Annual Report
2019

B&S group

VALUE ADDING
DISTRIBUTION
PARTNER

CONTENTS

LETTER OF THE CEO

Dear stakeholder,

2019 was a mixed year for the Group. We managed to realise double-digit turnover growth of which nearly 5% was organic, but unfavourable developments in some of our key markets in the second half of the year together with the logistical constraints in the first half, had a significant effect on our results. In parallel, we further invested in our digital and operational infrastructure, focused on leveraging our positions in key growth markets, and continued to execute our M&A strategy in selected niche markets. In 2019, we identified a number of strategic initiatives to support our future years growth strategy allowing us to meet changing market conditions.

2019 performance highlights

The trade war between the USA and China and the political turmoil in Hong Kong had an effect on demand for luxury products in Asia. The effect of these market circumstances became evident for the Group from Q3 onwards, advancing beyond the level we anticipated in the latter part of Q4 - the quarter where we historically realise high turnover and gross profit given the holiday gifting season as well as preparations for Chinese New Year. As a result, gross profit for the year in both our Liquor category in Asia and our fast-moving consumer goods activities in the B&S Segment were impacted. Consequently, the performance improvement we noted after the second quarter in the B&S Segment did not materialise further in Q4.

We consider the developments that impacted the Group results in 2019 to be isolated events, and we are confident that our positions in the unique market and channels that we serve, together with our strategic initiatives for 2020-2022, position us for further profitable growth moving forward.

In our Health & Beauty category, we identified new business opportunities in our B2B distribution to value retailers and e-commerce platforms, and initiated new partnerships in these fast-growing markets. The 2019 investments in our infrastructure were primarily focused at growth in our Health & Beauty e-commerce markets in Europe and the USA. By reorganising and expanding our robotised warehousing infrastructure and automated processes we are equipped for both further organic growth and the roll out of the B2C model to Europe. In addition, our FragranceNet.com model in the USA further benefitted from the opening of their second warehouse in the West Coast of the USA that facilitated faster delivery services at lower costs. We also took additional steps to prepare for the roll out of our B2B model in the USA. All in all, this resulted in turnover growth in the Health & Beauty category of 28.2% for FY 2019, of which 11.3% organic.

Our cash flow in 2019 was strong, and back in line with the years prior to 2018. This is the result of our decision in Q3 to sustain our sales volumes in our Asian markets, therewith optimising our cash flow while keeping this business positioned to pick up again as soon as market circumstances improve.

Strategic M&A

In July 2019 we acquired Lagaay Medical Group, a specialty distributor of medical and pharmaceutical products to maritime, offshore and remote locations. The acquisition complements our unique position in the remote and maritime markets, and strengthens our single source supply concept in the B&S Segment. We made good progress integrating the business in our B&S Segment, and in capturing synergies from customer penetration and product offerings. The acquisition of two regional airport shops in Rotterdam and Weeze last May further built our European footprint in this specialty channel and supports our strategy in the Retail segment to expand presence at regional airports.

Long term value creation

Our long-term partnerships both on the supplier and the customer side demonstrate our added value in the value chain. The new business opportunities we identified in our B2B distribution to value retailers and e-commerce platforms support our focus on growth markets within our long-term value creation strategy.

Our growth strategy builds on our entrepreneurial business acumen and our focus on connecting supply and demand in niche markets and specialty channels, which are characterised by a high level of complexity. During the year we conducted a strategy review, using a bottom-up and multidisciplinary approach. We identified four key focus areas for 2020 – 2022 that support our growth strategy and allow us to benefit from global developments and market trends.

In addition, we performed an internal stakeholder assessment to identify the most important topics for our stakeholders that support sustainable and profitable growth. The outcome of this assessment laid the groundwork for our business priorities and our commitment to selected Sustainable Development Goals that support the execution of our updated growth strategy moving forward. Our 2020-2022 strategic focus areas and accompanying business priorities are described in detail

'We will continue our focus on growing our business profitably by executing our 2020-2022 strategic initiatives'

under "Value Creation" in this report. The progress we made in 2019 is described in "Report of the Executive Board".

In 2020, our commercial focus areas are aimed at long-term value creation in key growth markets and designed to benefit from global developments and market trends like digitisation, retail re-design and supply chain simplification. Emphasis will further lie on further solidifying our financial position through operational effectiveness and cost reductions, following our investments in digitisation and automation. Overall, we will continue our focus on growing our business profitably by executing our 2020-2022 strategic initiatives and leveraging our positions in the unique channels and markets that we serve.

Appreciation

In January 2020, we announced the retirement of our CFO Gert van Laar. We are grateful for Gert's contribution and achievements during his ten years as CFO with the Group. He has played a key role in the growth of B&S Group through significant organic growth and selective acquisitions such as FragranceNet.com. Over the years he has developed a strong team of financial leaders at B&S Group to ensure a seamless transition. As a close colleague and partner in the Executive Board for the last decade, I want to thank him personally for his support and commitment to our business. Pending shareholder approval, Peter Kruithof will become our new CFO after the AGM, scheduled May 19, 2020. I look forward to Peter becoming our new CFO as we embark on the Group's next phase.

I also want to thank our Supervisory Board for their continued contribution and guidance in 2019, and particularly for their support during our company-wide strategic sessions as well as for the outcome thereof. In closing, I would like to thank all of our employees for their commitment, dedication and enthusiasm in creating long-term value for the company and our stakeholders. They are the ones driving our entrepreneurial culture and, ultimately, our success.

J.B. Meulman
CEO

KEY FIGURES

x € million (unless stated otherwise)	2019 reported	2019 pre IFRS 16	2018	2017
PROFIT OR LOSS ACCOUNT				
Turnover	1.978,8	1.978,8	1.746,5	1.495,8
Gross profit	271,9	271,9	242,3	214,9
Gross profit margin	13,7%	13,7%	13,9%	14,4%
EBITDA	114,6	104,6	109,0	104,8
EBITDA margin	5,8%	5,3%	6,2%	7,0%
Depreciation & Amortisation	26,6	16,9	10,7	8,4
Profit before tax	77,5	78,2	90,8	88,7
Profit for the year	60,3	60,8	71,4	81,9
Earnings per share (in euro)	0,56		0,72	0,81
FINANCIAL POSITION				
Inventory in days	80		92	91
Working capital in days	95		113	107
Net cash from operations	114,7		3,5	90,7
Solvency Ratio	31,9%	34,6%	34,3%	42,7%
Net Debt	367,4	296,0	312,7	195,1
Net Debt/EBITDA	3,2	2,8	2,9	1,9

FMCG products

> 40.000
in 4 main
categories

Net cash from operations

€ 114.7 mln

2018: € 3.5 mln

EBITDA

€ 114.6 mln

↑5.1%

2018: € 109 mln

Turnover

€ 1,978.8 mln

↑13.3%

2018: € 1,746.5 mln

Global spread of customers

> 100
countries

Employees

> 2.500
in 4
continents

Earnings per share

€ 0.56

2018: € 0.72

COMPANY PROFILE

Who we are and what we do

B&S Group is a value adding distribution partner for consumer goods in attractive channels and across specialised markets worldwide. We focus on serving distinct niche markets around the globe that are generally difficult to serve efficiently due to their specific demands and characteristics.

With a well-trained and experienced workforce of over 2,500 employees, the Group serves as a trusted and reliable partner by providing essential distribution services, solving supply chain complexities and offering compelling value along the value chain all the way to the end-customer. By providing these tailored solutions throughout the supply chain, we link suppliers and customers who would otherwise find it difficult to connect.

Added value for suppliers

We engage in mutually beneficial relationships with our suppliers, seeking to simplify the supply chain while enabling them to expand their business and brand exposure by giving them access to niche markets, market intelligence, customer expertise and marketing support. Our suppliers include brand owners, producers, wholesalers, distributors and international retail chains.

Added value for customers

B2B

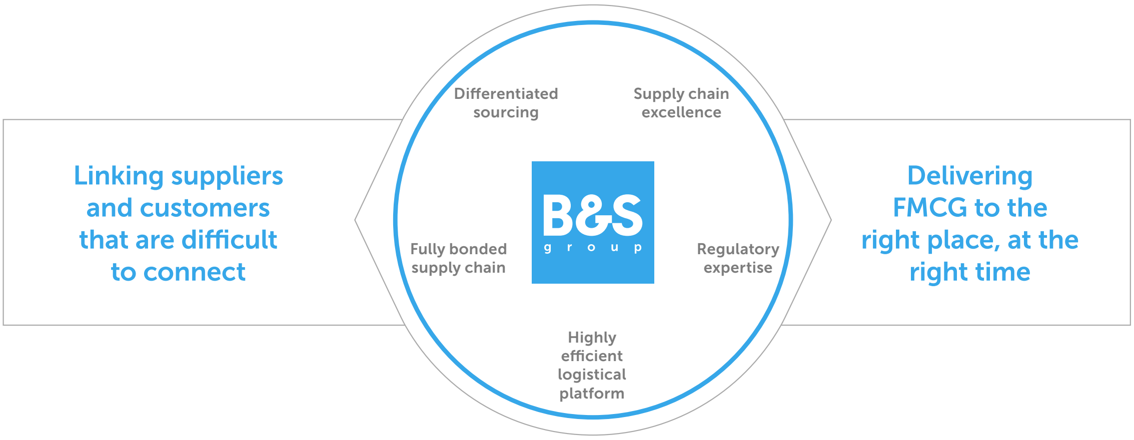
We offer our B2B customers a one-stop-shop solution with a portfolio of over 40,000 products at competitive prices, while adhering to strict compliance standards and arranging customs handling and transportation to locations that are often hard to reach. Adding to this, we simplify their operations with inventory management services and automated procurement solutions. Our B2B customers include value retailers and e-commerce platforms, maritime operators and remote operations.

B2C

For our end-customers both in specialty retail markets and in e-commerce, we add a powerful focus on marketing to our procurement and logistics skills. Combining this with our scale and sourcing expertise as a specialty distributor, we provide end-customers with a long-tail and relevant assortment that is available on demand and at attractive prices.

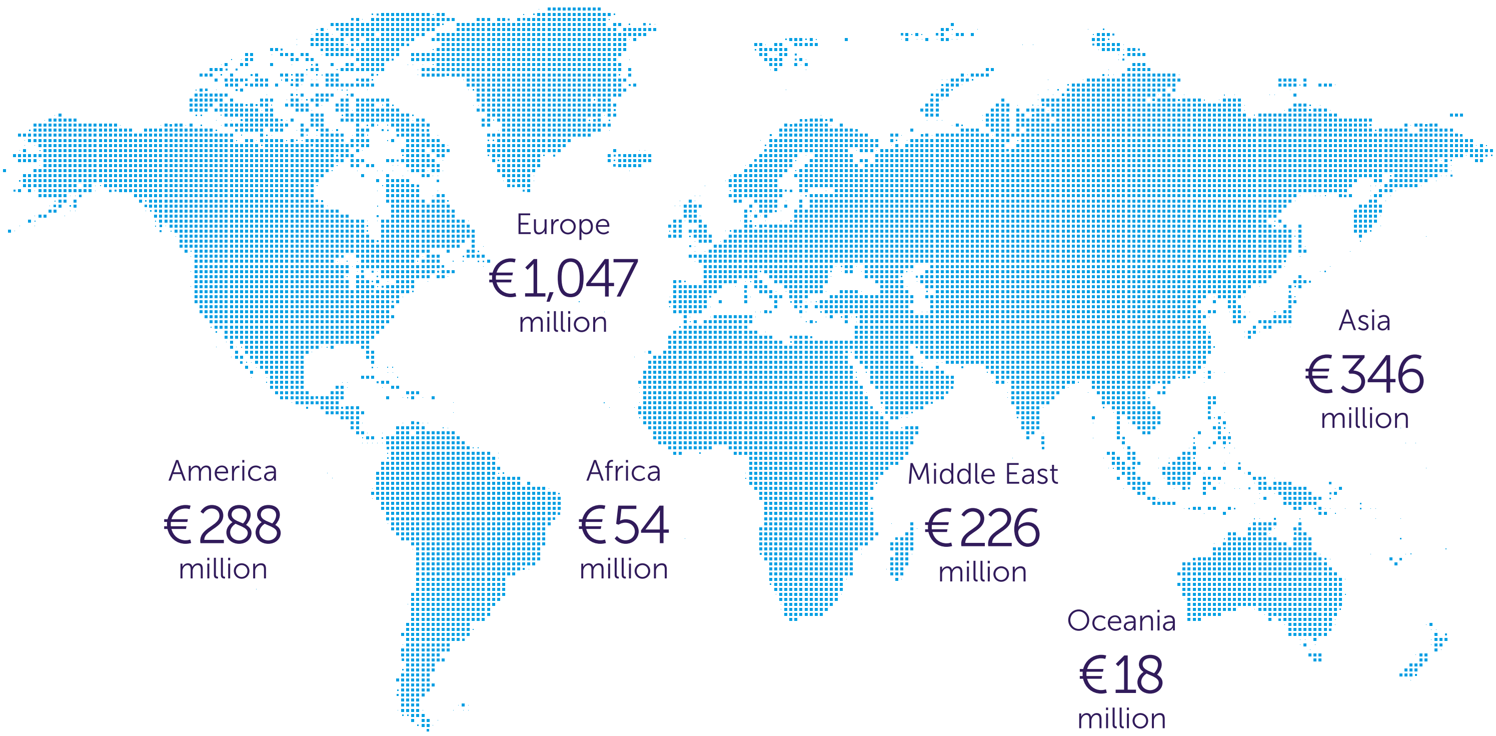
> ‘We add value to both customers and suppliers by making their interests converge’

Value adding distribution partner



Serving 100+ countries and complex end-markets

Turnover per region



Our product offering

We offer a wide range of consumer goods across multiple categories, mostly from A-brand manufacturers, so they are valuable brands. The range includes health & beauty products, liquors, food and beverages and consumer lifestyle electronics.

HEALTH & BEAUTY	LIQUORS	FOOD & BEVERAGES	CONSUMER ELECTRONICS & OTHER
47%	32%	12%	9%
of turnover FY 2019	of turnover FY 2019	of turnover FY 2019	of turnover FY 2019

Our markets

With our diversified product categories, we serve four fragmented key markets:

RETAIL B2B
Value for money retailers, secondary channels and e-commerce platforms, underserved and duty-free markets

MARITIME
Ship suppliers and cruise lines

REMOTE
Caterers at remote industrial sites, peacekeeping missions, government and defence operations

RETAIL B2C
End-customers in (travel) retail outlets, specialty retail markets such as military shops and shops on board of cruise vessels, and on e-commerce platforms

Our segments

HTG

Distribution of bonded liquors and health & beauty products to specialty retailers and online end-customers

TURNOVER 2019

€ 1,408.2 mln

69%

of Group turnover

PRODUCT CATEGORIES

65% 35%

MAIN MARKETS

Retail B2B Retail B2C

B&S

Specialty distribution of FMCG products to maritime and remote markets

TURNOVER 2019

€ 497.8 mln

24%

of Group turnover

PRODUCT CATEGORIES

46% 42% 12%

MAIN MARKETS

Maritime Remote Retail B2B

RETAIL

Specialty retail at high traffic airports and remote locations

TURNOVER 2019

€ 140.0 mln

7%

of Group turnover

PRODUCT CATEGORIES

69% 31%

MAIN MARKET

Retail B2C

Our business model

As a provider of specialty distribution services, our focus is on leading positions in attractive channels and captive markets. Our markets share the characteristic of being difficult to serve, either due to geography, remoteness, extensive regulation or high compliance requirements or due to fast-changing conditions and consumer behaviour.

Value proposition

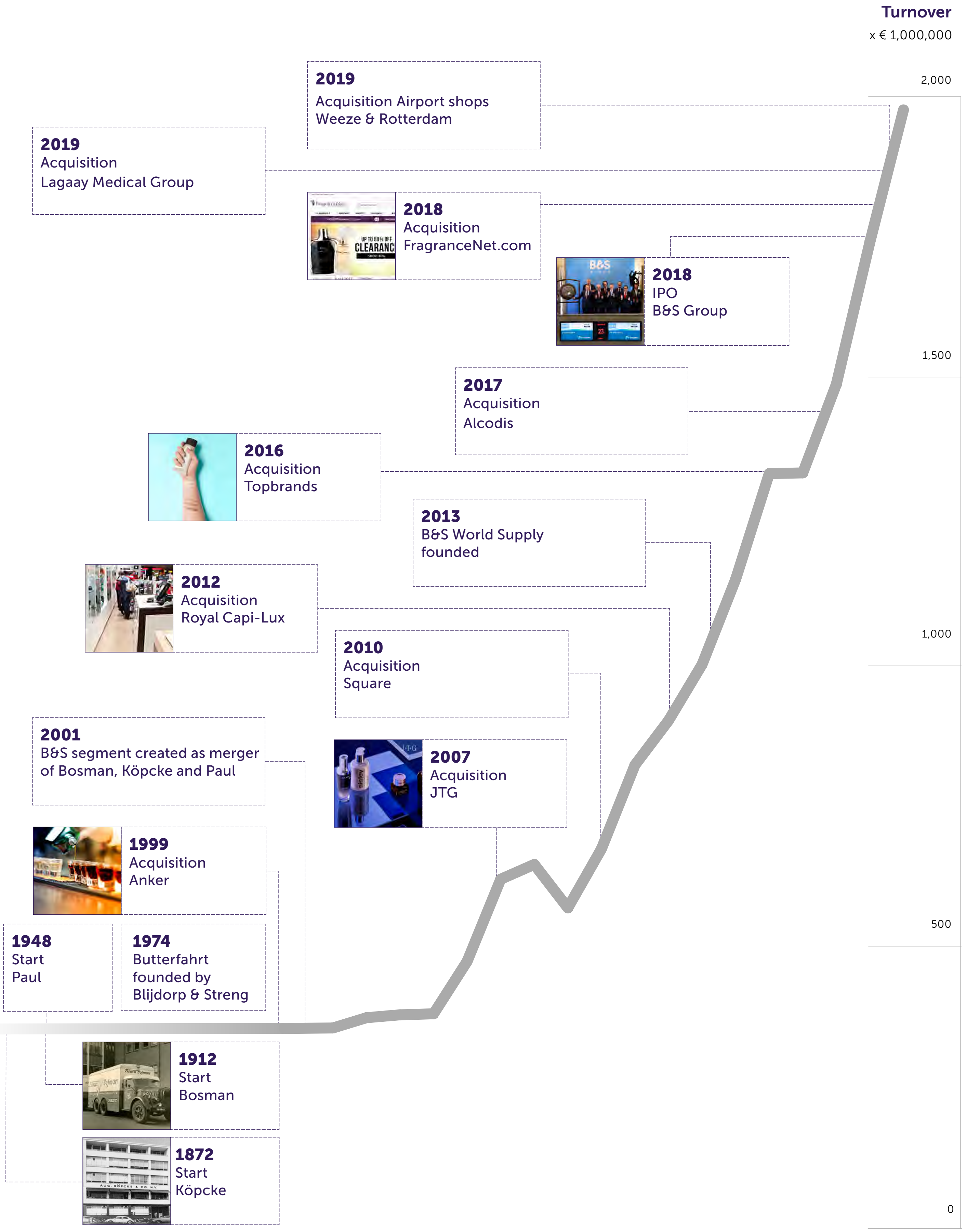
Our proposition distinguishes itself in its high level of complexity, and we are recognised for consistently delivering to the right place, at the right time. Our flexible, well-invested and highly efficient distribution platform comes with strong barriers to entry:

- Our **differentiated sourcing mechanism** enables us to act quickly and benefit from sourcing opportunities whenever and wherever they arise. We have full internal price transparency and closely compare sourcing prices, trends, and opportunities across our segments.
- Our extensive **customs knowledge and regulatory expertise** allows for a smooth international supply chain across borders with all relevant paperwork in order, from product sourcing to supplying to the end-customer.
- We operate a **fully bonded supply chain** with warehouses that have a registered status with the Dutch government to store goods under bond. This allows us to distribute our product assortment internationally without having to pay import duties, VAT or excise duties anywhere other than in the end-market.
- Our **automated procurement platform** speeds up operations and resourcefully matches demand with efficiently procured supply based on data intelligence.
- Our global scale gives access to a vast range of suppliers and products while our balance sheet allows us to take-in and supply large quantities at favorable prices. This enables us to serve our customers with a large **in-stock assortment on demand**.
- Our focus on building **long-term business relations** fosters trusted partnerships aimed at mutual growth.

Creating value since 1872

Dating back to 1872, when the first of several trading companies were created, B&S Group was formed through the combination of key players in our industry. We have consistently grown and expanded in the current and adjacent markets and product categories, both geographically and along the value chain. With a focus on constantly expanding our role as a value adding distributor, we continue to grow and find niches in which we can excel.

> ‘We continue to grow and find niches in which we can excel’


Turnover
x € 1,000,000
2,000
1,500
1,000
500
0
2019
Acquisition Airport shops Weeze & Rotterdam
2019
Acquisition
Lagaay Medical Group
2018
Acquisition
FragranceNet.com
2018
IPO
B&S Group
2017
Acquisition
Alcodis
2016
Acquisition
Topbrands
2013
B&S World Supply
founded
2012
Acquisition
Royal Capi-Lux
2010
Acquisition
Square
2007
Acquisition
JTG
2001
B&S segment created as merger of Bosman, Köpcke and Paul
1999
Acquisition
Anker
1948
Start
Paul
1974
Butterfahrt
founded by
Blijdorp & Streng
1912
Start
Bosman
1872
Start
Köpcke

B&S group organisation

B&S Group has a decentralised organisation structure, operating three entrepreneurial segments that each focus on distinct channels and end markets. They all benefit from the centralised backbone that provides a highly efficient platform with centralised support and control functions.

