(11,792)**
Net finance expense	**(7,046)**	**(6,445)**	**(20,193)**	**(17,409)**

Net finance expense for the three months ended 30 September 2019 was EUR 7,046 thousand (expense for the three months ended 30 September 2018: EUR 6,445 thousand). The largest item driving this increase is higher interest expense on borrowing.

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. Finance expenses are higher as a result of, among other things, interest on IFRS 16 liabililty and the Shareholder loan.

11. 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 nine months ended 30 September 2019 amounted EUR 662 thousand (six months ended 30 September 2018 income tax expense: EUR 1,557 thousand).

12. Loans and borrowings and Bank Overdraft

The carrying amounts of loans and borrowings are as follows:

	AS AT 30 SEPTEMBER			AS AT 31 DECEMBER		
			2019			**2018**
EUR'000	**Current**	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Senior secured notes	-	209,800	209,800	-	209,800	209,800
Shareholder loans	-	* 8,074	8,074	-	-	-
Other credit institutions	4,442	2,766	7,208	4,247	1,531	5,778
Lease liabilities	14,843	36,261	51,104	2,965	16,910	19,875
Deferred financing costs	(1,842)	(347)	(2,188)	(2,172)	(2,881)	(5,053)
Total loans and borrowings	**17,443**	**256,554**	**273,998**	**5,040**	**225,360**	**230,400**

* Figure includes accrued interest

Movements during the period

As of 30 September 2019, the Group was financed via various sources of financing: Senior Secured Notes, other loans, non-recourse factoring arrangements, finance leases and a shareholder loan of EUR 7.8 million. The shareholder loan has an interest percentage of 12% that accrues on the principal.

Total loans and borrowings increased by EUR 43,599 thousand to EUR 273,999 thousand, mainly due to adoption of IFRS 16 by the Group and drawing from investor facility.

As at 30 September 2019, the Group had one revolving credit facility of EUR 30 million (31 December 2018: EUR 30 million). The unused part of the facility as at 30 September 2019 amounted to EUR 12 million (31 December 2018: EUR 18.7 million). The bank overdraft increased by EUR 30,325 thousand from EUR 6,265 thousand in 31 December 2018 to EUR 36,590 thousand in 30 September 2019. The bank overdraft is used for cash management and to finance working capital. Working capital has increased in the first half of 2019 compared to December 2018.

We have a new factoring line in July that replaces part of the supplier financing programme that stopped in quarter two which has increased liquidity.

Movements after the period

On October 25, 2019, Schoeller Allibert issued EUR 250 million Senior Secured Notes at 6.375% which mature in 2024. The proceeds were used to repay the Senior Secured Notes due in 2021 an to repay the revolving credit facility. In addition to the issuance of the EUR 250 million Senior Secured Notes. Schoeller Allibert entered into a new revolving credit facility of EUR 30 million.

13. Provisions

	AS AT 30 SEPTEMBER			AS AT 31 DECEMBER		
			2019			2018
EUR'000	Current	Non-current	Total	Current	Non-current	Total
Restructuring	615	601	1,216	315	784	1,099
Claims	494	-	494	1,512	-	1,512
Total Provisions	**1,109**	**601**	**1,710**	**1,827**	**784**	**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, an onerous lease provision (EUR 279 thousand) as well as claims related to disputes with customers.

14. 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 Holding B.V. 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.

15. Related party transactions

There have been no changes in the nature of the related party transactions in the six months ended 30 September 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 September 2019, the Group drew EUR 7.6 million, presented as shareholder loans.

16. Seasonality of Operations

Historically, our business has not been subject to significant seasonality. Many of our end-markets have differing periods of seasonal highs and lows and therefore any seasonal effects in specific end-markets are counterbalanced by the divergent seasonal effects of other end-markets. However, demand for our products tends to peak in the second quarter, late in the third quarter and in the fourth quarter with a comparative low period early in the first quarter.

17. Fair value of financial instruments

The fair values of financial assets and liabilities as at 30 September 2019 and 31 December 2018 are as follows.

AS AT 30 SEPTEMBER AS AT 31 DECEMBER

EUR'000			2019			2018
	Carrying amount	Fair value	Fair value hierarchy	Carrying amount	Fair value	Fair value hierarchy
Financial assets						
Cash and cash equivalents	19,870	19,870	1	14,899	14,899	1
Derivative financial instruments	-	-	1	44	44	1

			AS AT 30 SEPTEMBER			AS AT 31 DECEMBER
EUR'000			2019			2018
Financial liabilities	Carrying amount	Fair value	Fair value hierarchy	Carrying amount	Fair value	Fair value hierarchy
Senior secured note	208,076	214,017	1	205,490	201,450	1
Derivative financial instruments	-	-	1	-	-	1

We have not added further disclosure on fair value as the carrying value of the other financial instruments are equal to their fair value.

18. Events after the balance sheet date

On October 25, 2019, Schoeller Allibert issued EUR 250 million Senior Secured Notes at 6.375% which mature in 2024. The proceeds were used to repay the Senior Secured Notes due in 2021 an to repay the revolving credit facility. In addition to the issuance of the EUR 250 million Senior Secured Notes. Schoeller Allibert entered into a new revolving credit facility of EUR 30 million.

Hoofddorp, November 2019

Schoeller Allibert

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