IT	Distribution	Legal & Compliance	HR	Finance & Control	Safety & Security

Tailored IT systems
Our centralised IT function offers enhanced collaboration and interaction between our segments and provides data-driven insights that support integrated communication.
Our BiT ERP system is fully tailored to our operations, enabling us to track and manage inventory levels across our platforms and to plug newly acquired businesses into our centralised backbone in no-time.

IT is the driver behind our automated and high-capacity warehouses that especially benefits our online proposition to e-commerce platforms. In our e-commerce operations to end-customers, we utilise proprietary technology that continuously strengthens our sourcing network, buying power and assortment by self-learning and matches supply directly to demand of the end-customer.

Efficient distribution
Our warehouses are equipped with highly efficient and automated storage mechanisms that reduce warehouse space requirements. This, combined with the quick turn-around of our assortment, ensures optimal use of storage capacity. The continued expansion of automation in our e-commerce procurement boosts the speed of operations, supports our online proposition and enables us to directly serve the end-customer. Finally, the outsourcing of logistics to key partners enables us to focus on our core competences and provide flexibility in capacity and costs.

Legal and compliance standards
Our compliance function, both at group level and at segment level, focuses on supplier and customer acceptance procedures, export controls, customs, tax, data protection and general legal matters. We have very strict customs, quality control and food safety standards that are vital to the organisation and top of mind throughout the whole company. We are certified as an Authorised Economic Operator in the Netherlands, making us a trusted partner to customs and related authorities.

Centrally-led HR function
Our people are our most important resource and we safeguard recruitment, development and retention through a centrally-led HR function. Our strategic programmes are typically developed centrally and executed locally. The nature of our business requires an integrated approach from staff in all departments and we believe their mindset is critical to identifying and capturing business opportunities. Our Company DNA is instilled through the B&S Academy, where we train our talent at every stage of their careers.
More information on people development can be found in the Report of the Executive Board.

Advanced finance and control

Our strategy is defined by the Executive Board in close cooperation with broader senior management and includes the encouragement of entrepreneurship and accountability. To mitigate strategic and financial risks throughout the organisation, our Enterprise Risk Management (ERM) is an integral part of our day-to-day operations. Risk management procedures are performed in accordance with our ERM model and combine various internal and external sources of information. *More information on Risk Management can be found under Governance.*

Corporate Safety & Security

Our Corporate Safety & Security is focussed on integral safety, security, fraud preventions and integrity matters both at Group level as well as segment level. Operational risks related to people, data and property are mitigated and prevented based on integral policies that are embedded in our day-to-day operations.

What we stand for

Our mission is bringing together supply and demand in niche markets around the globe that need fast moving consumer goods to be delivered to the right place and at the right time. And by doing so, becoming the preferred partner for (end-)customers and suppliers in niche markets worldwide.

Our values

Our entrepreneurial culture is key to our ambition to deliver sustainable and profitable growth and defined by a clear set of values:

Reliable
Serving our customers with a consistently high level of quality and service that meets and exceeds their expectations

Successful
Building on a strong and healthy financial foundation with a long and proven track record in innovative value adding distribution

Professional
Selecting prospective employees based on professional characteristics, their potential for development and their ambition to get the job done

Flexible
Showcasing customer-driven flexibility, dealing creatively and effectively with unusual challenges and opportunities

Ambitious
Fostering entrepreneurship and co-ownership in every level of the company to keep up with our increasing scale of markets and demands from customers

Unique
Focusing on business diversification in selected product-market combinations while creating operational synergies between our segments

Efficient
Upholding a goal-oriented approach with constant business process innovation that is supported by state-of-the art technology

Personal
Concentrating on long-term relationships with suppliers, customers and employees that are based on trust, transparency and understanding

Innovative supply chain

Innovative supply chain

Material topic 8

Sustainable value chain

Read more on page 40 in this report

VALUE CREATION

Strategic focus

Our overall focus lies on long-term value creation by pursuing sustainable and profitable growth. In 2019 we initiated a review of our multiple year strategy to keep in tune with market developments and capture growth opportunities both organically and through strategic M&A. This resulted in four strategic focus areas with corresponding direction for the coming years.

Strategic focus areas

Centralisation of operations

- With close commercial involvement further centralise IT and Logistics towards creating a more lean and focused organisation
- Cluster overlapping segmental business activities to simplify the supply chain and optimise inventory management
- Intensify segmental collaboration by optimising internal processes

Digital transformation

- Use data driven insights to optimise internal processes and identify commercial opportunities
- Digitise the supply chain with commercial tools that support centralised operations
- Continued innovation by embedding digital capabilities in our organisation

Focus on growth markets

- Focus on niche markets driven by mega trends (digitisation, globalisation, market disruption)
- Invest in unique positions with compelling advantage
- Complemented by selective M&A to strenghten niche positions

Organic expansion

- Capture opportunities for geographical expansion in all business segments
- Explore new PMCs in adjacent channels or product / category per segment
- Drive organic growth through data driven customer services

Acquisition strategy

Selected acquisitions are an integral part of our growth strategy and further complement our four strategic focus areas. Many markets in which we are active are very sizable but highly fragmented by nature, providing ample opportunity for targeted acquisitions that support our philosophy. We maintain a regular dialogue with various market participants to ensure that we are ready to execute on the right opportunities when they occur.

We believe it is important to enter into acquisitions as partnerships or joint ventures, keeping management on board and fostering the entrepreneurship and co-ownership that characterises the Group's DNA. Strict criteria are applied when evaluating and selecting potential acquisition candidates. We remain disciplined on price, offered in combination with an attractive proposition to the selling management and shareholders. This includes their continued involvement and investment in the combined company, ensuring we maximise the benefits of growth and synergies. This secures their business acumen at the front end, while we put our immediate focus on the integration of back offices and controls.

All our acquisitions to date were executed to further strengthen our position in the value chain either by adding complementary sourcing routes, by entering into new product categories / regions as an extension to our existing business, or by expanding our role as distributor towards the end-consumer. To date, all our acquired companies form an integral part of the Group while keeping their front face to the market, and with continued involvement from original management that co-invests in the growth of their company as part of the Group.

Going forward, we look to further execute our acquisition strategy and build our position in the value chain with carefully targeted companies that match both our business model and our entrepreneurial culture, and that show potential for further organic growth.

Business priorities
In executing our strategy, we are committed to three business priorities that support long-term value creation. The principles per business priority and progress we made during 2019 are presented in the report of the Executive Board.

Financial performance	Empowered people	Sustainable value chain

Strategic context

We continuously adapt and develop our organisation to benefit from changing conditions in our business environment that support sustainable and profitable growth. To ensure that our strategic direction continues to match the development in our markets, we consider the following trends and developments to be most relevant to our operations.

Global trends & developments

Globalisation

Globalisation asks for distribution partners that can work seamlessly around the globe. With operations in Europe, Asia, Africa and the US we can use our global network to support our suppliers and customers in nearly any location. This further supports our diversification strategy and focus on expansion into new geographies and adjacencies.

Digitisation

Digital technologies open new possibilities to serve customers more efficiently and change the way we work. These technologies also provide opportunities for additional services to our current customer portfolio as well as new business opportunities in our diversified markets, with the main growth driver being e-commerce. However, it also creates more vulnerability to cyberattacks and requires increasing investments to keep up with cyber security threats.

Geopolitical tension and trade wars

Geopolitical factors such as the Brexit, the trade war between the US and China and the political turmoil in Hong Kong have a noticeable impact at a macroeconomic level. Because of our highly fragmented activities in diverse geographies and markets, the impact of these developments are restricted to specific parts of our operations.

Selected distribution

In general, there is a clear demand from A-brand suppliers and manufacturers for distribution partners that can offer supply chain simplification and sustainable growth in both emerging and developed markets. The markets and channels in which we operate are highly fragmented and require a distribution partner that can offer a one-stop-shop solution with a wide and relevant range of products.
Suppliers in developed markets are increasingly looking to centralise (parts of) their distribution with selected key partners. Entering into selected partnerships with a reliable and long-term focused distribution partner enables them to outsource their business operations in selected geographical areas and significantly simplify their route-to-market.

Additionally, the specific distribution requirements to various end markets in terms of delivery times and reliability are expected to continue to drive the trend among suppliers and manufacturers of outsourcing part of their sales to a smaller number of specialty distributors.

Retail value chain redesign / disruption

In our Health & Beauty distribution to both retail chains and end-customers, the increasing delivery time and quality demands from end-customers require continuous IT and automation development to provide efficient and innovative distribution solutions.

The rise of value channels and shift from physical stores to online platforms has further increased customer concentration into these non-traditional channels and into the winning retailers within these channels. This redesign of the retail value chain asks for new capabilities and services along the value chain such as digital leads generation, offering marketing as a service to brand owners and offering data analytics insights to both supplier and customers in these channels.

Additionally, more intense and more rapid communications allow customers everywhere to purchase products made anywhere around the globe and to access information about what to buy. This requires a wide and varied online product range that is always in stock and available on demand at attractive pricing.

Increasing compliance standards

In food distribution to the remote and maritime sectors, increasing regulation and demand for product information transparency requires continuous upgrades of facilities and processes related to food safety, quality controls and customs compliance.

Stakeholders and material focus areas

To identify key material topics that support sustainable and profitable growth, we rely on frequent and open communication with our stakeholders. We are committed to mitigating environmental and social risks related to our operations and creating opportunities for a sustainable and innovative supply chain, while at the same time seizing business opportunities that support our growth strategy.

In 2019 we conducted a stakeholder analysis which resulted in six key stakeholder groups.

Employees

Our people are our most important asset. Our experienced and highly-qualified employees are making the difference when it comes to serving our customers, suppliers and other stakeholders. Professional development of our people is key to our future growth and focus on providing an inspiring work environment. We encourage employees to speak their minds and we inform and consult them on key developments regularly both directly and through our worldwide Works Councils.

Customers

Our global customer base is widely spread, and in order to align interests we foster a climate of mutual awareness and understanding. We focus on long-term partnerships based on expertise and engagement, which enables us to embed sustainable practices that meet diverse customer needs.

Suppliers

We maintain relationships with over 1,200 suppliers globally, engaging in mutually beneficial relationships to simplify the supply chain. All our suppliers are subject to strict KYR (Know Your Relation) procedures to ensure that our supply chain is transparent, not in breach with any regulations and that we are not infringing any intellectual property or trademarks.

Investors

Our financial stakeholders play an important role in our long-term strategy to create value. We strive to inform them as completely and transparently as possible on our strategy and financial performance through a variety of communications such as AGMs, conferences, roadshows, press releases, site visits, emails and calls.

Authorities

Ensuring food safety, customs compliance and adherence to local rules and regulations in all our international (logistics) operations is of utmost importance to us. That is why we emphasise on upholding good relations with authorities and governmental bodies throughout our value chain by maintaining close contact and adhering to all relevant rules and regulations.

Society

Although our activities vary widely in their potential impact, we aim to add value for both the Group and society. We are involved in numerous partnerships and collaborations with educational institutions, human rights organisations and sector associations to share our knowledge and know-how and to provide better living conditions for those in need.

> ‘We focus on long-term partnerships based on expertise and engagement‘

Materiality survey

Based on our stakeholder analysis in 2019, we conducted a materiality survey among stakeholder representatives that was based on a list of 12 material topics. These material topics were the result of an assessment of 21 initial topics drawn up together with an independent third party and based on ESG benchmarks combined with a media and peer analysis.

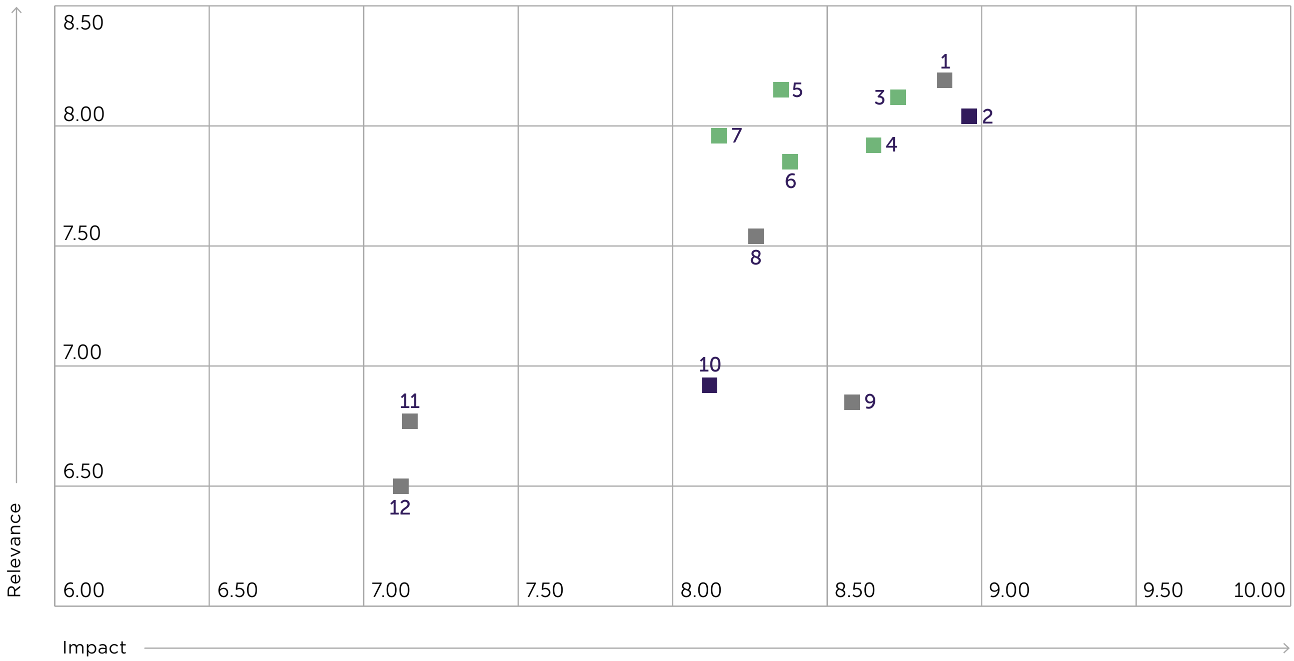
The assessment took into account the concept of materiality as defined by the Global Reporting Initiative (GRI).
Stakeholder representatives were asked to take a survey to rate all 12 material topics on a scale from 1 to 10 based on importance in relation to how they impact these stakeholders, society, the environment and the economy.

Material topic	Description	Business priority	Relevant to
Governance & accountability	Implementing policies and practices to ensure accountability and risk management by the board and meet stakeholders expectations		Investors, authorities
Long-term partnerships	Upholding good reputation with business partners and focusing on adding value to our partners' businesses to support their growth and our own		Investors, suppliers, customers
People development	Committing to hire, manage, develop and retain talented employees		Employees, society
Employee well-being	Promoting and protecting the physical and mental well-being of employees and helping employees make more informed decisions to achieve and maintain a healthy lifestyle		Employees
Safety in the workplace	Targeting zero accidents in the workplace and promoting safe employee behaviours in every location were we conduct business		Employees
Cyber security & data privacy	Setting up and adhering to the right policies and control framework to keep business, customers and employees' data safe		Employees, customers, suppliers Investors
Business ethics	Upholding ethical principles in the business relationships and activities by adhering to strict internal policies and guidelines to avoid corruption, bribery, fraud and other unethical behaviour		All stakeholders
Waste management	Reducing waste and optimizing opportunities for recovery, reuse or recycling of by-products, and disposing of waste appropriately		All stakeholders
Innovative supply chain	Promoting innovative technology to create new ways of conducting business		All stakeholders
Customs compliance	Ensuring compliance with all relevant rules and regulations to uphold our relationship and status with customs authorities		Authorities, suppliers, customers
Food safety	Ensuring a high-quality product and preventing health risks arising from use, consumption, handling, preparation and storage throughout the value chain		Authorities, customers
Energy use	Implementing energy saving /energy efficient ways of working and using energy responsibly in our premises and in the value chain		All stakeholders

Materiality matrix

Based on the materiality survey and the dialogue that emerged from it, we identified the main topics of importance to our stakeholders and our Board members.

These topics were connected to corresponding business priorities that support the strategic growth areas we identified for the coming years.



Material topic

Financial performance

2 Long-term business relationships / partnerships (value adding services, grow with our partners)

10 Governance & accountability (board effectiveness, succession planning, transparent reporting)

Empowered people

3 Business ethics (ethical decision making, AML policies, FCPA, KYR)

4 Cyber security & data privacy (cyber security, data protection, GDPR)

5 Safety in the workplace (working conditions, incident rates, prevention measures)

6 People development & talent development (trainings, educational programs, career opportunities / promotions)

7 Employee well-being (remunerations, rotational opportunities, healthy lifestyle support)

Sustainable value chain

1 Customs compliance (AEO Status, adherence to Union Customs Code)

8 Innovative supply chain (automation & robotization, data-driven services)

9 Food safety (licensing, transparent product information, quality controls (NVWA))

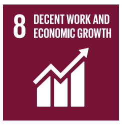
11 Energy use (renewable energy use, energy-efficient offices, efficiency of operations)

12 Waste management (recycling procedures, waste reduction, sustainable packaging)

Sustainable Development Goals

We support the Sustainable Development Goals (SDGs) directed at sustainable development around the world as defined by the United Nations in 2015. In 2019, we initiated a high-level analysis of our contribution to the SDGs based on our main business activities and sustainable growth priorities.

As the B&S Group conducts business in numerous niche markets around the globe, the selected SDGs are a general representation of the key areas where we contribute as a Group rather than in all the business activities we undertake. We plan to create a more detailed visibility on our contribution to the SDGs in the years to come.

SDG	Contribution by
	When it comes to our employees and all people involved in our operations, focus lies on providing an environment that is safe and healthy and stimulates well-being in all its facets; from food safety throughout the value chain to supporting local first initiatives and from strict safety procedures in our premises to motivational support in maintaining a healthy lifestyle.
	We employ over 2,500 people globally and reach a wide range of suppliers and customers in diversified markets all over the world. This way, we play a key role in generating rewarding work opportunities, high level working conditions and a contribution to economic growth.
	Developing an innovative and sustainable distribution solution that connects FMCG suppliers and customers, reduces inefficiencies in sourcing, services and distribution in the sector. With our robotised and digitised warehousing platform, we contribute to the innovation and efficiency of the supply chain in which we operate and facilitate further economic growth.
	As long year member of the UN Global Compact, we contribute to the development and implementation of international norms and standards. By focussing in the areas of anti-corruption, labor rights and human rights in all our operations and by our distribution activities to government, defence and peacekeeping operations, we contribute to advancing peace and development.

Value creation model

INPUT

Financial performance

Equity and loans help us to invest in the growth of our business to service our stakeholders

Empowered people

Highly educated young professionals with focus on expanding our business profitably

Sustainable value chain

- Connecting supply and demand for FMCG in niche markets around the globe.
- Creating strong barriers to entry by scale, extensive licensing, customs knowledge, robotisation and digitisation

VALUE CREATION

Linking suppliers and customers that are difficult to connect

B&S group

- Differentiated sourcing
- Supply chain excellence
- Fully bonded supply chain
- Regulatory expertise
- Highly efficient logistical platform

Delivering FMCG to the right place, at the right time

OUTPUT

Financial performance

- Turnover € 1,978.8 million
- EBITDA € 114.6 million
- Net debt / EBITDA 2.8 (pre IFRS 16)
- Net cash from operations € 114.7 million

Empowered people

- 2.541 Employees on 4 continents
- Retention rate of 7 years

Sustainable value chain

- 40.000 SKUs available on demand globally with distribution options from bulk supply to drop-shipment Long term partnerships based on trust, expertise and mutual growth

OUTCOMES FOR STAKEHOLDERS

Employees

- Inspiring work environment with development and career opportunities

Suppliers & customers

- Global business development in niche markets and specialised channels

Investors

- Long term value creation
- Proposed dividend of € 0,22 per share

Authorities

- Trustworthy partner with strict focus on compliance

Society

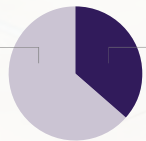
- Contribution to 4 relevant SDGs
- Social and economic inclusion

REPORT OF THE EXECUTIVE BOARD

Financial performance

€ 1978.8 mln
Turnover

Acquisitive growth **8.5%**



Organic growth **4.9%**

€ 114.6 mln
EBITDA

5.8%
EBITDA margin

€ 114.7 mln
Net cash from operations

€ 60.3 mln
Profit for the year

Inventory in days
80

Working capital in days
95

Net debt / EBITDA
2.8
pre-IFRS 16

Earnings per share
€0.56

Dividend per share
€0.22

We aim to create **long-term value for our stakeholders** by pursuing sustainable and profitable growth. With **clear focus** on building and expanding **unique positions** in **diversified markets**, we continue to **expand our role in the value chain** while limiting our dependency on a single market.

2019 performance drivers

Growth in Health & Beauty

In our Health & Beauty category, we identified new business opportunities in our B2B distribution to value retailers and e-commerce platforms and initiated new partnerships in these fast-growing markets. The 2019 investments in our infrastructure were primarily focused at growth in our Health & Beauty e-commerce markets in Europe and the USA. By reorganising and expanding our robotised warehousing infrastructure and automated processes we are equipped for further organic growth as well as the roll out of the B2C model to Europe. In addition, our FragranceNet.com model in the USA further benefitted from the opening of their second warehouse in the West Coast of the USA that facilitated faster delivery services at lower costs, and further steps were taken in preparing the roll out of our B2B model to the USA.

Developments in Asian markets

The trade war between the USA and China and the political turmoil in Hong Kong had an effect on demand for luxury products in Asia. The effect of these market circumstances became evident for the Group from Q3 onwards, advancing beyond the level we anticipated in the latter part of Q4 - the quarter where we historically realise high turnover and gross profit given the holiday gifting season as well as preparations for Chinese New Year. As a result, gross profit for the year in both in our Liquor category in Asia as well as in our fast-moving consumer goods activities in the B&S Segment were impacted. The performance improvement we noted after Q2 in the B&S Segment consequently did not further materialise in Q4.

Selective M&A

in July 2019 we acquired Lagaay Medical Group, a specialty distributor of medical and pharmaceutical products to maritime, offshore and remote locations. This complements our unique position to remote and maritime markets and strengthen our single source supply concept in the B&S Segment, We made good progress in integrating the business in our B&S Segment and in capturing synergies from customer penetration and product offering. The acquisition of two regional airport shops in Rotterdam and Weeze last May further built our European footprint in this specialty channel and supports our strategy in the Retail segment to expand presence at regional airports.

Financial performance

Non-IFRS financial measures

The table below presents an explanation on non-IFRS financial measures used. These measures are not recognised measures of financial performance, financial condition or liquidity under IFRS. We present these non-IFRS financial measures because we consider them an important supplemental measure of our performance and believe that they and similar measures are widely used in the industry in which we operate as a means of evaluating a company's operating performance, financial condition and liquidity. The measures are used by management to monitor the underlying performance of our business and operations.

EBITDA	EBITDA is defined as earnings before interest, taxes, depreciation and amortisation
EBITDA Margin	EBITDA Margin is defined as EBITDA as a percentage of turnover
Solvency	Solvency is defined as group equity as a percentage of total assets
Working capital	Working capital is defined as Inventory plus Trade receivables minus Supplier finance arrangements minus Trade payables
Net Debt	Net debt is defined as interest bearing liabilities minus cash and cash equivalents

Profit or loss performance

€ million (unless stated otherwise)	FY 2019 reported		FY 2019 pre IFRS 16	FY 2018 reported		Δ (%) reported
Profit or loss account						
Turnover	1,978.8		1,978.8	1,746.5		13,3%
Gross profit (margin)	271.9	13.7%	271.9	242.3	13.9%	12,2%
EBITDA (margin)	114.6	5.8%	104.6	109.0	6.2%	5,1%
Depreciation & Amortisation	26.6		16.9	10.7		148.6%
Profit before tax	77.5		78.2	90.8		(14.7%)
Profit for the year	60.3		60.8	71.4		(17.2%)
EPS (in euro)	0.56			0.72		(23.6%)
Inventory in days	80			92		
Working capital in days	95			113		
Net cash from operations	114.7			3.5		
Financial position						
Solvency Ratio	31.9%		34.6%	34.3%		
Net Debt	367.4		296.0	312.7		
Net Debt/EBITDA	3.2		2.8	2.9		

Turnover

The 2019 turnover growth of 13.3% (11.8% on a constant currency basis) was mainly driven by e-commerce and value retail in the Health & Beauty category, the focus on volume contracts in the B&S segment and the effect of the inclusion of nine months FragranceNet.com and five months Lagaay.

Turnover split per segment

€ million (unless stated otherwise)	FY 2019 reported	FY 2018 reported	Δ (%) reported
HTG Segment	1.408,2	1,196.7	17.7%
▪ Liquors	497.3	483.5	2.9%
▪ Health & Beauty	914.2	713.1	28.2%
▪ Other	(3.3)	0.1	
B&S Segment	497.8	445.6	11.7%
Retail Segment	140.0	136.6	2.5%
Holding & Eliminations	(67.3)	(32.4)	107.5%
Total turnover	**1,978.8**	**1,746.5**	**13.3%**

Gross profit

Gross profit came in at € 271.9 million (2018: € 242.3 million). As a percentage of turnover, this was a decline to 13.7% from 13.9% in 2018, being the net effect of the lower margins in our Liquor category and FMCG activities in Asia.

Operating expenses

Operating expenses increased from € 144.2 million to € 184.2 million. The increase of € 40 million is the outcome of:

- Increase of staff costs (€ 24.4 million) primarily related to the full year consolidation of FragranceNet.com and the increase in staff costs in the B&S Segment;
- Increase of amortisation (€ 4.6 million) following the full year inclusion of FragranceNet.com and the acquisition of Lagaay Medical Group B.V.;
- Increase of depreciation (€ 1.6 million) following investments in our warehouse infrastructure;
- Increase of other operating expenses and depreciation right of use assets (€ 9.3 million) mainly following the first time inclusion of FragranceNet.com. The depreciation right-of-use assets is the result of the first-time adoption of IFRS 16 in 2019. As a result of the adoption of IFRS 16 the rental charges for the offices and warehouses that were previously presented under other operating expenses are now activated as right-of-use assets and depreciated.

EBITDA

EBITDA amounted to € 104.6 million pre IFRS 16 (2018: € 109.0 million). Post IFRS 16, EBITDA came in at € 114.6 million and EBITDA margin was 5.8% (2018: 6.2%). The decrease was mainly the result of the lower gross profit and the increased staff costs.

Group result for the year

Depreciation of right-of-use assets increased with € 9.7 million as a result of the first-time adoption of IFRS 16 in 2019. Amortisation of intangible fixed assets amounted to € 9.6 million (2018: € 5.0 million) mainly as an effect of the full year inclusion of FragranceNet.com. Financial expenses increased to € 9.7 million (2018: € 7.6 million) as a result of the FragranceNet.com acquisition and an increased USD lending rate (average USD LIBOR interest rate of 2.22% in 2019 vs 2.02% in 2018). This resulted in profit before tax of € 77.5 million (2018: 90.8 million).

The effective tax rate stood at 22.2% compared to 21.4% FY 2018 as an effect of the full year consolidation of FragranceNet.com which significantly increases our share of business in the US, a high tax jurisdiction. As a result, net profit from continuing operations amounted to € 60.3 million (2018: € 71.4 million). Profit for the year from non-controlling interests increased in 2019 as a result of clear focus on e-commerce (FragranceNet.com) and value retail markets (Topbrands), and both companies benefitting from gross profit margin increase resulting from Group sourcing synergies. Net profit attributable to the owners of the Company came in at € 47.0 million (2018: € 60.4 million).

Segmental performance[1]

HTG segment Total

€ million (unless stated otherwise)	FY 2019 reported	FY 2019 pre IFRS 16	FY 2018 reported	Δ (%) reported
Turnover	1,408.2	1,408.2	1,196.7	17.7%
Gross profit	176.3	176.3	148.8	18.4%
EBITDA	88.2	83.6	79.7	10.6%
EBITDA margin	6.3%	5.9%	6.7%	(0.4%)

The HTG segment realised a turnover growth of 17.7% to € 1,408.2 million (16.4% on a constant currency basis) with a gross profit growth of 18.4% in FY 19 compared to FY 18. EBITDA amounted to € 88.2 million, resulting in an EBITDA margin of 6.3%.

The growth in turnover was mainly attributable to increased focus and demand from the value retail in Europe and Health & Beauty markets in Europe and USA, resulting in substantial contribution to Group results from Topbrands and FragranceNet.com. In addition, our Liquor category in Europe realised growth in line with expectations.

The decline in EBITDA margin is due to the impact of the USA – China trade war and turmoil in Hong Kong on our Liquor category that became evident in Q3 and amplified in Q4. This offset the margin increase in our Health & Beauty category. Further to this, staff costs increased with the full year consolidation of FragranceNet.com as well as organic company growth.

[1] Reported turnover per segment includes intercompany sales

HTG Liquors

€ million (unless stated otherwise)	FY 2019 reported	FY 2018 reported	Δ (%) reported
Turnover	497.3	483.5	2.9%
Gross profit	30.1	42.1	(28.5%)
EBITDA	12.6	24.7	(48.9%)
EBITDA margin	2.5%	5.1%	(2.6%)

HTG Health & Beauty

€ million (unless stated otherwise)	FY 2019 reported	FY 2018 reported	Δ (%) reported
Turnover	914.2	713.1	28.2%
Gross profit	143.3	104.7	36.9%
EBITDA	76.5	56.4	35.7%
EBITDA margin	8.4%	7.9%	0.5%

B&S segment

€ million (unless stated otherwise)	FY 2019 reported	FY 2019 pre IFRS 16	FY 2018 reported	Δ (%) reported
Turnover	497.8	497.8	455.6	11.7%
Gross profit	60.5	60.5	59.3	1.9%
EBITDA	19.3	13.9	21.4	(9.8%)
EBITDA margin	3.9%	2.8%	4.8%	

Our focus on serving volume contracts resulted in organic turnover growth for the B&S Segment. The acquisition of Lagaay Medical Group further contributed to turnover growth from August onwards by enhancing our position to remote and maritime markets and strengthening our single source supply concept. This resulted in turnover of € 497.8 million, an increase of 11.7% (9.0% on a constant currency basis) for FY 2019 compared to FY 2018.

Gross profit margin amounted to 12.1% (FY 2018: 13.3%). This is due to the impact of the USA – China trade war and turmoil in Hong Kong, which in Q4 impacted margins of the Asian FMCG business in this segment.

EBITDA margin decreased to 3.9%. This is related to the higher than expected staff costs we endured from the delay in taking the automated warehouse into operation in the B&S Segment (as communicated in our HY 2019 results). While these cost levels remained in Q3, we focused on volume contracts which resulted in noticeable performance improvement in this quarter. We anticipated this performance improvement to continue in Q4, however this did not materialise due to the developments in our Asian market in this segment.

Retail segment

€ million (unless stated otherwise)	FY 2019 reported	FY 2019 pre IFRS 16	FY 2018 reported	Δ (%) reported
Turnover	140.0	140.0	136.6	2.5%
Gross profit	35.9	35.9	34.7	3.7%
EBITDA	9.5	9.5	10.6	(10.1%)
EBITDA margin	6.8%	6.8%	7.8%	

The Retail segment showed a turnover increase of 2.5% to € 140 million (2.3% on a constant currency basis) with an increased gross profit to € 35.9 million following new shop openings of multi-category stores at regional airports and the addition of the acquired Rotterdam and Weeze airport shops to this portfolio.

EBITDA and EBITDA margin were impacted by staff costs and operating expenses related to the new shop openings.

Balance sheet

€ million (unless stated otherwise)	31.12.2019	31.12.2018	Change
Intangible fixed assets	135.4	121.6	13.8
Tangible fixed assets	39.3	31.0	8.3
Right-of-use assets	71.5	–	71.5
Financial fixed assets	6.2	4.7	1.5
Non-current assets	252.4	157.3	95.1
Inventory	375.6	377.9	(2.3)
Trade receivables	201.3	205.7	(4.4)
Cash and cash equivalents	50.9	26.9	24.0
Other current assets	34.3	29.4	4.9
Current assets	662.1	639.9	22.2
Total assets	**914.5**	**797.2**	**117.3**
Equity	291.8	273.1	18.7
Non-current liabilities	172.6	92.7	79.9
Current liabilities	450.1	431.4	18.7
Total equity and liabilities	**914.5**	**797.2**	**117.3**

Non-current assets

Non-current assets increased to € 252.4 million at year-end 2019, compared to € 157.3 million at the end of 2018. The increase is the outcome of:

- an increase of intangible fixed assets following the acquisitions of Lagaay Medical Group and airport shops at Rotterdam and Weeze as well as investments in digitisation;
- an increase of tangible fixed assets mainly related to investments in our warehouse infrastructure;
- the adoption of IFRS 16 Leases that requires the Group to recognise most of its operating leases in the balance sheet resulting in a right-of-use asset of € 71.5 million as per year-end 2019.

Current assets

Current assets stood at € 662.1 million at year-end 2019, compared to € 639.9 million at year-end 2018.

While we realised a growth in turnover, inventory decreased to € 375.6 million at year-end 2019, compared to € 377.9 million at year-end 2018. This is the result of our focus on working capital reduction. The number of inventory days significantly improved from 92 days in 2018 to 80 days in 2019.

Trade receivables also decreased, from € 205.7 million at year-end 2018 to € 201.3 million at year-end 2019. The number of debtor days improved from 43 days in 2018 to 37 days in 2019.

Net working capital decreased to € 472.2 million at year-end 2019, compared to € 492.8 million at year-end 2018, as a result of the aforementioned focus on working capital reduction. Working capital in days improved from 113 days in 2018 to 95 days in 2019.

Group equity

The Group's equity increased to € 291.8 million at year-end 2019, compared to € 273.1 million at the end of 2018. During 2019, the Group paid € 31.0 million dividend, of which € 13.5 million related to the year 2018 and € 6.5 million to non-controlling interests.

Non-current liabilities

Non-current liabilities stood at € 172.6 million at the end of 2019, compared to € 92.7 million at year-end 2018. The first-time inclusion of lease liabilities as required by IFRS 16 was the main reason for this increase, the impact on the balance sheet as per year-end 2019 amounted to € 61.8 million.

As part of the acquisition of 75% of FragranceNet.com, two put and two call options have been written on the remaining 25% of the shares. The fair value of these options, included in "Other liabilities", increased from € 23.8 million as per year-end 2018 to € 40.9 million as per year-end 2019 following (1) the performance of the company and (2) the decreased discount period.

Current liabilities

Current liabilities increased to € 450.1 at year-end 2019, compared to € 431.4 million at the end of 2018, mainly as a result of the first-time inclusion of lease liabilities due within one year, having an impact of € 9.0 million.

Liability to credit institutions increased from € 271.5 million at year-end 2018 to € 280.5 million at year-end 2019, however this was more than offset by the increase in cash and cash equivalents to € 50.9 million in 2019, compared to € 26.9 million in 2018. During the financial year 2019 the supplier finance arrangements have been terminated and have been replaced by bank financing to facilitate cost savings.

Financing

B&S Group is mainly financed through short-term working capital credit facilities. These facilities allow for growth as a result of healthy working capital. Net debt pre-IFRS 16 decreased from € 312.7 million as per year-end 2018 to € 296.0 million as per year-end 2019. Taking the effect of the repayment of the supplier finance repayments into consideration net debt improved with € 37.9 million. Including the effect of IFRS 16 net debt stood at € 367.4 million. Net debt / EBITDA ratio on a like-for-like basis (pre-IFRS 16) stood at 2.8 (FY 2018: 2.9). Post IFRS 16, net debt / EBITDA stood at 3.2.

Cashflow

€ million (unless stated otherwise)	2019	2018
Net cash from operations	114.7	3.5
Net cash from investing activities	(34.2)	(100.6)
Net cash from financing activities	(56.5)	(106.6)
	24.0	**9.5**

As a result of our decision to sustain sales volumes despite the earlier described market circumstances in Asia as well as our continuous focus on working capital, net cash from operations increased from € 3.5 million in 2018 to € 114.7 million in 2019, back in line with years prior to 2018.

The investments in the acquisitions of Lagaay Medical Group and two airport retail shops, as well as in warehouse infrastructure and digitisation in the HTG and B&S Segments amounted to € 34.2 million.

Net cash from financing activities mainly related to dividend distribution and the termination of supplier finance arrangements which were replaced by bank financing.

Dividend

At the Annual General Meeting to be held on May 19, 2020, B&S Group will propose the payment of a dividend of € 0.09 per share, in cash (subject to withholding tax if applicable). On December 9, 2019, B&S Group paid an interim dividend of € 0.13 per share, representing 40% of the semi-annual 2019 results attributable to the owners of the Company. This brings the total dividend to € 0.22 per share. In line with the dividend policy, this translates into a pay-out ratio of 40% of the annual Group results attributable to the owners of the Company (similar to prior year pay-out ratio).

Outlook

Although the effects of the protests in Hong Kong and the trade war between USA and China affected our FY 2019 results, we are optimistic that these circumstances will not last throughout 2020. The outbreak of the corona virus will have an impact on general demand for luxury brands in Asia in the coming period, however we remain positive about this market for the medium and long term. We continue to closely follow the developments in these Asian markets to determine the potential impact on our performance in 2020.

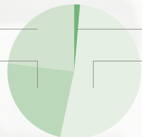
We are confident about the overall growth opportunities in Europe and USA, especially for our Health and Beauty segment in the B2B and B2C platform business and our liquor distribution business, both for which we expect short and medium term performance levels to increase by growth from geographical expansion.
In our B&S Segment, the increased operational effectiveness and cost reductions in our logistics operations combined with growth in our volume contract business, is expected to result in increased profitability from 2020 onwards.

In the coming period, our commercial focus areas are aimed at long-term value creation in key growth markets and designed to benefit from global developments and market trends like digitisation, retail re-design and supply chain simplification. Emphasis will further lie on further solidifying our financial position by operational effectiveness and cost reductions following our investments in digitisation and automation. Overall, we will continue our focus on growing our business profitably by executing on our 2020-2022 strategic initiatives and leveraging our positions in the unique channels and markets that we serve.

Empowered people

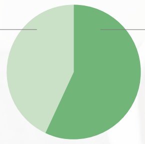
2.541

employees



* Including shop employees

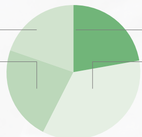
Male to female ratio



Average age

35.5

Age division



Average employee tenure of

7 years

Commitment to

UNGC

since 2010

20

nationalities on

4

continents

The **success of our business** is directly linked to the expertise and well-being of our workforce. We aim to provide an **entrepreneurial** and **inspiring environment** that attracts (young) professionals with a focus on identification and the pursuit of **new commercial opportunities** that support our growth strategy. The continuance of that success lies in **maintaining high ethical standards across our business** and with all our stakeholders.

People development

Material topic 6

Talent attraction

Our recruitment policy is primarily aimed at young professionals, typically recruited straight from university. We maintain close relationships with universities and select business schools and provide guest lectures, career days, internships and dedicated learning projects that add value to academic programs. This also helps us identify, attract and select talent early on.

For senior roles, recruitment takes place at Group level and is based on relevant work experience, qualifications and organisational fit. The same standards and application procedures are adhered to in all our business segments in all locations.

Development, retention and mobility

Through our B&S Academy, we train new recruits to identify unique sourcing opportunities and support customers with tailor-made solutions in the complex environment in which we operate. This is supported by on-the-job training, where new recruits partner with experienced employees. In 2019, we enrolled 70 trainees in the B&S Academy.

As well as our educational program, we offer attractive remuneration programs and rotational opportunities across different disciplines within all our business segments and locations. Providing high-potential employees with a management career path is a priority, and helps us meet the constantly changing demands of our stakeholders and the markets in which we operate. We identify the next generation of leaders through our B&S Academy, focusing on the right intellect and fit. We train and develop them with future leadership roles in mind and offer internal training, and access to external management programs and Master's programs in their area of expertise. In 2019, the average employee retention rate was seven years.

Through this program we have developed an entrepreneurial and highly motivating management culture throughout the Group, evidenced by a vast majority of current management that started their careers with us. They set an example and act as inspiration for new recruits, illustrating the career opportunities open to them at B&S Group.

Inspiring work environment

Employees at all levels are trained, encouraged and incentivised to identify new markets, new products, new sources of supply and new ways to expand our business profitably. Over the years this has resulted in a global presence with offices in Europe, Dubai, Hong Kong and the USA.

We stimulate our people to take initiative and encourage them to act as pioneers and entrepreneurs. To ensure a high-quality working environment, we provide direct access to senior management, encourage employees to speak their minds, and inform and consult with them on key developments regularly.

In 2019 we launched an office restyle that promotes an open, inspiring work environment that further boosts cross-communication between departments.

Equal opportunities & inclusion

The principles of equal opportunities are embedded in our company's approach and objectives. We recruit based on equal opportunity, and hire the best candidate irrespective of gender, marital status, sexuality, colour, sex, ethnic origin, religion or physical ability.

We strive to provide equal opportunities to all staff and potential staff in terms of remuneration, recruitment, promotion, training and access to opportunities. All staff involved in recruitment, selection and remuneration are made familiar with their responsibilities with regards to ensuring equality of opportunity for both current and prospective employees.

We also work to improve inclusion in the societies in which we operate. For example, we support 'local first' initiatives at our operations in Mali. While at our logistics operations in the Netherlands we provide guided work placements to people with a distance to the labour market. In our food distribution services, we work with local food banks to ensure that food items that can no longer serve commercial purposes but are still fit for consumption are distributed to those in need.

Employee well-being

Material topic 7

We work hard to maintain the health and well-being of our employees, providing our people with access to high-quality facilities across the company. As well as catering facilities, our offices have modern fitness facilities that are freely available to all employees to train under professional supervision in order to keep fit and maintain a healthy lifestyle. We also promote, support and sponsor employee participation in external sport events, such as soccer tournaments and marathons.

Sustainable employability

Our aim is to support the continued employability of our staff through to retirement, by ensuring they remain healthy and motivated. In 2019, we drafted a long-term plan to increase employability based on a healthy work-life balance and the increasing pensionable age in the Netherlands. In the year under review we prioritised the topics 'generation policy' and 'absenteeism', which involved rolling out a vitality scan pilot in selected parts of the organisation. This focuses on employees' health, lifestyle and sustainable employment and encourages them to work on their own well-being.

Looking ahead, we plan to roll the plan out across the company, and extend the scope to cover such topics as employee development, healthy lifestyle support and employee satisfaction.

Safety in the workplace

Material topic 5

We are committed to keeping our employees safe and secure and providing an environment that is free from discrimination, harassment and victimisation and in which everyone is treated equally.
The safety of our employees in our warehouses, in operational activities and at our operations in higher risk areas (related to our activities in remote markets) is crucial.

We provide employees with the right knowledge and tools to help eliminate injuries and illness at work and at home. At our warehouses, this involves proactive hazard recognition, risk assessment, and risk control to prevent accidents. Employees are trained to use equipment both safely and in strict adherence to our food safety and customs compliance processes. And we ensure this is done in accordance with local culture, the types of products handled in the warehouse and relevant regulations.

Employees in higher risk regions and countries are given extensive training on how to operate in such environments, with specialised training courses in areas such as food safety, security, personal health and hygiene.

Our Corporate Safety & Security (S&S) department is committed to safety management, security management and integrity & review, and works to guarantee safety in the workplace. The ongoing development and implementation of our safety policy is the responsibility of the S&S department, working alongside the HR, Facility, Logistics and Quality departments at both Group and segment levels, with direct reporting to the Executive Board.

In 2019, the S&S department devoted substantial time to employee awareness for safety management. By initiating multi-disciplinary meeting structures and segmental core teams that meet on a regular basis, we have facilitated the identification of key attention areas and prevention controls that can be implemented from 2020 onwards.

In 2019 we also initiated the roll out of extended ISO certification in our food distribution operations in the areas of Quality Controls, Working Conditions and Environmental Management Systems.

Business ethics

Material topic 3

We maintain credibility with our stakeholders by realising our commitments, acting with honesty and integrity, and pursuing our company goals ethically and professionally.

Know Your Relations (KYR)

We have strict Know Your Relations (KYR) procedures in place when accepting new customers, suppliers and other business relations. We have anti-bribery, anti-corruption and anti-money laundering (AML) policies in place that apply to all our staff, and we expect our suppliers, customers and business partners to adhere to the same standards. Creditworthiness of new relations is checked upfront and their Ultimate Beneficial Owner(s) data is checked against the OFAC and the EU Sanctions list. Established relationships are monitored on compliance standards by an automated check that is performed on all business relations every two weeks.

Extensive knowledge of the substance and impact of the Foreign Corrupt Practices Act (FCPA) is embedded at every level of the company, and our anti-bribery and anti-corruption policy is embedded in our Code of conduct.

Human rights

Respecting human rights is a core part of our daily business, as we have many international operations and source and distribute our assortment globally. Our human rights procedures are firmly embedded in our Code of Conduct and all employees are expected to work in the spirit of these principles, irrespective of their working location. In some of the countries in which we operate human rights conditions deviate from those in Europe, we work to ensure that the same principles are adhered to in these operations as to those applicable in the Netherlands.

We have been a member of the UN global compact (UNGC) since 2010, highlighting our commitment to the 10 universally accepted principles in the areas of human rights, labour rights, the environment and anti-corruption. As a signatory, we submit a communication on progress to the UNGC on an annual basis.

Whistle-blower policy

We have a whistle-blower policy in place offering the possibility to report suspected misconduct within the company. The policy can be found on our corporate website. In 2019, no matters were reported.

Data protection & Cyber security

Material topic 4

We focus on ensuring that appropriate privacy and information security controls are in place to safeguard critical business and personal information. We respect the personal information of our people and our customers, and take steps to protect it from loss, misuse or alteration from technical measures, for example by using firewalls, intrusion detection and prevention systems, as well as passwords and encryption. Organisational measures were taken such as training staff on cyber security, identifying data incidents and risks, and restricting staff access to personal information.

Based on our cybersecurity roadmap, we have executed several actions during 2019 that address cybersecurity topics either directly or indirectly. For example, migrating the majority of our primary applications to an external data center during 2019 increased our availability and security setup. Our cybersecurity controls were further improved by implementing cloud-based solutions for office automation, email, and our e-commerce operations. We have continued and expanded our cybersecurity awareness program amongst employees with dedicated company-wide project updates and explanatory messaging.

Sustainable Supply chain

Energy use

Material topic 11

Sustainable value chain

Read more on page 41 in this report

Sustainable value chain

AEOS &
AEOC
status since 2008

ISO 22000
& HACCP
certified

Officially registered supplier to
UN
Global Marketplace

Approved
USAPHC

We take **our responsibility** towards our various stakeholders in the value chain **very seriously**. Our fundament for creating a sustainable value chain is built on being a **responsible**, **well-respected** and **reliable** organisation while at the same time seizing business opportunities that support our growth strategy.
Our commitment includes mitigating environmental risks related to our operations, complying with all relevant food safety standards and customs regulations and **creating opportunities** for a **sustainable** and **innovative supply chain**.

Safety & compliance

Material topic 9 and 1

Food safety

We adhere to the strictest food safety standards to ascertain the safety of the food supply chains we are active in. We actively promote transparency of product information and comply with the most stringent international regulations. Our warehouses are ISO 22000 and HACCP certified, and apply a high-level processing risk management system. These certifications allow us to demonstrate to our stakeholders that we comply with international food safety standards.

In the Netherlands, we are subject to the supervision of the Netherlands Food and Consumer Product Safety Authority (NVWA), which performs audits of our compliance with the HACCP system. To comply with food safety and transparency requirements, we constantly monitor our compliance and safety procedures, devoting specific attention to high-risk products, such as poultry and meat. Food products received at our warehouses are subject to comprehensive quality controls and are stored in climate-controlled environments.

We are approved by the US Army Public Health Command (USAPHC) for our food distribution to military operations, which enables us to supply US Army caterers. Additionally, we are an officially registered supplier to the United Nations Global Marketplace (UNGM), the common procurement portal of the United Nations system of organisations. This enables us to participate in tender processes for United Nations contracts.

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Storage of dangerous goods

With regards to the storage of flammable household liquids that form part of the assortment of our Health & Beauty operations in our HTG Segment (such as hair spray), we adhere to Seveso-III. This is the directive that applies to establishments in the European Union where dangerous substances are used or stored in large quantities and contributes to achieving a low frequency of major accidents. In distributing these goods, we adhere to The European Agreement concerning the International Carriage of Dangerous Goods by Road (ADR).

Customs compliance

As we are a vital part of the international supply chain and are involved in customs-related operations, we adhere to a range of criteria that grants us the status of Authorised Economic Operator. This status allows us to work in close cooperation with customs authorities to assure the common objective of supply chain security based on the principles of mutual transparency, correctness, fairness and responsibility. We are subject to the Union Customs Code (UCC), the EU regulation that provides rules and procedures for products that are brought into or are taken out of the customs territory of the European Union.

To ensure that our operations continuously meet all criteria for both customs simplification (AEOC) and security and safety (AEOS), our focus lies on complying with customs legislation and taxation rules, appropriate record keeping, financial solvency, proven practical standards of competence and appropriate security and safety measures.

Long-term relationships

Material topic 2

Integrity and transparency are key to our business and our long-term partnerships. These principles ensure that we promote trust and respectful relations with our customers and suppliers, as well as with our other stakeholders, such as shareholders, governmental and non-governmental bodies and other authorities.

We seek to maintain open and constructive dialogues with national and local authorities, meeting relevant legislative requirements and complying with health, safety and environmental requirements. We pursue a principled and transparent tax strategy that aims to support our overall business strategy. In this respect, regular meetings are conducted with tax authorities to discuss duties, customs, corporate income tax and VAT. Furthermore, we maintain good relations with the Dutch customs authority with regards to our status as an Authorised Economic Operator.

To ensure that relevant information is shared with and accessible to all our stakeholders, we provide quality information on company developments promptly, simultaneously and fully via our corporate website and through market regulators. Specifically, with regards to the investor community we disclose material information in a regulated manner focused on providing them with the information they need to assess their investment. We aim to deliver sustainable shareholder returns and to be a solid business partner to banks and other providers of credit facilities.

Innovative supply chain

Material topic 8

Digital technologies are changing warehouse operations and office environments in a rapid pace, providing new opportunities to implement digitised work processes and automated procurement solutions that support an innovative supply chain.

In 2012 we laid the groundwork for our current automated procurement services to e-commerce platforms and end-customers by implementing the Autostore system in our HTG operations.

Since then, we have continued to invest in scaling our existing technologies and integrating complementary automated solutions that enable us to expand our role as value adding distributor. In 2019, investments in our infrastructure focused on growth in our Health & Beauty e-commerce markets in Europe and the USA. Our investments over the past years in the HTG infrastructure combined with the technology that was already operational at FragranceNet.com when we acquired the company in 2018, provided us with a robust robotised logistics platform for our e-commerce operations. To further enhance our position, in 2019 we expanded and restructured our robotised warehousing infrastructure in our Health & Beauty e-commerce operations, with increased drop shipment capacity and automated packing lanes in preparation for the roll out of the FragranceNet.com B2C model in Europe.

Based on our strategic review in 2019 through a bottom-up and multidisciplinary approach, we marked digital transformation as one of our key growth areas for the coming years. One of our priorities in this area is to further develop our digital supply chain, by continuing to digitise our warehousing operations throughout the Group.

We will also focus on making our operations future fit by upgrading buying and sales processes at Group level, helping to generate data-driven insights between our segments and to digitise internal processes for integrated communication with our various stakeholders throughout the supply chain.

As part of our digital transformation, our intention from 2020 onwards is to develop and start tracking performance indicators based on data outcomes. In the coming year, we will also initiate the identification of commercial priorities in consultation with our suppliers and customers that evolve around value propositions and business models driven by market data insights.

Energy use & waste management

Material topic 11 and 12

We aim to reduce our CO_2 footprint through energy efficient warehouses and offices. As an example, we use geothermal energy as a heating / cooling source and motion detection lightning to reduce energy consumption. In 2019 we started implementing solar panels on selected warehouses in the Netherlands. We aim to expand the use of this renewable energy source at other warehouses in the coming years. We are also working to reduce CO_2 emissions by improving efficiency through automation and robotisation of our warehousing activities.

In our day-to-day operations we seek to reduce waste in a number of ways, such as promoting a paperless office, by using reusable drinking cups from recycled material, and by reducing, reusing and recycling packaging material in our warehouses.

Our approach to date is characterised by our decentralised operations, where initiatives to reduce energy use, emissions and waste are initiated and executed on segment level. For example, in 2019 we assessed the 2018 performed energy audit in the B&S Segment to identify relevant areas in mitigating adverse effects from our activities in our food distribution operation.

For the coming years, we plan to advance our approach in selecting, measuring and reporting on energy and emissions matters deemed relevant to our various business activities. Given the decentralisation of our operations, we aim to develop a blue print approach at Group level with a multidisciplinary project team. Our goal is to develop a blue print with centralised key topics to report on at Group level, while leaving room for business specific focus areas on segment level.

Executive Board

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

GOVERNANCE

Composition of the Executive Board and Supervisory Board

B&S Group is a public limited liability company incorporated under the laws of Grand Duchy of Luxembourg. It operates a two-tier board structure, managed by an Executive Board comprising four members and supervised by a Supervisory Board comprising five members.

Executive Board

The Group attaches great importance to transparency and open communication to all its stakeholders. Taking a responsible approach to entrepreneurship, integrity and reliability are intrinsically linked to our governance structure.

Bert Meulman, M (1967)
Position: CEO and member of the Executive Board since 2004 (re-appointed in 2018). In his role as CEO he holds responsibility for corporate strategy, business development, marketing and sales and human resources.

End of current term: 2022
Nationality: Dutch
Previous positions held: He started his career in a sales role at Kamstra Shipstores in 1992 – which currently forms part of the HTG Segment. He became partner three years later and was appointed CEO of the Group in 2004.

Gert van Laar, M (1954)
Position: CFO, member of the Executive Board since 2009 (re-appointed in 2018). In his role as CFO he holds responsibility for finance, risk management and IT.

End of current term: to retire at AGM scheduled May 19, 2020
Nationality: Dutch
Other positions held: Various senior finance positions, i.e. as advisor to the Group until 2009, member of the Dutch Institute of Chartered Accountants.

Bas Schreuders, M (1954)
Position: Member of the Executive Board since 2012 (re-appointed in 2018) and Senior Counsel. In his role as member of the Executive Board he holds responsibility for legal affairs.

End of current term: 2020
Nationality: Dutch
Previous positions held: CEO of Intertrust Group in Geneva, Switzerland until 2010, several senior legal positions at various banks.

Niels Groen, M (1987)
Position: Member of the Executive Board since 2017 (re-appointed in 2018) and Finance Director. In his role as member of the Executive Board he supports the CFO in the responsibility for finance and risk management.

End of current term: 2020
Nationality: Dutch
Previous positions held: Started at B&S International in 2011 and held several finance positions before becoming Finance Director in 2017 for one of the business segments of the Group.

Supervisory Board

The Group values good governance and is committed to compliance with the principles of Supervisory Board composition as laid down in the Dutch Corporate Governance Code.

Jan Arie van Barneveld, M (1950), Chairman
First Appointed: 2018, end of current term: 2022
Nationality: Dutch
Committees: Audit and Risk Committee (member), Selection, Appointment and Remuneration Committee (member)

Last position held: CEO of Brunel International N.V. until 2017
Supervisory Board memberships and other positions: member of the Supervisory Board of Brunel International N.V., member of the Advisory Board of Boels Topholding B.V., member of the Supervisory Board and co-chairman of the Audit Committee of Museum Boijmans van Beuningen.

Willem Blijdorp, M (1952), Vice-Chairman
First Appointed: 2004, end of current term: 2022
Nationality: Dutch
Committees: Selection, Appointment and Remuneration Committee (member)

Last position held: Founder of Kamstra Shipstores – which currently forms part of the HTG segment - and CEO of B&S Group until 2004, member of the Supervisory Board since 2004.
Supervisory Board memberships and other positions: member of the Executive Board of Clinuvel Pharmaceuticals.

Coert Beerman, M (1955)
First Appointed: 2018, end of current term: 2021
Nationality: Dutch
Committees: Audit and Risk Committee (chair)

Position: Member of the Board of Directors of IHC Merwede Holding B.V.
Supervisory Board memberships and other positions: chairman of the Supervisory Board of the Hogeschool Rotterdam, chairman of the Supervisory Board of Zwanenberg Food Group B.V.

Rob Cornelisse, M (1958)
First Appointed: 2018, end of current term: 2020
Nationality: Dutch

Last position held: Tax partner at Loyens & Loeff N.V until 2018
Other positions: Professor of Tax Law at the University of Amsterdam, chairman of the Tax Department of the Faculty of Law at the University of Amsterdam until 2018, of counsel Loyens & Loeff N.V.

Kitty Koelemeijer, F (1963)
First Appointed: 2018, end of current term: 2021
Nationality: Dutch
Committees: Selection, Appointment and Remuneration Committee (chair)
Position: Full Professor of Marketing & Retailing and Director of the Marketing & Supply Chain Center at Nyenrode Business University.

Supervisory Board memberships and other positions: member of the Supervisory Board of Brunel International N.V., CB Logistics, Coram International, Vereniging Eigen Huis, Handicapped Sports Fund and vice-chairman of the Supervisory Board and chairman of the Remuneration Committee of Intergamma.

With the exception of Mr. Willem Blijdorp who, through Sarabel Invest S.à. r.l. ('Sarabel'), at year-end 2019 held 51.72% of the shares in B&S Group S.A., none of the Supervisory Board members hold any ordinary shares or rights to obtain ordinary shares.

Corporate governance

B&S Group was incorporated on December 13, 2007 as a private limited liability company (S.à. r.l.), under the laws of the Grand Duchy of Luxembourg. In March 2018, the Company was converted into a public limited liability company (S.A.).

The Executive Board and Supervisory Board are responsible for the company's corporate governance structure. The corporate governance of the Group is determined by Luxembourg Law, the Articles of Association and – as these are underwritten by the Group - by the regulations of the Dutch Corporate Governance Code (the 'Code').

Executive Board

The Executive Board is responsible for day-to-day management, strategy and advocacy of general stakeholders' interest. The Executive Board may perform all acts necessary or useful for achieving the company's corporate purposes, except for those expressly attributed to the General Meeting or Supervisory Board under Luxembourg legislation or the Articles of Association.

Composition, appointment and dismissal

The Articles of Association provide that the Executive Board must consist of at least two members. In the period under review, the Executive Board consisted of four members. The composition of the Executive Board and information about its members is provided on page 42 of this Annual Report.

Members of the Executive Board are appointed for a maximum period of four years and may then be reappointed for an unlimited amount of times, each time for a maximum of four years.

A member of the Executive Board may be removed or replaced with or without cause, at any time, by a resolution adopted by the Supervisory Board or by General Meeting of Shareholders.

No member can simultaneously be a member of the Executive Board and of the Supervisory Board. However, in the event of any vacancy at the Executive Board, the Supervisory Board may appoint one of its members to act on the Executive Board until the following General Meeting. During that period, the duties of this person within the Supervisory Board will be suspended.

Meetings and decision-making

In the financial year under review, the Executive Board had 11 formal meetings, some of them by teleconference. At one occasion, one member had to be excused for a meeting. The functioning of and decision-making within the Executive Board are governed by the Executive Board Rules which can be found on the corporate website.

According to the Executive Board Rules, the company has installed an IT steering committee that assists the Executive Board in its oversight of the Group's IT function and prepares recommendations for the Group's IT policy.

Supervisory Board

The Supervisory Board is responsible for supervising and providing advice on the policy of the Executive Board. The Supervisory Board regularly discusses the strategy, the implementation of the strategy and the principal risks associated with it.

The Supervisory Board includes an account of its involvement in the establishment of the strategy, and how it monitors its implementation in its report, which can be found under 'Report of the Supervisory Board'.

Composition, appointment and dismissal

The Articles of Association provide that the Supervisory Board must consist of at least three members. In the period under review, the Supervisory Board consisted of five members. The composition of the Supervisory Board and information about its members is provided on page 43 of this Annual Report.

Members of the Supervisory Board are appointed for a maximum period of four years and may then be reappointed for a maximum period of four years. A Supervisory Board member may then subsequently be reappointed for a period of two years. This reappointment may be extended by a maximum of two years. For reappointment after an eight-year period, reasons must be provided in the report of the Supervisory Board.

A member of the Supervisory Board may be removed or replaced with or without cause, at any time, by a resolution adopted by the General Meeting of Shareholders.

In the event of one or more vacancies in the Supervisory Board, because of death, resignation or otherwise, the remaining members of the Supervisory Board may appoint one or more members of the Supervisory Board, as the case may be, to temporarily fill any such vacancy until the next General Meeting of Shareholders where a new member of the Supervisory Board will be appointed upon proposal by the Supervisory Board, subject to compliance with any applicable nomination rights as set out in the Articles of Association.

Meetings and decision-making

The Supervisory Board shall meet at least 4 times a year and as often as the business and interests of the company require. Unless the Chairman decides otherwise, Supervisory Board meetings shall be attended by all members of the Executive Board.

In accordance with the Articles of Association, the functioning of and decision-making within the Supervisory Board are governed by the Supervisory Board Rules that can be found on the corporate website.

The Supervisory Board can only validly adopt resolutions if at least two of its members are present or represented at a meeting duly convened in accordance with the Articles of Association and Luxembourg Law.

Resolutions of the Supervisory Board may also be adopted outside of a meeting, provided that such resolutions are adopted in writing and signed by each member of the Supervisory Board. Pursuant to the Articles of Association, certain specified resolutions of the Supervisory Board require the affirmative vote of majority shareholder Sarabel as long as he holds at least 30% of the ordinary shares.

Committees

The Supervisory Board has established two committees from among its members; the Audit and Risk Committee and the Selection, Appointment and Remuneration Committee. Their task is to assist and advice the Supervisory Board in fulfilling its responsibilities. These committees are governed by charters that have been drawn up in line with the Dutch Corporate Governance Code and can be found on the corporate website. The present composition of the committees are provided in this Annual Report under 'Report of the Supervisory Board'.

Remuneration

The remuneration of the Supervisory Board members is determined by the General Meeting of Shareholders. The General Meeting may grant a fixed remuneration to members of the Supervisory Board which is not dependent on the results of the Company and may grant an additional fixed remuneration to the Chairman and the vice-chairman. The remuneration of the Supervisory Board members should reflect the time spent and the responsibilities of their role.

Diversity

In the composition of the Boards, the Group strives for sufficient complementarity, pluralism and diversity with regard to age, gender and background. The main aim is to create a diverse mix of knowledge, skills, expertise and personal characters.

The Group views diversity as a relevant mix of required elements that evolves with time, based on business objectives and future needs of the Group. We treat diversity of the Boards as means for improvement and development rather than as an objective in itself.

Board conflicts of interest

Conflicts of interest should be handled in accordance with Art. 28 of the Articles of Association. If a member of the Executive Board or the Supervisory Board has a direct or indirect financial interest opposite to the interest of the company in any transaction that requires approval from the Executive Board or the Supervisory Board, he or she should inform the Boards as per Art. 28.1 of the Articles of Association. The member may not take part in the deliberations relating to the transaction and may not vote on transaction related resolutions.

General Meeting of Shareholders

At least once a year, the Group convenes a shareholder meeting.

The Executive Board and Supervisory Board ensure that the General Meeting of Shareholders is properly informed and advised. The Company has, in accordance with best practice provision 4.2.2 of the Code, drawn up a Policy on bilateral contacts.

Shareholders who individually or jointly hold at least 5% of the issued share capital have the right to place items on the agenda and submit proposals for items included in the agenda. The Company will include the item on the agenda if it receives the substantiated proposal clearly stating the item to be discussed, or a draft resolution, in writing at least 22 days prior to the meeting date.

The main powers of the General Meeting relate to:

- the composition, appointment and dismissal of members of the Executive Board and the Supervisory Board;
- approval of the remuneration policy of the Executive Board and the Supervisory Board;
- the adoption of the annual financial statements and declaration of dividends on Ordinary shares;
- discharge from liability of the members of the Executive Board and the Supervisory Board;
- any transaction or measure entailing an important change of the identity or character of the Group;
- the issuance of ordinary instruments under the Ordinary Share Authorised Capital in the excess of 10% maximum set out in Art. 6.3(i) in the Articles of Association;
- amendments to the Articles of Association in accordance with Art. 12.3 in the Articles of Association.

For more information about the powers of the General Meeting, the Policy on bilateral contacts as well as Articles of Association, please visit our corporate website.

Share capital

The authorised share capital of the company consists of ordinary shares. All issued shares are fully paid up and each share confers the right to cast a single vote in the General Meeting. At year-end 2019, the total number of issued ordinary shares was 84,177,321.
The ordinary shares are freely transferable at the stock exchange of Euronext Amsterdam.

Share ownership rights

There are no special control rights or restrictions on voting rights attached to the ordinary shares. However, shareholders Sarabel invest S.à. r.l. ('Sarabel') and Lebaras Belgium BVBA ('Lebaras') have a right to nominate candidates for appointment as members of the Supervisory Board. Pursuant to Luxembourg law, if Sarabel or Lebaras, when making use of their nomination rights, include at least two candidates for each position in the proposal for appointment to the Supervisory Board, the General Meeting has to appoint one of the proposed candidates.

Furthermore, the Articles of Association require the affirmative vote of the current majority shareholder Sarabel in respect of reinforced approval matters of the Supervisory Board as long as he holds at least 30% of the ordinary shares.

There are no specific powers for the Executive Board and Supervisory Board to issue or buy back ordinary shares.

Preference shares

For a period of five years, starting March 22, 2018 the Executive Board, as per Article 6 of the Articles of Association, is authorised to issue preference shares to a foundation (Stichting Continuïteit B&S Group) up to a total number of voting rights, after the issue, of 33.33%. The object of the foundation is limited to the protection of the interests of (i) the Company, (ii) the business connected therewith and (iii) all involved stakeholders. Contravening influence threatening the continuity, the independence or the identity shall be averted as much as possible. The Executive Board may only issue preference shares with the prior written consent of the current majority shareholder Sarabel as long as he holds at least 30% of the ordinary shares. In 2019, no preference shares were issued.

Share transactions by management

The chart of transactions by persons discharging managerial responsibilities (PDMR), which are members of the Executive Board and Supervisory Board of B&S Group S.A., is available on our corporate website: www.bs-group-sa.com/corporate-governance/share-transactions-by-management.

Major shareholdings

The Dutch Financial Supervision Act and the Luxembourg Transparency law require investors who hold a share interest or voting interest exceeding (or falling below) certain thresholds to (inter alia) notify their interest with the Authority for the Financial Markets (AFM) in the Netherlands and the Commission de Surveillance du Secteur Financier (CSSF) in Luxembourg. This information is included in this Annual Report under the section "Share Information".

Financial reporting and role of auditor

Annual financial statements as prepared by the Executive Board must be examined by an external certified auditor before being presented to the General Meeting for adoption.

The General Meeting has the authority to appoint the auditor. The Supervisory Board nominates the auditor for (re-) appointment by the General Meeting, taking into account the advice of the Audit and Risk Committee. The auditor's assignment and remuneration are resolved on by the Supervisory Board, on the recommendation of the Audit and Risk Committee.

The external auditor attends Audit and Risk Committee meetings and meetings of the Supervisory Board in which the annual financial statements are to be approved and the year-end audit report of the external auditor is discussed. Half-year results and reports are discussed with the Audit and Risk Committee in the presence of the external auditors prior to publication.

Compliance with the Dutch Corporate Governance Code

As a public limited liability company organised under the laws of the Grand Duchy of Luxembourg, the Group is not subject to the Code. However, we acknowledge the importance of good governance and are committed to comply with the principles as set out in the Code. The Executive Board and Supervisory Board believe deviations or qualifications of some individual provisions of the Code are justified. These deviations or qualifications are explained below.

Deviations from the Code

Independence of Supervisory Board members

Under the best practice provision 2.1.7 and 2.1.8, three out of five members of the Supervisory Board are considered not to be independent. Two out of five members have had an important business relationship with the company in the past year and one member has a shareholding in the company of at least ten percent. The Group deviates from this provision as it finds it necessary for its Supervisory Board members to have a good understanding of the complex environment in which the company operates.

Establishment of committees

The Group reserves the right to deviate from provision 2.3.2 for practical reasons. The regulation of committees states that if the Supervisory Board consists of more than four members, it shall appoint an Audit committee, a Remuneration committee and a Selection and Appointment committee. In the period under review, this provision was deviated from as the Selection and Appointment committee and the Remuneration committee were combined to form one committee.

Composition of committees

The Group reserves the right to deviate from provision 2.3.4 for practical reasons. The regulation of committees states that more than half of the members of committees should be independent within the meaning of best practice provision 2.1.8. In the period under review, this provision was deviated from as regards the Audit and Risk Committee. One out of two members is not independent. (as specified above under Members of the Supervisory Board).

Severance payments

The Group deviates from provision 3.2.3 for CEO and CFO with regards to the exceeding of the fixed remuneration component in the event of dismissal. Severance payment for CEO and CFO are set at one year`s salary and 50% of the applicable annual cash bonus, both for the preceding financial year.

Cancelling the binding nature of a nomination or dismissal

Pursuant to the Articles of Association, shareholder Sarabel and Lebaras have a right to nominate candidates for appointment as members of the Supervisory Board. Pursuant to Luxembourg law, if Sarabel or Lebaras, when making use of their nomination rights, include at least two candidates for each position in the proposal for appointment to the Supervisory Board, the General Meeting has to appoint one of the proposed candidates. In that case, it is not possible under Luxembourg law to set aside the binding nature of the nomination right, which would result in a deviation from best practice provision 4.3.3.

Relevant documents on corporate website

- Articles of Association
- Executive Board Rules
- Supervisory Board Rules
- Charters of Committees
- Profile Supervisory Board
- Bilateral contacts policy
- Code of Conduct
- Whistleblower Policy

www.bs-group-sa.com/corporate-governance-2/principles-policies/

Risk management

B&S Group is a globally operating listed company with a focus on long-term value creation. Being active in many different markets worldwide inherently entails risks, not only in the specific markets we are active in but also with regards to business strategy.

Group wide strategic objectives are defined by the Executive Board and include the encouragement of entrepreneurship and accountability on segmental level. The Executive Board, supported by senior management, has in place a well-embedded risk management and internal control system to continuously evaluate the degree to which the Group is in control. This helps to identify and mitigate potential risks and to balance risk and reward in line with the Group's risk appetite.

Risk appetite

In general, B&S Group adapts a conservative approach to risk-taking within an entrepreneurial setting. The risk appetite differs per risk category and is defined as follows:

- To achieve **strategic** objectives, the Group accepts associated risks up to a moderate level
- The Group seeks to minimise the risks of **operational** failures within its business processes
- With respect to **compliance** risks, the Group takes a risk averse stance
- **Financial** risks are mitigated through a cautious financing structure and stringent cash management policy

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 Enterprise Risk Management model ('ERM model') is to timely identify changes in risk profiles so that appropriate measures can be taken. The main risks per category are described below.

Strategic

Risk	Description	Risk appetite
International nature	The risk that trade protection measures, changes in taxation policies or regulations will negatively impact revenues	
Managing growth	The risk that the Group is unable to manage sustainable organic and acquisitive growth	
Reputation	The risk of an incident occurring that will harm the B&S Group brand	

Operational

Risk	Description	Risk appetite
IT & Cybersecurity	The risk of critical IT systems being unavailable or not well maintained and of the Group being exposed to cyber crime	
Staff	The risk of not finding qualified people to support our strategy and the business not achieving its full potential	
Inventory	The risk of being unable to manage inventory successfully, leading to tied up capital and eroding margins	

Compliance

Risk	Description	Risk appetite
Compliance standards	The risk of non-compliance with statutory laws and regulations in applicable jurisdictions or with internal policies and procedures	
Customs & Certifications	The risk of losing any of or authorisations or certifications for our bonded warehouses could have negative impact on revenues	

Financial

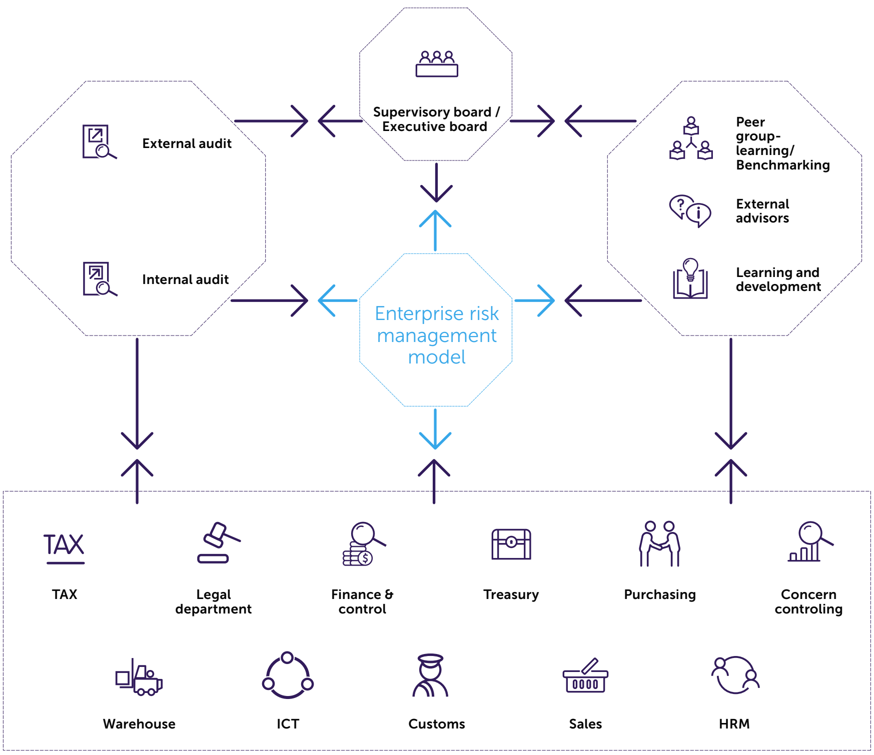
Risk	Description	Risk appetite
Currency	The risk of inadequately monitoring exchange rate risk that leads to exchange rate losses	
Credit	The risk of delayed or failed payment by customers	
Liquidity & Working Capital Management	The risk that the business has insufficient free cash flow to fund its operations and stay within acceptable debt ratios	

Enterprise Risk Management model

The Executive Board is responsible for establishing and maintaining adequate internal risk management and control systems. Risk identification is performed both top-down and bottom up, based on the Group's strategy and the environment in which we operate.

The Group has developed an ERM model which is continuously monitored by the Supervisory Board, Executive Board, Group Finance & Reporting, Internal Audit and segmental management. We involve various internal and external stakeholders in the identification, assessment and monitoring of risks, which fits the Group's entrepreneurial and hands-on mentality. The risk management model is updated when required in order to reflect changes in either internal or external conditions.

ERM Model



Main risks and control measures

The main risks and control measures are presented below.

Strategic

Risk type	Description	Mitigation by
International nature of our business	The international scope of our operations, particularly in certain developing countries and emerging markets, exposes the Group to risks related to trade protection measures, changes to taxation policies, changes in regulation, import/export licencing requirements, quotas or wage and price controls.	These risks are mitigated by diversification in markets, product groups, regions and client portfolio. The Group has spread its risk over various niche markets all over the world, making it less vulnerable to decline in specific market segments and / or to geographical risks. Although geographical economic recessions can have some effect, the risk of a disproportionally adverse impact will be limited because of the indicated market diversification and regional spread.
Managing growth	Quality of the Group's growth should always remain sustainable, manageable and well under control. The Group may fail to meet these standards by inefficient organisational aspects or challenging economic market conditions.	The Group invests substantially in optimisation and digitisation of business processes and compliance procedures, and in expansion of warehousing and storage facilities. The diversification in markets, product groups, regions and client portfolio, makes the business less cyclical and less vulnerable to changing market conditions.
	The Group may fail to acquire other businesses as contemplated by the growth strategy or may fail realise the expected benefits from such acquisitions.	Acquisitions are preceded by careful due diligence processes carried out by both internal and external experts to ascertain that an acquisition will provide adequate financial returns and will contribute towards the Group's synergy and integration demands. The added-value and cash flow contributions of intangible assets is tested regularly.
Reputation	The Group's reputation and relationship with suppliers and customers could be harmed by performance failures by internal or external parties in the supply chain, resulting in a loss of sales.	The focus on maintaining long-term partnerships with customers and suppliers makes the Group less vulnerable to reputational damage. The Group is focused on adding value to its partners' businesses by providing service and flexibility, which results in trustworthy relationships.

Operational

Risk type	Description	Mitigation by
IT and cybersecurity	The Group relies significantly on the integrity, reliability and efficiency of IT systems and on the services of its third-party IT service providers. Inability to find qualified service providers or the failure of service providers to perform their obligations could have a material adverse effect on the business, financial condition and results of operations. With increased digitisation of company processes and cyber criminals becoming increasingly active and sophisticated, the Group considers cybercrime to be a significant IT threat.	The Group has established partnerships with carefully selected IT providers that are acquainted with our business activities and associated needs, and pro-actively implement and continuously optimise the IT systems. The Group maintains a wide range of security measures including access and authorisation controls and back-up and recovery procedures. Additionally, the IT systems and procedures are checked regularly by external experts while potential cyber-attacks on the Group's systems are externally monitored and internally mitigated by various protective measures.
Dependency on key staff	The Group relies significantly on the skills and experience of the managerial staff as well as technical, sourcing and sales personnel. A loss of any key individuals or the failure to recruit suitable managers and other key staff, both for expanding operations and for replacing people who leave the company, could result in an inability to meet customer demand resulting in a loss of customers.	This risk is mitigated by recruiting employees to cover both business growth and fluctuations in employee composition. In order to attract and retain staff, the Group offers a balanced remuneration package and a stimulating workplace offering attractive career opportunities.
Inventory risk	The Group holds sizeable inventory levels with a certain volatility throughout the year. The Group may be unable to manage our inventory successfully resulting in additional tied up capital and eroding margins.	The Group closely monitors inventory through dedicated inventory management departments which are divided into product categories. Critical stress tests are regularly carried out on the theoretical financial boundaries of inventory positions versus equity, covenants and working capital financing.

Compliance

Risk type	Description	Mitigation by
Non-compliance with laws and regulations	The Group is subject to various laws and regulations in the jurisdictions in which it operates. Changing laws might interfere with the Group's competitive advantage resulting in a loss of business. Litigation or investigations involving the Group, including those related to the infringement of intellectual property rights of third parties, could result in material settlements, fines or penalties.	Business partners are selected carefully and are only accepted after extensive screening that ensures that the Group's supply chain is transparent, not in breach with any regulations and that the Group is not infringing any intellectual property or trademarks. If deemed necessary, the Group relies on the services of local professional experts for designated compliance areas.
	The business is subject to anti-money laundering, sanctions and anti-bribery laws and regulation and related compliance costs and third-party risks. Breaching these laws and regulations might result in the loss of contracts in our government and defence distribution operations.	Strict internal policies and guidelines regarding business agreements with new suppliers and customers are applied through an extensive Know Your Relation (KYR) procedure. In order to avoid corruption, bribery, fraud and other unethical behaviour, the new relations and their Ultimate Beneficiary Owner(s) are checked with the OFAC and the EU Sanctions list. Throughout the Company there is extensive knowledge of the content and impact of the Foreign Corrupt Practices Act (FCPA) and the UK Bribery Act.
Customs and certifications	The Group has its own warehouses for storing both bonded and duty exempt goods, which requires extensive licensing and certification as an Authorised Economic Operator (AEO) by the customs authorities. Loss of any of the authorisations or certifications could impact the Group's ability to operate its business, fulfil our obligations towards customers or attract new customers. This may result in a loss of turnover or not realising the growth ambition.	In order to mitigate the risks from customs activities, the Group has its own expanding customs departments staffed by well-trained experts who are in close contact with customs authorities. Staff follows on-going training courses to keep up to date with customs legislation and related developments. The Group is insured against the risks related to its customs activities and adequate customs guarantees have been issued for its activities. The financial consequences of customs related calamities are, therefore, covered as far as possible. Each year, the processes related to our AEO status are audited internally and periodically audited externally. The Group follows strict policies and performs crosschecks on compliance.

Financial

Risk type	Description	Mitigation by
Currency risks	The Group is exposed to currency exchange rate risk in the conduct of our business. Inadequate monitoring of our positions might lead to exchange rate losses.	The Group deals with risks from transactions in non-Euro currencies by matching incoming and outgoing cash flows as closely as possible in the same currency. Extraordinary currency positions and risks are dealt with at Group level by a dedicated treasury department, which uses hedging instruments when appropriate and on a case-by-case basis to mitigate currency transaction risks. Derivative transactions are subject to continuous risk management procedures. Derivative financial contracts are only entered into with banks that have a good credit rating. In addition, the Group is advised by external parties before entering into a derivative financial contract.
Credit risks	Delayed payment or failure to pay by our customers could have an adverse effect on our business resulting in the company not being able to grow at the desired rate.	The group applies strict internal policies and guidelines regarding credit risk management. All transactions must be secured, either by credit insurance, payment up front or by a secured payment instrument (guarantee or letter of credit). A centralised credit control department is in place to mitigate credit risks.
Liquidity & Working Capital	Any inability to raise capital or to continue the existing finance arrangements could have a material adverse effect on the business, financial condition and results of operations.	The Group's activities are mainly financed on the basis of medium and short-term credit facilities. The sub segments within the business segments have their own working capital financing, which trigger segment management to maintain control over inventory and debtor positions, which helps towards reducing interest charges. Both short and long-term financing arrangements are discussed and negotiated exclusively at Group level by the Executive Board. The internal reporting allows for closely monitoring of the operating segments on profitability and compliance with the credit agreements. This also ensures that the companies within the Group are in a position to generate sufficient cash flows for upward dividend streams.

For more details about financial risk management see note 32 in the consolidated financial statements. These notes are considered to be part of this report.

Internal control activities

Throughout the year, certain selected aspects of the execution, follow up and quality of the design and effectiveness of controls are reviewed by the Group's internal audit function. Priorities for internal audit are defined in dialogue with both the Executive Board and the Audit and Risk Committee of the Supervisory Board. The internal audit function has direct access to both the Executive Board and the Audit and Risk Committee and presents the results of the internal audit activities during the quarterly meetings of the Audit and Risk Committee.
In addition to these reviews, sensitivity analyses are conducted on various scenarios to identify focus areas for uncertainty reduction. These scenarios include the effect of rapid changes in market conditions, changes in gross margin, increases of interest rate and currency fluctuations.

Additionally, benchmark assignments are performed to compare various metrics to peer averages and to identify best practices for individual business segments within the Group.

Specific Control Measures in 2019

In the period under review specific control measures were taken on the following aspects:

Centralisation credit management / KYR controls

In 2019, we centralised our Know Your Relation and credit management procedures on Group level and assigned a dedicated team, which led to further improvements in our related policies.

Foreign Exchange

The group holds positions in non-functional currencies derived from purchase and/or sales obligations and forecasted sales in non-functional currencies. These positions are analysed on a daily basis. A significant share of exposure is naturally hedged following opposite positions as the Group uses its bank balance in foreign currency to hedge the net position. Spot buy/sell transactions are initiated on a daily basis to maintain the match between foreign currency exposure and the bank balances. In order to further mitigate risks from FX and eliminate timing differences in reported results, the Group has opted to implement Hedge Accounting following IFRS 9 guidelines as from January 1st, 2019.

Integration Lagaay Medical Group ('LMG')

Following the acquisition of LMG, an integration project has been initiated in order to onboard the Lagaay-entities on the Group control environment. Additionally, the internal audit function performed an initial review of the processes and related controls within Lagaay in order to further facilitate this onboarding process.

Treasury Management

In 2019 the Group implemented a Treasury Management System and acquired a BIC address on the SWIFT network, facilitating central management and monitoring of all bank balances and transactions within the Group in a single system. By moving away from bank specific online platforms to a single point of entry, we facilitated harmonisation of user authorisation rights. This implementation contributes to further digitisation of the 'procure to payment' process and provides flexibility to explore optimal financing and cash management combinations.

Compliance awareness

On the back of continuously increasing compliance standards, an inhouse compliance training was developed by the Group's legal department to keep staff up to date on relevant developments. The first commercial and finance teams have been trained in order to improve awareness with respect to compliance issues and fraud risk whilst a further roll-out of compliance trainings across the organisation is planned for 2020.

Cyber security

Based on our cybersecurity roadmap, we have executed several actions during 2019 that address cybersecurity topics either directly or indirectly. Migrating the majority of our primary applications to an external data center increased our availability and security setup. Our cybersecurity controls were further improved by implementing cloud-based solutions for office automation, email, and our e-commerce operations. Furthermore, we have continued and expanded our cybersecurity awareness program amongst employees with dedicated project updates and explanatory messaging.

Specific internal control activities planned for 2020

In 2019, an extensive risk assessment has been performed and discussed by the Executive Board, Supervisory Board and internal audit function. The outcome of the assessment is the basis of the internal audit agenda for 2020. Furthermore, the scope of the internal audit function will be extended with regards to segmental operations in order to more frequently review and assess adherence to the Group's centralised key controls.

Statement of the Executive Board

The Executive Board has made a systematic assessment of the effectiveness of the design and operation of the inter-nal control and risk management systems. On the basis of this assessment and in accordance with best practice 1.4.3 of the Dutch Corporate Governance Code of December 2016, Article 68ter of the Luxembourg RCS Law[1] and article 3 of the Luxembourg Transparency Law[2], the aforementioned assessment and the current state of affairs, to the best of its knowledge and belief, the Executive Board confirms that:

- the internal risk management and control systems of the company provide reasonable assurance that financial reporting does not contain any material inaccuracies;
- there have been no material failings in the effectiveness of the internal risk management and control systems of the company;
- there are no material risks or uncertainties that could reasonably be expected to have a material adverse effect on the continuity of the Groups' operations in the coming twelve months after drawing up the report, and;
- drawing up the financial reporting on a going concern basis is justified based on the current state of affairs.

It should be noted that the above does not imply that these systems and procedures provide absolute assurance as to the realisation of operational and strategic business objectives, or that they can prevent all misstatements, inaccuracies, errors, fraud and non-compliances with legislation, rules and regulations. Nor can they provide certainty that we will achieve our objectives.

In view of all of the above, the Executive Board declares that, to the best of its knowledge and belief, the financial statements presented in this annual report and prepared in accordance with IFRS standards give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and of the undertakings audited in the consolidation taken as a whole; and that the management report includes a fair review of the position at the balance sheet date and the development and performance of the business during the financial year and of the undertakings audited in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that the company faces.

Mensdorf, G.D. Luxembourg, February 23, 2020

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

1 Law of 19 December 2002 on the register of commerce and companies and the accounting and annual accounts of undertakings, as amended.

2 Law of 11 January 2008 on transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market, as amended.

Share information

B&S Group SA shares have been listed on Euronext Amsterdam since March 23, 2018 and have been included in the Smallcap Index (AScX) since June 19, 2018.

The issued share capital as at 31 December 2019 amounts to € 5,050,639.26. This is divided into 84,177,321 issued Ordinary Shares each with a nominal value of € 0.06.

Key share information

ISIN	LU1789205884
Euronext ticker	BSGR
Number of shares outstanding	84,177,321
Free float	31.2%

Key figures per share

EPS	€ 0.56
Interim dividend per share	€ 0.13
Dividend yield	2.3%
Highest price	€ 14.97
Lowest price	€ 9.21
Year-end share price	€ 9.60

Dividend policy

Barring unexceptional circumstances, B&S Group aims to distribute a dividend of between 40-60% of annual Group results attributable to the owners of the company, starting at the lower end of the target range. We envisage increasing dividends per share over time within the set target range.

The current dividend policy is to pay out in two semi-annual instalments, the first part in the fourth quarter of the year in question and the remainder in the second quarter of the following year, following shareholder approval of the full-year financial statement.

For practical reasons, the Group will propose to the shareholders in the May 19, 2020 Annual Meeting to shift from semi-annual payment of dividend to an annual payment. Subject to approval, 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.

Dividend proposal 2019

The proposal to distribute a dividend of € 0.22 per share with of a nominal value of € 0.06 shall be submitted to the General Meeting of Shareholders of May 19, 2020. This corresponds with a pay-out ratio of 40% of the Group results attributable to the owners of the Company. The proposal has been approved by the Supervisory Board.

Notification of capital interests

On 31 December 2019, the following shareholders with a substantial participating interest (>3%) are registered with the Dutch Financial Markets Authority AFM in accordance with the Dutch Financial Supervision Act.

Sarabel Invest S.à r.l	51.72%
Lebaras Belgium BVBA	16.90%
Mondrian Investment Partners Ltd	5.18%

Financial Calendar

Q1 2020 trading update	May 18, 2020
Annual General Meeting	May 19, 2020
HY 2020 results	August 24, 2020
Q3 2020 trading update	November 9, 2020

Investor relations policy

B&S Group provides shareholders and other parties in the financial markets with information on matters that may influence the Company's share price via an annual report and an interim report, Q1 and Q3 trading updates and press releases. These documents are published on the B&S corporate website and submitted to the AFM (the Netherlands) and CSSF (Luxembourg).

B&S Group has a compliance officer who monitors and enforces strict compliance with any and all relevant laws and regulations. Together with the Executive Board and the Disclosure Committee, the compliance officer assesses whether and when information is price-sensitive and whether a disclosure obligation applies to said information. These regulations apply to both the Supervisory Board and the Executive Board, but also to the management layer below the Executive Board and all head office staff who come into contact with price-sensitive information.

Investor contact

B&S Group communicates with its investors and analysts throughout the year via meetings such as AGMs, roadshows, organised site visits and broker conferences. The company holds regular investor calls and meetings to provide the investment community with a well-balanced and complete picture of the performance, opportunities and challenges the company faces, while taking into account insider trading and the equal treatment of shareholders.

General meeting

General Meetings of Shareholders are convened in accordance with the provisions of the Luxembourg law of May 24, 2011 on the exercise of certain rights of shareholders in general meetings of listed companies and the Articles of Association. The General Meeting of Shareholders will be held on May 19, 2020 in Luxembourg.

Contacts with the capital markets are dealt with by the members of the Executive Board and the Investor Relations Manager.

Independent analyst reports

The following analysts covered B&S Group in the course of 2019:

ABN AMRO	Robert Jan Vos
Deutsche Bank	Lucas Ferhani
ING	Tijs Hollestelle
Kepler Cheuvreux	Patrick Roquas
Morgan Stanley	Annelies Vermeulen

Customs compliance

Customs compliance

Material topic 1

Sustainable value chain

Read more on page 40 in this report

REPORT OF THE SUPERVISORY BOARD

Report of the Supervisory Board

This report of the Supervisory Board sets out how the Supervisory Board fulfilled its duties and responsibilities during 2019, the first full year in which B&S Group was listed on Euronext Amsterdam. Details on the organisational structure can be found in the Governance section of this Annual Report. The activities of the Executive Board are described in the Report of the Executive Board, the letter of the CEO and Value Creation chapters in this report.

Main topics in 2019
In exercising its tasks in 2019, the Supervisory Board after consultation with the Executive Board and selected members of senior management, focused on logistics performance reviews and geopolitical and markets developments, the development of strategic initiatives and management succession.

Performance & market developments
The Supervisory Board discussed the logistical performance of the B&S Segment during 2019 with the Executive Board, as well as the costs related to quality improvements of existing processes. This followed the logistical constraints that impacted the segment in late 2018. We were pleased with the updates and actions taken by logistics management, as initiated by the Executive Board.

In the third quarter of 2019, the trade war between the USA and China and the political turmoil in Hong Kong led to a decline in demand for luxury products in Asia. This resulted in margin pressure on the Liquor category in Asia. As these circumstances advanced further in Q4, the impact expanded into the FMCG market in Asia as well. Possible approaches to diminish the effect of these developments on Group results were items of extensive discussion between the Boards. The Supervisory Board shared their views on long-term value creation and stimulated the Executive Board to pursue its decision-making on how to approach the declining demand in its Asian markets. The Supervisory Board has fully endorsed the focus of the Executive Board in maintaining volumes in Asian markets as much as possible at the expense of lower margins, keeping the business positioned to pick up as soon as market conditions improve while simultaneously generating strong cash flow for the year.

Strategy development
During the quarterly Supervisory Board and Executive Board meeting in August, the Executive Board shared its vision on updating the multi-year company strategy in light of mega trends such as digitisation and retail re-design as well as market specific developments. We supported the Executive Board's initiative in the second half of 2019 to organise company-wide sessions facilitating the 2020-2022 strategic initiatives.

The Supervisory Board was involved by sharing experiences and suggestions, and Supervisory Board members attended one or more sessions with key personnel and the Executive Board. We were impressed by the commitment of all staff in these sessions and the level of participation as created by the Executive Board. The Supervisory Board stresses the importance of swift roll out of concrete action plans throughout the

'The Supervisory Board fully supports the Executive Board in executing the strategic focus initiatives as identified in the 2020-2022 strategy.'

Jan Arie van Barneveld
Chairman of the Supervisory Board

organisation in 2020. In particular, the Supervisory Board believes that digitisation is a decisive aspect in providing the Company with a sustainable growth path. We fully support the Executive Board in executing the strategic focus initiatives as identified in the 2020-2022 strategy.

Management succession

In the second half of 2019, the search for a new CFO became one of the Supervisory Board's priorities following the announced retirement of Gert van Laar. The Supervisory Board extensively discussed and considered candidates, taking the principles for the composition of the Executive Board into account to create a diverse mix of knowledge, skills, expertise and personal characters in the Executive Board. In January 2020, following the recommendation of the Executive Board, Peter Kruithof was nominated as member of the Executive Board and CFO for a period of four years, pending shareholder approval in the AGM scheduled for May 19, 2020. The terms and conditions of Peter Kruithof's contract comply with the remuneration policy of B&S Group.

Meetings

In our scheduled meetings in 2019 we addressed the topics as described earlier in this report, as well as further development of the Groups financial position, capital allocation and in particular M&A, progress on the digital and logistics infrastructure and governance related topics such as risk management and remuneration of the Boards.

In 2019, the Chairman met with the Executive Board on multiple occasions, both pre-scheduled in preparation for meetings between the Supervisory Board and the Executive Board, as well as in impromptu meetings. The full Supervisory Board in its current form met seven times and met an additional five times in the presence of the Executive Board.

In 2019 we focused on direct interaction not just with the Executive Board but also Segmental managers, as well as Works Councils and staff within the operating segments. This included one-on-one discussions, presentations, site visits to various company locations and social and / or educational events organised by the company. We believe that these various interactions have improved the quality of our committee tasks and our meetings and interaction with the Executive Board, and plan to continue this in 2020.

Functioning of the Supervisory Board

2019 was the first full year of the Supervisory Board in its current form. In August 2019, we performed an annual assessment of the performance of the Supervisory Board that addressed various aspects of the performance of itself, its committees and individual members. In this meeting in August, we decided to continue our meetings with Segmental managers and other key personnel to maintain the quality of our tasks and interactions with the Executive Board.

Composition of the Boards

In the composition of the Boards, the Group strives for sufficient complementarity, pluralism and diversity with regard to age, gender and background. The main aim is to create a diverse mix of knowledge, skills, expertise and personal characters. At the same time, the knowledge the Group requires in its key markets is still a key appointment criterium. The composition of the Supervisory Board is such that its members are able to act independently of one another and provide the Executive Board with optimum support in any particular field of interest. Each member of the Supervisory Board has his or her own field of expertise, including expertise in retail markets, international trade, IT and online consumer behaviour, general management, finance and law.

Committees

The Supervisory Board has installed two committees, an Audit and Risk Committee and a Selection, Appointment and Remuneration Committee. These committees are also subject to the regulations that are available on the corporate website. The task of these committees is to support and assist the Supervisory Board in the performance of its designated tasks and to prepare the ground for the Supervisory Board's supervision of the Executive Board. The Supervisory Board as a whole remains responsible for how it exercises its tasks, including the preparatory activities carried out by the Audit and Risk Committee and the Selection, Appointment and Remuneration Committee.

Independence of the Supervisory Board members

The Supervisory Board meets the requirements of the Dutch Corporate Governance Code with regards to independence of the Chairman. Three out of five members of the Supervisory Board do not qualify as independent members of the Supervisory Board within the meaning of the Code, it concerns Mr Beerman, Mr Blijdorp and Mr Cornelisse. Under the chapter Governance in this report, the governance structure of the Company as well as the deviations from the Dutch Corporate Governance Code are described in detail.

Audit and Risk Committee Report

The Audit and Risk committee (the Committee) supports the Supervisory Board to monitor the systems of internal controls, the quality and integrity of financial reporting and the content of the financial statements and reports. The Committee is responsible for interactions and meetings with the external auditor as well as establishing the procedure for the selection of the external auditor. It holds responsibility for recommendations to the Supervisory Board of an external auditor for nomination for appointment and its compensation, or dismissal by the General Meeting. In addition, the Committee assists the Supervisory Board in making recommendations to the General Meeting for the retention, oversight and termination of the external auditor. It also interacts with several financial and internal audit executives and assists in assessing and mitigating the business and financial risks of the Group.

In the year under review, the Committee met four times. The highlights and the minutes of these meetings were shared with the full Supervisory Board. The Committee's feedback to the Supervisory Board included advice regarding topics to be approved by the Supervisory Board amongst others the re-appointment of the external auditor. The Committee convened several additional meetings with the Executive Board and/or support teams, to address specific developments such as the acquisition of Lagaay Medical Group and the risk assessment performed by Internal Audit. The members of the Committee are Mr Beerman (chairman) and Mr Van Barneveld.

Internal Audit and Risk Management

As per October 1, 2019, a Director Internal Audit was appointed. The Committee was kept informed during the recruitment process and advised positively in respect of the appointment. During the Audit and Risk Committee meeting in October 2019, the scope and effectiveness of the Group's risk management and control systems were discussed with the Executive Board and the support team involved in risk management and internal audit. The Director internal Audit presented the results of the performed risk assessment, after which views on further development of both risk management and internal audit within the Group were exchanged. The Audit Committee concluded that the agenda, program and tasks of the internal audit function assumed all required internal control elements and therewith agreed on the 2020 audit process.

Financial statements 2019

The financial statements were prepared by the Executive Board and the external auditor subsequently issued an auditor's report on said financial statements. This report is included in the independent auditor's report. The Committee discussed the financial statements in detail with the Executive Board and the Supervisory Board and the audit of the financial statements with the external auditor.

Financial statements and dividend

The Supervisory Board has approved the 2019 financial statements and recommends that the Annual General Meeting to be held on May 19, 2020 adopt these financial statements. The Supervisory Board also recommends that the Annual General Meeting discharge the members of the Executive Board for their management of the company and the members of the Supervisory Board for their supervision of said management for the financial year 2019.

Following the 9M 2019 trading update on 4 November 2019, the Executive Board, after approval of the Supervisory Board, distributed an interim dividend of € 0.13 per share (subject to withholding tax if applicable). In accordance with the Executive Board's proposal, we recommend that the General Meeting approve to distribute a total dividend of € 0.22 per share for 2019. In line with the dividend policy, this translates into a pay-out ratio of 40% of the 2019 results attributable to the owners of the Company.

Remuneration report

The remuneration of the members of the Executive Board is determined by the Supervisory Board in accordance with the remuneration policy, as approved by the General Meeting of Shareholders. The General Meeting of Share¬holders also approves the remuneration of the members of the Supervisory Board. This report outlines the remuneration policy for the Executive Board as applied in 2019, as well as the performance criteria and actual performance; moreover it outlines the remuneration for the Supervisory Board in 2019.

Executive Board remuneration policy

The remuneration of the members of the Executive Board is the responsibility of the Supervisory Board. The objective of the remuneration policy for members of the Executive Board is to provide a remuneration structure that will allow the company to attract, reward and retain highly qualified members of the Executive Board and provide and motivate them with a balanced and competitive remuneration that is focused on sustainable results aligned with the long-term strategy of the company. The remuneration policy was proposed by the Supervisory Board and adopted by the General Meeting of Shareholders on March 22, 2018.

The remuneration policy follows best practice provision 3.1.2 of the Dutch Corporate Governance Code. The pay ratios within the Group are taken into consideration. The Supervisory Board believes that the remuneration policy expedites the short-term operational performance and the objectives of the strategy for long-term value creation within the meaning of best practice provision 1.1.1 of the Dutch Corporate Governance Code. Furthermore, the Supervisory Board believes that the value of the remuneration for the members of the Executive Board for 2019 also contributes to the aforementioned objectives and meets the remuneration policy. All substantial future changes to the remuneration policy will be submitted to the General Meeting of Shareholders for approval.

Employment contracts

The effective dates of employment contract for members of the Executive Board and their contract term shown in Table 1:

Table 1: Effective dates of employment contracts of the Executive Board members and their contract term

Name	Effective date contract	Contract term
Mr. Meulman, CEO	January 1, 2018	4 years
Mr. van Laar, CFO	January 1, 2018	3 years[1]
Mr. Schreuders	January 1, 2018	2 years
Mr. Groen	January 1, 2018	2 years

The agreements with the CEO and CFO include a termi¬nation agreement. The Group deviates from provision 3.2.3 for the CEO and CFO with regards to the exceeding of the fixed remuneration component in the event of dismissal. Severance payment for CEO and CFO are set at one year`s salary and 50% of the applicable annual cash bonus as awarded in the preceding financial year. The terms of the agreement with the Executive Board members are in line with B&S Group's remuneration policy.

Remuneration structure and components

The remuneration structure for the Executive Board focuses on achievement of both short-term results and long-term value creation by pursuing growth opportunities through B&S Group's capabilities as distribution partner in complex supply chains.

The total remuneration and the remuneration components are based on the going rates of what the Supervisory Board considers to be in line with international trade and distribution services market and globally benchmarked against companies which are similar to B&S Group in terms of scale and complexity.

The Supervisory Board has designed a system of Performance Incentives (PI's) for the Executive Board members. These PI's consist of collective and individual targets. Quantitative targets are related to the Group's financial performance while qualitative targets reflect the Group's strategic and operational priorities.

[1] Note: Mr Van Laar will retire after the Annual General Meeting of 2020.

Before the level of remuneration of individual board members is determined, scenario analyses with regards to the variable remuneration components are conducted to determine their consequences on the level of remuneration of these board members.

The level and structure of the remuneration takes into account the previously described scenario analyses and the pay differentials within the company as well as financial and non-financial indicators relevant to the long-term objectives of the company.

The members of the Executive Board express their views of their remuneration packages with the Selection, Appointment and Remuneration Committee (the Committee) at least once a year. The Committee includes all feedback when evaluating the Remuneration Policy. For the financial year 2019, the Supervisory Board did not make use of its right to perform discretionary adjustments to the Executive Board remuneration.The remuneration package for members of the Executive Board, following the adoption of the remuneration policy, consists of the following components:

Fixed compensation

The annual base pay salary of the members of the Executive Board was set by the Supervisory Board, taking into account a variety of factors such as scale and complexity of the company. The aggregate annual base pay in 2019 for the members of the Executive Board was € 1,114,000. The Supervisory Board decided not to change the bases salaries of the members of the Executive Board in 2019.

Performance Incentive (PI)

The PI is an annual cash bonus that is applicable to the CEO and CFO of the company. The objective is to incentivise performance in line with the Group's long-term strategy and defined targets. The bonus for both CEO and CFO is linked to the result of the Group before taxation, provided that the total amount of the bonus will not exceed 0.6% and 0.2% for CEO and CFO respectively, of the Group's consolidated profit for the year (from continuing operations) before taxation.

Performance criteria and targets that underlie the PI, are set yearly by the Supervisory Board based on the strategy aspira¬tions and annual business plans and reviewed annually. The performance targets are challenging, yet realistic and measure the success of the execution of the strategy of B&S Group. The performance targets that have been agreed, contribute to long-term value creation and the PI is linked to measurable performance criteria determined in advance.

The final assessment of the performance, based on the audited financial results at the end of the fiscal year, is done by the Committee and proposed for decision making by the Supervisory Board. In preparation for that final assessment, the Supervisory Board members review the final outcomes as reported by the Committee and the Audit and Risk Committee, to ensure complete alignment on perfor¬mance by both committees.

For 2019, the Supervisory Board has determined PI criteria for the CEO and CFO, a combination of quantitative and qualitative criteria. The financial targets are turnover growth, profit before tax growth and working capital as a percentage of turnover. The qualitative targets are the succesfull execution of the M&A strategy and the working relationship with the Supervisory Board. Besides these collective PI's, one individual PI criterium was determined for both the CEO and CFO. For the CEO the individual PI for 2019 was 'take important steps with the digital aspects of the B&S Group Strategy'. For the CFO individual PI for 2019 was 'Support the Supervisory Board whilst it prepares a successful succession of the new CFO'. These criteria are measured as follows:

Table 2: PI achievement for 2019

	% of total	Realised	Bandwidth	% achieved	Achieved CEO	Achieved CFO
PI criteria for CEO and CFO						
Turnover growth of 10% (realised / target = % achieved)	20%	13.3%	80% – 120%	120%	24.0%	24.0%
Profit before tax growth of 15% (realisation / target = % achieved)	20%	– 14.7%	80% – 120%	0%	0.0%	0.0%
Working capital as % of turnover < 28% (28% / realised = % achieved)	20%	23.9%	80% – 120%	117%	23.4%	23.4%
Succesfull execution of M&A strategy	15%		0% – 100%	100%	15.0%	15.0%
Working relationship with Supervisory Board	10%		0% – 100%	100%	10.0%	10.0%
Individual PI criterium CEO						
Take important steps with the digital aspects of the B&S Group Strategy	15%		0% – 100%	100%	15.0%	
Individual PI criterium CFO						
Support the Supervisory Board whilst it prepares a successful succession of the new CFO	15%		0% – 100%	100%		15.0%
Total PI realisation					**87.4%**	**87.4%**

The PI achievement for 2019 for the Executive Board was subject to approval of the Supervisory Board in its meeting of February 21, 2020. Considering the performance regarding the PI criteria for 2019 the resulting PI pay-out for 2019 will be € 406,000 for the CEO and € 135,000 for the CFO. The PI amount is paid in 2020 after approval of the Annual Accounts 2019 by the Annual General Meeting.

Severance arrangements

The service agreements with CEO and CFO contain a severance payment equal to twelve months fixed salary and 50% of the cash bonus as awarded in the preceding financial year. Payment is only provided in the event of termination on the day after which the Annual General Meeting is held in the year the current term expires, or termination before that date other than as a result of seriously culpable or negligent behavior. Employment agreements for other members of the EB are subject to statutory notice period and require payment of statutory severance payment.

Pension contribution

The pension scheme for the CEO is a defined contribution plan. The contribution is fully born by the company.

Overview remuneration Executive Board 2019

Table 3: Remuneration of Executive Board members for 2019[3]

€ x 1,000

Name of Director	1 Fixed Remuneration – annual base pay			2 PI – annual cash bonus plan	5 Pension expense	6 Remu-neration	7 Proportion of fixed and variable remuneration
	Base salary	Fees	Fringe benefits				
J.B. Meulman	600	–	15	406	100	1,121	64/36
G. van Laar	300	–	32	135	-	467	71/29
B.L.M. Schreuders	123	–	26	-	10	159	100/0
N.G.P. Groen	91	–	25	24	11	151	84/16

[3] including payments from undertakings belonging to the same group with the meaning of Article 1711-1 of the amended law of 19 August 1915.

Loans

The company has issued no loans or guarantees to members of the Executive Board.

Comparative information on remuneration and company performance

According to the Supervisory Board, the Executive Board remuneration is proportional and acceptable compared to the company performance and the average remuneration of employees on a full-time equivalent basis.

Table 4: Comparative table over the remuneration and company performance over the last reported financial years after the company's listing (RFY)

€ x 1,000

Annual Change	Information regarding the RFY	RFY – 1
Director's remuneration		
J.B. Meulman	1,121	1,245
G. van Laar	467	508
B.L.M. Schreuders	159	131
N.G.P. Groen	151	127
Company Performance		
Financial metric: Profit before tax	77.5	90.8
Average remuneration on a full-time equivalent basis of employees		
Employees of the group	58	58

Supervisory Board remuneration

The Annual General Meeting of Shareholders determines the remuneration of the Supervisory Board members, and it may be reviewed annually and thereafter proposed to the Annual General Meeting of Shareholders. The remuneration of the members of the Supervisory Board consists of fixed annual fees for their role as Supervisory Board member. In addition, the Chairman receives a fixed annual fee for this role. The Group does not grant variable remuneration to the members of the Supervisory Board. Members of the Supervisory Board do not receive any performance or equity-related compensation and do not accrue any pension rights with the company. The company does not grant stock options or shares to the members of the Supervisory Board.

As per December 31, 2019, the members of the Supervisory Board have no loans outstanding with the Group.

Supervisory Board remuneration in 2019

The annual base pay in 2019 for every Supervisory Board member was € 50,000. The Chairman of the Supervisory Board received an additional annual fee of € 5,000.

Table 5: Supervisory Board remuneration 2019

€ x 1,000

Supervisory Board member	Amount
Jan Arie van Barneveld (Chairman)	55,000
Willem Blijdorp (Vice-chairman)	50,000
Coert Beerman	50,000
Kitty Koelemeijer	50,000
Rob Cornelisse	50,000
Total	255,000

In 2020 the remuneration policy for members of the Supervisory Board shall be proposed to the General Meeting of Shareholders, which shall be based on the same principles as stated above under 'Supervisory Board remuneration'.

Appreciation

We believe 2019 was a challenging year for the company due to unfavorable market developments as well as the ongoing development of the digital and operational infrastructure. With the initiation of an updated strategy in the latter part of the year, it is our belief that the company has captured the right strategic direction to deliver long-term value for all its stakeholders. We are fully supportive of the identified 2020-2022 strategic focus areas and accompanied business priorities. We want to thank the Executive Board, senior management and all staff for their contribution and commitment in 2019 and look forward to the upcoming year.

On behalf of the Supervisory Board
Jan Arie van Barneveld
Chairman

Long-term partnerships

Long-term partnerships

Material topic 2

financial performance

Read more on page 40 in this report

CONSOLIDATED FINANCIAL STATEMENTS 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED DECEMBER 31, 2019

0.5556

x € 1,000	Note	2019	2018
Continuing operations			
Turnover	6	1,978,817	1,746,477
Purchase value	7	1,706,925	1,504,220
Gross profit		271,892	242,257
Investment income	8	244	223
Personnel costs	9	110,682	86,250
Amortisation	15	9,588	5,027
Depreciation	16	7,346	5,717
Depreciation right-of-use assets	26	9,712	–
Other operating expenses	10	46,822	47,231
Total operating expenses		184,150	144,225
Operating result		87,986	98,255
Financial expenses	11	(9,663)	(7,609)
Interest on lease liabilities	26	(1,247)	(37)
Share of profit of associates	17	432	203
Result before taxation		77,508	90,812
Taxation on the result	12	(17,196)	(19,432)
Profit for the year from continuing operations		60,312	71,380
Attributable to:			
Owners of the Company		46,962	60,394
Non-controlling interests		13,350	10,986
Total		60,312	71,380
Earnings per share (basic / diluted)			
From continuing operations in euros	13	0.56	0.72

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2019

x € 1,000	Note	2019	2018
Profit for the year from continuing operations		60,312	71,380
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
▪ Foreign currency translation differences net of tax		1,473	28
▪ Effective portion of changes in fair value of cash flow hedges		652	–
Other comprehensive income for the year net of tax		2,125	28
Total comprehensive income for the year		62,437	71,408
Attributable to:			
Owners of the Company		48,418	60,460
Non-controlling interests		14,019	10,948
Total		62,437	71,408

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2019

x € 1,000	Note	31.12.2019	31.12.2018
Non-current assets			
Goodwill	14	65,656	59,915
Other intangible assets	15	69,748	61,678
Property, plant and equipment	16	39,312	31,033
Right-of-use assets	26	71,498	–
Investments in associates	17	2,517	2,140
Receivables	18	3,270	2,331
Deferred tax assets	19	366	160
		252,367	157,257
Current assets			
Inventory	20	375,565	377,880
Trade receivables	21	201,256	205,722
Corporate income tax		2,191	1,752
Other tax receivables		6,514	5,985
Other receivables		25,704	21,690
Derivative financial instruments	30	32	–
Cash and cash equivalents		50,884	26,900
		662,146	639,929
Total assets		914,513	797,186

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

x € 1,000	Note	31.12.2019	31.12.2018
Equity attributable to			
Owners of the Company	22,23	242,671	233,985
Non-controlling interest	24	49,096	39,110
		291,767	273,095
Non-current liabilities			
Borrowings	25	54,557	55,429
Lease liabilities	26	62,091	341
Deferred tax liabilities	27	12,986	11,737
Employee benefit obligations	28	893	603
Other liabilities	29	42,124	24,627
		172,651	92,737
Current liabilities			
Credit institutions		280,482	271,494
Borrowings due within one year	25	11,548	11,807
Lease liabilities due within one year	26	9,575	571
Supplier finance arrangements		–	21,177
Derivative financial instruments	30	–	288
Trade payables		104,620	69,630
Corporate income tax liability		6,920	11,811
Other taxes and social security charges		11,264	14,588
Other current liabilities		25,686	29,988
		450,095	431,354
Total equity and liabilities		914,513	797,186

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED AT DECEMBER 31, 2019

x € 1,000							2019
	Paid-up share capital	**Cash flow hedge reserve**	**Reserve for translation differences**	**Retained earnings**	**Total attributable to owners of the Company**	**Non-controlling interest**	**Total equity**
Opening balance at 1.01.2019	5,051	–	(540)	229,474	233,985	39,110	273,095
Total comprehensive income							
▪ Profit for the year	–	–	–	46,962	46,962	13,350	60,312
▪ Other comprehensive income for the year	–	643	813	–	1,456	669	2,125
	–	643	813	46,962	48,418	14,019	62,437
Other transactions							
▪ Dividend	–	–	–	(24,411)	(24,411)	(6,544)	(30,955)
▪ Acquired in business combinations	–	–	–	–	–	3,779	3,779
▪ Profit share certificates	–	–	–	(38)	(38)	(465)	(503)
▪ Share-based payments	–	–	–	900	900	–	900
▪ Other movements	–	–	–	–	–	–	–
	–	–	–	(23,549)	(23,549)	(3,230)	(26,779)
▪ Reclassification to non-current liabilities	–	–	–	–	–	(803)	(803)
▪ Fair value adjustment non-current liabilities	–	–	–	(16,183)	(16,183)	–	(16,183)
	–	–	–	(16,183)	(16,183)	(803)	(16,986)
Closing balance at 31.12.2019	5,051	643	273	236,704	242,671	49,096	291,767

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

x € 1,000							2018
	Paid-up share capital	**Cash flow hedge reserve**	**Reserve for translation differences**	**Retained earnings**	**Total attributable to owners of the Company**	**Non-controlling interest**	**Total equity**
Opening balance at 1.01.2018	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 year	–	–	–	60,394	60,394	10,986	71,380
■ Other comprehensive income for the year	–	–	(460)	–	(460)	488	28
	–	–	(460)	60,394	59,934	11,474	71,408
Other transactions							
■ Dividend	–	–	–	(35,354)	(35,354)	(3,940)	(39,294)
■ Acquired in business combinations	–	–	–	–	–	24,735	24,735
■ Acquisition non-controlling interest JTG	–	–	–	(5,802)	(5,802)	(2,698)	(8,500)
■ Capital contribution non-controlling interest	–	–	–	–	–	8,525	8,525
■ Profit share certificates	–	–	–	–	–	(100)	(100)
■ Share-based payments	–	–	–	675	675	–	675
■ Pre-IPO restructuring	(187)	–	–	12,867	12,680	(12,753)	(73)
	(187)	–	–	(27,614)	(27,801)	13,769	(14,032)
■ Reclassification to non-current liabilities	–	–	–	–	–	(26,575)	(26,575)
■ Fair value adjustment non-current liabilities	–	–	–	2,704	2,704	–	2,704
	–	–	–	2,704	2,704	(26,575)	(23,871)
Closing balance at 31.12.2018	5,051	–	(540)	229,474	233,985	39,110	273,095

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2019

x € 1,000	2019	2018
Profit for the year from continuing operations	60,312	71,380
Adjustments for:		
Taxation on the result	17,196	19,432
Share of profit of associates	(432)	(203)
Interest on lease liabilities	1,247	37
Financial expenses	9,663	7,609
Depreciation right-of-use assets	9,712	–
Depreciation	7,346	5,717
Amortisation	9,588	5,027
Investment income	(244)	(223)
Provisions	269	(1,031)
Non-cash share-based payment expense	900	675
Other non-cash movements	378	(759)
Operating cash flows before movements in working capital	115,935	107,661
Decrease / (increase) in inventory	6,828	(29,085)
Decrease / (increase) in trade receivables	8,793	(61,894)
Decrease / (increase) in other tax receivables	(529)	(2,419)
Decrease / (increase) in other receivables	(4,182)	(6,304)
Increase / (decrease) in trade payables	30,623	8,209
Increase / (decrease) in other taxes and social security charges	(3,572)	3,195
Increase / (decrease) in other current liabilities	(4,853)	3,765
Cash generated by operations	149,043	23,128
Income taxes paid	(24,433)	(11,563)
Interest paid	(9,951)	(8,024)
Net cash from operations	114,659	3,541
Interest received	244	223
Dividend received from associates	93	95
New loan to associates	(1,088)	–
Repayments on loans issued to associates	149	256
Net cash outflow on acquisition of subsidiaries	(12,867)	(88,449)
Payment for property, plant and equipment	(15,126)	(8,929)
Payment for intangible assets	(5,643)	(4,133)
Proceeds from disposals	68	348
Net cash from investing activities	(34,170)	(100,589)

x € 1,000	2019	2018
Repayments on loans from banks	(9,848)	(4,547)
Repayments on loans from shareholders	(2,500)	–
Repayments on lease liabilities	(10,610)	(614)
New loans received from banks	10,100	45,250
Paid to profit share certificates	(503)	(100)
Capital contribution non-controlling interest	–	8,525
Repurchase P-shares	–	(228)
Dividend paid to owners of the Company	(24,411)	(35,354)
Dividend paid to non-controlling interests	(6,544)	(3,940)
Change in supplier finance arrangements	(21,177)	10,527
Changes in credit facilities	8,988	87,044
Net cash from financing activities	(56,505)	106,563
Balance January 1,	26,900	17,385
Movement	23,984	9,515
Balance December 31,	50,884	26,900

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General

B&S Group S.A. (the "Company") has its registered office at 14 Rue Strachen, Mensdorf, G.D. Luxembourg. B&S Group S.A. is a holding Company of an international conglomerate of companies (together referred to as the "Group"). A detailed list of the Group's main subsidiaries is enclosed in the appendix on page 114.

The consolidated financial statements of the Group for 2019 include the accounts of B&S Group S.A. and its subsidiaries, as well as the Company's interests in associates.

These financial statements are prepared in Euros, being the Company's functional and reporting currency. All financial information in Euros is rounded to the nearest thousand. Foreign operations are included in accordance with the policies set out in note 3.

2. Adoption of new and revised International Financial Reporting Standards ("IFRS")

On January 1, 2019 several new and amended standards and interpretations became effective for annual periods beginning on or after January 1, 2019. The impact of these changes on the Group's financial statements is described in this note.

2.1. New and amended IFRSs that are effective for the current year

Impact of initial application of IFRS 16 Leases

In the current year, the Group has applied IFRS 16 (as endorsed by the European Union on October 31, 2017) that is effective for annual periods that begin on or after January 1, 2019.
IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. Details of these new requirements are described in note 3.9.

The Group has applied IFRS 16 using the modified retrospective approach. IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were presented off balance sheet. The impact of the adoption of IFRS 16 on the Group's consolidated financial statements is described below.

Former operating leases

Applying IFRS 16, for all leases (except as noted below), the Group:

a) Recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;
b) Recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;
c) Separates the total amount due into a principal portion (presented within net cash from financing activities) and interest (presented within net cash from operations) in the consolidated statement of cash flows.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as computers, small items of office furniture and telephones), the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'other expenses' in the consolidated statement of profit or loss.

Former finance leases

The main differences between IFRS 16 and IAS 17 with respect to contracts formerly classified as finance leases is the measurement of the residual value guarantees provided by the lessee to the lessor. IFRS 16 requires that the Group recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. This change did not have a material effect on the Group's consolidated financial statements.

Financial impact of the initial application of IFRS 16

The tables below show the amount of adjustment for each financial statement line item affected by the application of IFRS 16 for the current and prior year.

Impact on 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 2019, application of IFRS 16 has a positive effect of € 10.0 million on the Group's EBITDA, by lowering the other operating expenses. The depreciation expense for right-of-use assets amounted to € 9.7 million. The corresponding financial expenses amounted to € 1.2 million.

Impact on consolidated statement of financial position

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

x € 1,000	31.12.2018	IFRS 16	01.01.2019
Assets			
Intangible fixed assets	121,593	–	121,593
Property, plant & equipment	31,033	(497)	30,536
Right-of-use assets	–	71,862	71,862
Other non-current assets	4,631	–	4,631
Current assets	639,929	(595)	639,334
	797,186	70,770	867,956
Equity and liabilities			
Group equity	273,095	–	273,095
Non-current liabilities	92,737	62,344	155,081
Current liabilities	431,354	8,426	439,780
	797,186	70,770	867,956

The bridge between the lease commitments based on IAS 17 as reported in the Annual Report 2018 and the IFRS 16 lease obligation as per January 1, 2019 is as follows:

x € 1,000	
Lease commitments as at December 31, 2018	71,868
Short-term leases exemption	(228)
Non-lease components	(497)
Extension options reasonably certain to be excercised	7,562
Other adjustments	245
Undiscounted lease liabilities additionally recognised as at January 1, 2019	78,950
Effect of discounting	(8,180)
Discounted lease liabilities additionally recognised as at January 1, 2019	70,770
Financial lease liability recognised as at December 31, 2018	912
Recognised lease liabilities as at January 1, 2019	71,682

Impact on statement of cash flows

In 2019, the application of IFRS 16 resulted in an € 10.0 million increase of the operating cash flows and a corresponding € 10.0 million decrease of the financing cash flows. The adoption of IFRS 16 did not have an impact on net cash flows.

Amendments to IFRS Standards applicable to the group

In the current year, the Group has applied a number of amendments to IFRS Standards and Interpretations issued by the IASB that are effective for an annual period that begins on or after January 1, 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

IFRS 9 Prepayment Features with Negative Compensation	The Group has adopted the amendments to IFRS 9 for the first time in the current year. The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the 'solely payments of principal and interest' (SPPI) condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, financial assets with prepayment features with negative compensation do not automatically fail SPPI.
IAS 28 Long-term Interests in Associates and Joint Ventures	The Group has adopted the amendments to IAS 28 for the first time in the current year. The amendment clarifies that IFRS 9, including its impairment requirements, applies to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. The Group applies IFRS 9 to such long-term interests before it applies IAS 28. In applying IFRS 9, the Group does not take account of any adjustments to the carrying amount of longterm interests required by IAS 28 (i.e., adjustments to the carrying amount of longterm interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).
IFRIC 23 Uncertainty over Income Tax Treatments	IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires the Group to: ▪ determine whether uncertain tax positions are assessed separately or as a group; and ▪ assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings. The Group has not identified material uncertainties over income tax treatment in the tax position as at January 1, 2019, hence no adjustment was made with respect to the tax liabilities.

2.2. New and revised IFRS standards in issue but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following relevant new and revised IFRS Standards that have been issued but are not yet effective (and, in some cases, have not yet been endorsed by the EU):

IAS 1 and IAS 8 (amendments)	Definition of Material	Endorsed
Amendments to the Conceptual Framework	Amendments to References to the Conceptual Framework in IFRS Standards	Endorsed
IFRS 7, IFRS 9 and IAS 39 (amendments)	Interest rate benchmark	Endorsed
Amendments to IAS 1	Classification of liabilities as current or non-current	Not yet endorsed
Amendments to IFRS 3	Definition of a business	Not yet endorsed

The Group does not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

3. Significant accounting policies

3.1. Statement of compliance

The 2019 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as endorsed by the European Union (EU-IFRS).

The consolidated financial statements were approved by the Executive Board and authorised for issue on February 21, 2020.

3.2. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

The principal accounting policies adopted are set out below.

3.3. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes (none in 2019) to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

3.4. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, less liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in the consolidated statement of profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 and IAS 19 respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date.

Goodwill at acquisition date is measured as the fair value of the consideration transferred plus the recognized amount of any non-controlling interest in the acquiree less the net recognized amount (fair value) of the identifiable assets acquired and liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in the consolidated statement of profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in the consolidated statement of profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date. The accounting for business combinations realised in 2019 has been completed.

3.5. Goodwill

Goodwill is initially recognised and measured as set out in note 3.4.

Goodwill is not amortised but is reviewed for impairment at least annually, at the end of the financial year. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.
On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of associates is described below.

3.6. Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is presumed to exist when the Group holds more than 20% of the voting power of the entity.

Associates are accounted for using the equity method from the date that significant influence commences until the date that significant influence ceases. Initially, investments in associates are recognized at cost. Goodwill identified on the acquisition of the associate is included in the carrying amount of the investment. When the Group's share of losses of an associate exceeds the Groups interests in that associate, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

The Consolidated financial statements include the Group's share of the net profit or loss and other comprehensive income of the associates, after adjustments to align the accounting policies with those of the Group.

3.7. Revenue recognition

The Group recognises revenue from the following major sources:

- Distribution of bonded liquors and health & beauty products to wholesalers, specialty retailers and online end-customers;
- Specialty distribution of fast moving consumer goods and medical supplies to maritime and remote markets;
- Specialty retail at high traffic airports and remote locations.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

Revenue from the sale of goods

Revenue from the sale of goods is recognised when control of the goods has transferred, at which time all the following conditions are satisfied:

- the performance obligation has been satisfied by the Group;
- the Group has transferred physical possession/control of the goods to the customer;
- the Group has transferred the significant risks and rewards related to the ownership of the goods to the customer;
- the Group has a present right to payment for the goods delivered;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract for providing services, comprising logistical services related to the sold goods, is recognised at the same moment when the underlying sale of goods is recognised.

3.8. Purchase value

Purchase value represents the purchase price of trade inventory, including additional costs such as incoming freight, handling and other charges directly attributable to the purchase and/or sale of the goods and write-downs of inventories. The purchase price is net of discounts and supplier bonuses.

3.9. Leases

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of twelve months or less) and leases of low value assets (such as tablets and computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. The incremental borrowing rate applied to the lease liabilities on December 31, 2019 was 1.7% (January 1, 2019: 1.7%).

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change

is due to a change in a floating interest rate, in which case a revised discount rate is used).

- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a unilateral purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.
The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not applied this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

For the impact of the first time adoption of IFRS 16, reference is made to note 2.1.

3.10. Foreign currencies

Foreign currency transactions

In preparing the financial statements of each individual Group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in the consolidated statement of profit or loss in the period in which they arise, except for exchange differences on transactions entered into in order to hedge certain foreign currency risks.

Foreign operations

For the purpose of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Euro using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a foreign exchange translation reserve (attributed to non-controlling interests as appropriate).

3.11. Retirement and termination benefit costs

Defined contribution plans

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions. The Group operates various pension schemes. These schemes are financed through payments to insurance companies, industry branch pension funds or the Company pension fund.

The industry pension funds are treated as multi-employer pension funds as the plans are collectively negotiated by multiple employers and labor unions.
Reference is made to note 28 for more details on the retirement and termination benefits.

Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

3.12. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted by the end of the reporting period.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, a deferred tax liability is not recognised if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the year

Current and deferred tax are recognised in the consolidated statement of profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3.13. Intangible assets other than goodwill

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation is recognised on a straight-line basis over their estimated useful lives which are disclosed in note 15. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in the consolidated statement of profit or loss when the asset is derecognised.

Impairment of intangible assets

At each reporting date, the Group reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. No indication for impairment was identified based on impairment tests performed.

3.14. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised based on the cost or valuation of assets (other than freehold land) less their residual values over their useful lives, using the straight-line method, on the following bases:

- Property 5% per annum
- Equipment 10% – 20% per annum
- Other 12.5% – 20% per annum

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of profit or loss.

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. No indication for impairment has been identified.

3.15. Inventories

Inventories are stated at the lower of cost and net realisable value.
Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Costs of inventories are determined based on a first-in-first-out approach. Net realisable value represents the estimated selling price less all estimated costs to be incurred in marketing, selling and distribution.

3.16. Financial instruments

Financial assets

Financial assets are recognised when a Group entity becomes a party to the contractual provisions of a financial instrument. Financial assets are derecognized when the rights to receive cash flows from the financial assets expire, or if the Group transfers the financial asset to another party and does not retain control of the asset. Purchases and sales of financial assets in the normal course of business are accounted for at settlement date (i.e., the date the asset is delivered).

At initial recognition, the Group measures its financial assets at fair value. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

The Group only has financial assets classified as debt instruments measured subsequently at amortised cost (amongst others trade and other receivables) except for a few derivatives that are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in the consolidated statement of profit or loss to the extent they are not part of a designated hedging relationship. Fair value is determined in the manner described in note 32.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account based on the expected lifetime losses following the simplified approach as per IFRS 9. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the consolidated statement of profit or loss.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

Financial liabilities

Financial liabilities are recognized when the Group becomes a party to the contractual provisions of a financial instrument. Financial liabilities are derecognized when the Group's obligations specified in the contract expire or are discharged or cancelled. When financial liabilities are initially recognized, they are measured at their fair value.

All financial liabilities are measured subsequently at amortised cost except for derivatives and contingent considerations, which are measured at FVPTL . Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in the consolidated statement of profit or loss. Fair value is determined in the manner described in note 32.

Derivative financial instruments

The Group frequently enters into derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks. Further details on derivative financial instruments recognized as per December 31, 2019 are disclosed in note 32.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in the consolidated statement of profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the consolidated statement of profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Group has both a legally enforceable right and intention to offset. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a Group entity are recognised at the proceeds received, net of direct issue costs. Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in the consolidated statement of profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments

3.17. Hedge accounting

The Group designates certain financial instruments as hedging instruments in respect of foreign currency risk in cash flows. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges. Fair value hedges and hedges of net investments in foreign operations are not applied by the Group.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationship meets all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated statement of profit or loss, and is included in the 'financial expenses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to the consolidated statement of profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to the consolidated statement of profit or loss.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to the consolidated statement of profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in the cash flow hedge reserve is reclassified immediately to the consolidated statement of profit or loss.

Movements in the hedging reserve in equity are detailed in note 23.

3.18. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

4. Critical accounting judgements and key sources of uncertainty

In the application of the Group's accounting policies, which are described in note 3, the Group is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on ongoing bases. 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 periods.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment testing

Following the assessment of the recoverable amount of goodwill allocated to the operating segments, the Group considers the recoverable amount of goodwill to be most sensitive to the achievement of the budgeted future cash flows. The sensitivity analysis in respect of the recoverable amount of goodwill is presented in note 14.

Useful lives of tangible fixed assets

The Group assesses the estimated useful lives of property, plant and equipment at the end of each reporting period. During the current year, the Group has not determined any shortening of the useful lives of the property, plant and equipment.

Valuation of right-of-use assets

The Group evaluates whether (significant parts of) leased property is not in use in order to determine whether right-of-use assets could be subject to an impairment. At the end of 2019, the Group has not identified such cases.

Useful lives of other intangible fixed assets

The useful lives are assessed at the end of every reporting period. The other intangible assets mainly consist of concessions, customer/supplier relationships and brand names.

Allowance for doubtful debts
The allowance for doubtful debts is based on the expected lifetime losses following the simplified approach as per IFRS 9. Estimations and assumptions are applied to determine the size of the allowance. Where the actual future cash flows based on these estimations and assumptions are less than expected, a material effect on this allowance may arise.

Provision for obsolescence of inventory
The provision for obsolescence of inventory is based on the Group's best estimates taking into account the market conditions and expectations on these market conditions. If market conditions significantly change during the coming years this may have a material effect on the provision.

5. Segment reporting

An operating segment is a component of the Group that shares similar economic characteristics. The operating segments have been determined based on the nature of the products sold in combination with the type of customers and the methods used to distribute the products.

Information reported to the Executive Board and Supervisory Board (which are together the Chief Operating Decision Makers) for the purposes of resource allocation and assessment of segment performance is focused on the Group's strategic divisions. As described below, these divisions have similar economic characteristics and can be distinguished from each other by the type of customers served and distribution methods used. The Group has identified the following reportable segments, that jointly form the Group's strategic divisions: HTG, B&S and Retail.

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), directly to consumers through webshops (B2C) and to local distributors and wholesalers. 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 A-brand owners and manufacturers. B&S has its headquarters in Dordrecht, the Netherlands.

Within our **Retail** operations, we primarily operate an electronic consumer lifestyle format at international airports under the Royal Capi-Lux brand and a consumer goods format at regional airports and other 'away from home' locations under the B&S brand. 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 page 6. The activities of the holding Company are group-wide activities including finance, ICT, human resource management and marketing. Costs incurred at a Group level for business units have been allocated as much as possible to the operating segments. The results of the holding 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 Chief Operating Decision Makers assess 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 described in note 3. 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'. Reference is also made to the Financial performance section of the Executive Board report for a detailed analysis of the segments performance.

Transactions between segments are at arm's length.

x € 1,000		HTG		B&S		Retail
	2019	2018	2019	2018	2019	2018
Turnover	1,408,238	1,196,742	497,818	445,596	140,026	136,562
Purchase value	1,231,970	1,047,922	437,357	386,281	104,086	101,904
Gross profit	176,268	148,820	60,461	59,315	35,940	34,658
	12.5%	12.4%	12.1%	13.3%	25.7%	25.4%
EBITDA	88,152	79,670	19,342	21,450	9,538	10,613
	6.3%	6.7%	3.9%	4.8%	6.8%	7.8%
Financial expenses	6,460	5,215	2,126	1,397	37	127
Interest on lease liabilities	377	37	868	–	–	–
Share of profit of associates	154	140	–	–	278	218
Amortisation and depreciation	10,768	6,385	3,235	1,295	2,515	2,657
Depreciation right-of-use assets	4,726	–	4,920	–	–	–
Taxation on the result	17,485	15,957	(2,139)	801	1,718	2,183
Consolidated result	48,490	52,216	10,332	17,957	5,546	5,864
Current assets	480,633	464,319	215,289	173,430	73,015	52,479
Total assets	634,987	592,026	305,381	185,419	90,450	68,014
Net debt (incl. IFRS 16)	250,977	247,981	120,801	71,095	(4,309)	(5,662)
Inventory in days	87	102	54	64	60	61
Debtors in days	36	43	44	52	4	3

x € 1,000		Total	Holding & Eliminations			Consolidated
	2019	2018	2019	2018	2019	2018
Turnover	2,046,082	1,778,900	(67,265)	(32,423)	1,978,817	1,746,477
Purchase value	1,773,413	1,536,107	(66,488)	(31,887)	1,706,925	1,504,220
Gross profit	272,669	242,793	(777)	(536)	271,892	242,257
	13.3%	13.6%			13.7%	13.9%
EBITDA	117,032	111,733	(2,400)	(2,734)	114,632	108,999
	5.7%	6.3%			5.8%	6.2%
Financial expenses	8,623	6,739	1,040	870	9,663	7,609
Interest on lease liabilities	1,245	37	2	–	1,247	37
Share of profit of associates	432	358	–	(155)	432	203
Amortisation and depreciation	16,518	10,337	416	407	16,934	10,744
Depreciation right-of-use assets	9,646	–	66	–	9,712	–
Taxation on the result	17,064	18,941	132	491	17,196	19,432
Consolidated result	64,368	76,037	(4,056)	(4,657)	60,312	71,380
Current assets	768,937	690,228	(106,791)	(50,299)	662,146	639,929
Total assets	1,030,818	845,459	(116,305)	(48,273)	914,513	797,186
Net debt (incl. IFRS 16)	367,469	313,414	(100)	(673)	367,369	312,741
Inventory in days					80	92
Debtors in days					37	43
Net debt / EBITDA (incl. IFRS 16)					3.2	
Net debt / EBITDA (excl. IFRS 16)					2.8	2.9

6. Turnover

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

x € 1,000	2019	2018
HTG	1,408,238	1,196,742
B&S	497,818	445,596
Retail	140,026	136,562
Elimination	(67,265)	(32,423)
	1,978,817	1,746,477

The increase in eleminated intersegment revenue compared to 2018 is mainly driven by sourcing channels that benefit more than one segment.

In addition to the operating segments, the Chief Operating Decision Makers also monitor financial information based on the major product groups. The revenue for each of these groups is as follows:

x € 1,000	2019	2018
Liquors	627,103	630,184
Health & Beauty	930,522	707,686
Food & Beverages	235,661	238,651
Electronics	96,312	96,569
Other	89,219	73,387
	1,978,817	1,746,477

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

x € 1,000	2019	2018
Europe	1,047,024	998,094
America	288,322	141,985
Asia	345,674	343,272
Africa	54,123	49,256
Middle East	225,619	200,620
Oceania	18,055	13,250
	1,978,817	1,746,477

7. Purchase value

The purchase value can be specified as follows:

x € 1,000	2019	2018
Purchase value of turnover	1,569,727	1,387,087
Other external costs and income related to turnover	137,198	113,986
Reclassification other gains and losses	–	3,147
	1,706,925	1,504,220

In the financial statements 2018, the other gains and losses were presented on a separate line in the consolidated statement of profit or loss. This amount mainly consisted of exchange rate gains and losses realised on sales and purchase transactions. As the Group hedges the outstanding positions in foreign currencies on a daily basis and complies with the requirements as described in note 3.17, it was decided to apply hedge accounting as from January 1, 2019. This means that exchange results on sales and purchase transactions are no longer separately recognised from the exchange result on the hedge instrument. For year-on-year comparison purposes, the amount recognised in 2018 has been reclassified to the purchase value.

8. Investment income

The investment income can be specified as follows:

x € 1,000	2019	2018
Finance income from continuing operations:		
Interest related to loans issued	244	223
	244	223

9. Personnel costs

The distribution of the personnel costs can be specified as follows:

x € 1,000	2019	2018
Salary costs	67,266	50,803
Social security charges	9,553	7,465
Pension costs	4,121	3,390
Other personnel costs	6,095	4,708
	87,035	66,366
Temporary staff	23,647	19,884
	110,682	86,250

The remuneration of the Executive board and the Supervisory board is disclosed in the note on related parties (refer to note 33).

The number of employees in fulltime equivalents can be specified as follows:

	2019	2018
HTG	784	524
B&S	431	370
Retail	266	227
Other	31	9
	1,512	1,130

Please note that the fulltime equivalents for acquired companies are included on a pro rata basis as from the closing date onwards, in line with the staff costs in the statement of profit or loss.

10. Other operating expenses

The other operating expenses can be specified as follows:

x € 1,000	2019	2018
Personnel related costs	5,777	5,775
Office / warehouse costs	9,264	14,964
Marketing costs	4,016	3,201
ICT expenses	8,586	6,204
Insurance costs	3,776	2,443
External advice	8,453	7,853
Other operating expenses	6,950	6,791
	46,822	47,231

The fees of Deloitte that are directly attributable to the financial year of the Group are incorporated in the 'External advice' and specified as follows:

x € 1,000	Deloitte Audit S.à r.l.	Other Deloitte member firms	Total Deloitte
Audit fees for statutory audits	122	1,403	1,525
Other assurance related services	15	–	15
Other non-audit services	15	34	49
	152	1,437	1,589

11. Financial expenses

The financial expenses can be specified as follows:

x € 1,000	2019	2018
Interest related to bank facilities	10,366	7,990
Currency exchange results	(432)	–
Changes in the fair value of derivatives	(285)	(381)
Changes in the fair falue of contingent considerations	14	–
	9,663	7,609

12. Taxation on the result

The taxation on the result can be specified as follows:

x € 1,000	2019	2018
Income tax in profit or loss account		
Income tax	17,109	19,662
Income tax previous periods	1,688	802
Deferred taxes	(1,601)	(1,032)
	17,196	19,432

The following table shows the reconsolidation between the nominal and effective corporate income tax rates for the Group.

x € 1,000	2019	2018
Result before taxation	77,508	90,812
Share of profit of associates	(432)	(203)
Non-deductible amortisation	6,914	5,027
Income not subject to income tax or charged with 0% income tax	(15,284)	(13,403)
	68,706	82,233
Blended tax charge ranging from 12.5% to 30.0%	17,109	19,662

13. Earnings per share

x €	2019	2018
Basic earnings per share		
From continuing operations	0.56	0.72
From continuing operations (excluding IFRS 16)	0.57	0.72

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	2019	2018
Profit for the year attributable to Owners of the Company	46,962	60,394
	46,962	60,394

x € 1,000	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

14. Goodwill

The carrying amount of goodwill has been allocated to the cash-generating units (CGUs) as follows:

x € 1,000	2019	2018
HTG	53,621	52,814
Retail	6,601	6,601
B&S	5,434	500
	65,656	59,915

The movements can be specified as follows:

x € 1,000	2019	2018
Balance as at January 1,	59,915	18,104
Acquired in business combinations	4,934	41,356
Foreign currency translation	807	455
Balance as at December 31,	65,656	59,915

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

Impairment testing

The recoverable amounts of the cash-generating units are determined based on a value in use calculation which uses cash flow projections based on financial budgets and financial long-term plans approved by the Executive Board covering a five-year period, and a discount rate of 8.1 per cent per annum (2018: 8.1 per cent per annum). Increases in market volume (due to increase of population and rising consumption) have been taken into consideration as well as growing market pressure on prices, government-induced or otherwise. This basis is valid in the long-term for our activities in all countries where the Group operates. Cash flows beyond that five-year period have been calculated using a steady 0.5 per cent (2018: 0.5 per cent) terminal growth rate. This growth rate does not exceed the inflation rate for markets in the territories B&S operates in.

The tests are carried out in local currency. The discount rate is based on the weighted average cost of capital before tax that is relevant to the assets of the unit. The applicable interest rate per country is taken into account for that purpose. In determining the discount rate, country market risks are not taken in to consideration, as specific market risks are included in the determination of expected future cash flows. The main assumptions in the calculations are as follows:

Discount rate	8.1%
Inflation	1.3%
Terminal growth rate	0.5%
Organic sales growth rate	1 – 3%

The impairment testing for 2019 did not result in impairments.

Sensitivity to changes in assumptions
The Group has conducted an analysis of the sensitivity of the impairment test model to changes in the key assumptions used to determine the recoverable amount for each of the CGUs to which goodwill is allocated. The realisable value is influenced by factors such as projections of future economic conditions and expectations regarding market developments and operations. The estimates made for these factors may change over time, which could lead to impairment recognised as a profit or loss in the income statement. The recoverable amount also depends on the discount rate used, which is based on an estimate of the weighted average cost of capital for the unit concerned.

The following aspects provide an indication of the sensitivity of the impairment tests to changes in key assumptions used:
- If the discount rate is assumed to be 1% higher than applied in the separate impairment tests, no impairments would have been required.
- If future annual sales growth rate is set 1% lower than applied in the separate impairment tests, whilst maintaining cost levels on the original assumptions, no impairments would have been required.
- If gross margins were to show a cumulative decrease of 1.5% over the coming years, while maintaining the other assumptions applied in the separate impairment tests, no impairments would have been required.

15. Other intangible assets

The other intangible assets can be specified as follows:

x € 1,000	2019	2018
Software	13,468	10,476
Brand names	3,279	2,829
Concessions	1,718	897
Other	51,283	47,476
	69,748	61,678

Intangible assets are amortised over their useful economic life, defined at the moment of acquisition. These intangible assets are amortised between 10% and 33%. Similar as in the previous year, no intangible assets have been pledged as security for liabilities.

The category 'Other' can be further specified as follows:

x € 1,000	2019	2018
Customer portfolio's	8,717	431
Supplier portfolio's	32,456	35,880
Private labels	7,816	8,458
Other	2,294	2,707
	51,283	47,476

The movements can be specified as follows:

x € 1,000					2019
	Software	Brand names	Concessions	Other	Total
At cost:					
Balance as at January 1,	13,060	3,899	4,560	54,174	75,693
Additions	5,622	–	–	21	5,643
Acquired in business combinations	–	832	1,444	8,876	11,152
Foreign currency translation	61	52	–	819	932
	18,743	4,783	6,004	63,890	93,420
Accumulated amortisation:					
Balance as at January 1,	(2,584)	(1,070)	(3,663)	(6,698)	(14,015)
Acquired in business combinations	–	–	–	–	–
Foreign currency translation	(17)	(1)	–	(51)	(69)
Amortisation	(2,674)	(433)	(623)	(5,858)	(9,588)
	(5,275)	(1,504)	(4,286)	(12,607)	(23,672)
Balance as at December 31,	13,468	3,279	1,718	51,283	69,748

x € 1,000					2018
	Software	Brand names	Concessions	Other	Total
At cost:					
Balance as at January 1,	5,909	1,200	4,560	12,500	24,169
Additions	4,123	–	–	10	4,133
Acquired in business combinations	3,093	2,669	–	41,168	46,930
Foreign currency translation	34	30	–	496	560
Disposals	(99)	–	–	–	(99)
	13,060	3,899	4,560	54,174	75,693
Accumulated amortisation:					
Balance as at January 1,	(328)	(825)	(3,078)	(2,948)	(7,179)
Acquired in business combinations	(910)	–	–	(782)	(1,692)
Foreign currency translation	(17)	(4)	–	(96)	(117)
Amortisation	(1,329)	(241)	(585)	(2,872)	(5,027)
	(2,584)	(1,070)	(3,663)	(6,698)	(14,015)
Balance as at December 31,	10,476	2,829	897	47,476	61,678

16. Property, plant and equipment

Property, plant and equipment can be specified as follows:

x € 1,000	31.12.2019	31.12.2018
Land and property	16,020	14,205
Equipment	15,998	10,458
Other	7,294	6,370
	39,312	31,033

The movements can be specified as follows:

x € 1,000				2019
	Land and property	Equipment	Other	Total
At cost:				
Balance as at January 1,	41,221	31,491	22,825	95,537
IFRS 16 adoption	–	(1,300)	–	(1,300)
Additions	2,564	8,970	3,592	15,126
Acquired in business combinations	1,035	9	1,115	2,159
Foreign currency translation	1	49	94	144
Disposals	–	(361)	(246)	(607)
	44,821	38,858	27,380	111,059
Accumulated depreciation:				
Balance as at January 1,	(27,016)	(21,033)	(16,455)	(64,504)
IFRS 16 adoption	–	803	–	803
Acquired in business combinations	(284)	(9)	(845)	(1,138)
Disposals	–	360	179	539
Foreign currency translation	(1)	(23)	(77)	(101)
Depreciation	(1,500)	(2,958)	(2,888)	(7,346)
	(28,801)	(22,860)	(20,086)	(71,747)
Balance as at December 31,	16,020	15,998	7,294	39,312

x € 1,000				2018
	Land and property	Equipment	Other	Total
At cost:				
Balance as at January 1,	40,468	23,227	16,215	79,910
Additions	748	5,709	2,472	8,929
Acquired in business combinations	–	2,700	4,436	7,136
Foreign currency translation	5	(16)	86	75
Disposals	–	(129)	(384)	(513)
	41,221	31,491	22,825	95,537
Accumulated depreciation:				
Balance as at January 1,	(25,649)	(17,237)	(11,089)	(53,975)
Acquired in business combinations	–	(1,432)	(3,582)	(5,014)
Disposals	–	10	254	264
Foreign currency translation	(5)	24	(81)	(62)
Depreciation	(1,362)	(2,398)	(1,957)	(5,717)
	(27,016)	(21,033)	(16,455)	(64,504)
Balance as at December 31,	14,205	10,458	6,370	31,033

The depreciation rates applied are as follows:

Land	0%
Property	5%
Equipment	10% – 20%
Other	12.5% – 20%

Similar to previous year, the property, plant and equipment have been pledged as security for non-current borrowings and current liabilities provided by credit institutions. The Group is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

17. Investments in associates

Investments in associated companies can be specified as follows:

x € 1,000	2019	2018
Balance as at January 1,	2,140	2,001
Share of profit of associated companies	432	203
Foreign currency translation	34	(124)
Received dividend	(93)	(95)
Other changes	4	155
Balance as at December 31,	2,517	2,140

The principal associated companies of the Group are as follows:

	2019	2018
Comptoir & Clos SAS, France (in liquidation)	50%	50%
Next Generation Parfums B.V., the Netherlands	50%	50%
STG Logistica Y Depositos S.L., Spain	50%	50%
Capi-Lux South Africa (PTY) Ltd., South Africa	49%	49%

These companies have the same principal activities as the Group. The aggregate financial data of the principal associated companies are shown below, broken down into total assets and liabilities and the most important items in the income statement.

Next Generation Parfums B.V.:

x € 1,000	31.12.2019	31.12.2018
Current assets	2,008	1,873
Non-current assets	1,702	1,194
Current liabilities	353	533
Non-current liabilities	1,723	1,251
Turnover	5,048	4,480
Profit (loss) for the year	369	365
Net assets of the associate	1,634	1,283
Carrying amount of the Group's interest	1,035	860

STG Logistica Y Depositos S.L.:

x € 1,000	31.12.2019	31.12.2018
Current assets	471	1,060
Non-current assets	132	143
Current liabilities	469	1,006
Non-current liabilities	150	215
Turnover	843	778
Profit (loss) for the year	(1)	3
Net assets of the associate	(16)	(18)
Carrying amount of the Group's interest	2	2

Capi-Lux South Africa (PTY) Ltd.:

x € 1,000	31.12.2019	31.12.2018
Current assets	3,880	2,701
Non-current assets	109	86
Current liabilities	987	276
Non-current liabilities	–	–
Turnover	9,669	10,281
Profit (loss) for the year	564	495
Net assets of the associate	3,002	2,511
Carrying amount of the Group’s interest	1,465	1,230

18. Receivables

The receivables can be specified as follows:

x € 1,000	2019	2018
Balance as at January 1,	2,581	2,731
Acquired in business combinations	–	106
New loans issued	1,088	–
Repayments	(149)	(256)
	3,520	2,581
Reclassification to ‘Current assets’	(250)	(250)
Balance as at December 31,	3,270	2,331

This item consists of the following loans:

- In 2015 the Group granted loans to related parties for the original amount of € 8,470,000 (outstanding as per December 31, 2019: € 2,285,000). These loans are provided to companies where minority shareholders have a significant influence. No securities have been provided. The applicable interest rate is 10%. The loans will be repaid in total within six years. One of these loans has a remaining maturity of less than one year for the amount of € 250,000 and is non-interest carrying (2018: € 250,000).
- In 2017 the Company granted two loans to Next Generation Perfumes B.V. for the original amount of € 546,352. Securities in the form of a pledge on assets is provided. The applicable interest rate is Euribor + 4%. Annual repayments amount to a minimum of € 100,000.
- In 2019 the Company granted a loan to a minority shareholder for the original amount of € 1,088,000. The applicable interest rate is 3.5%. The loan will be repaid in total within seven years. No securities have been provided.

19. Deferred tax assets

The deferred tax assets can be specified as follows:

x € 1,000	2019	2018
Balance as at January 1,	160	189
Acquired in business combinations	50	–
Additions	188	123
Transfer to profit or loss account	(31)	(150)
Foreign currency translation	(1)	(2)
	366	160
Reclassification to 'Provisions'	–	–
Balance as at December 31,	366	160

20. Inventory

The inventory can be specified as follows:

x € 1,000	31.12.2019	31.12.2018
Value of trade goods	356,069	342,275
Prepayments on trade inventory	24,904	40,501
Provision for obsolescent inventory	(5,408)	(4,896)
	375,565	377,880

The amount of the write-down during 2019 amounts to € 3,588,000 (2018: € 3,405,000) and has been recognised in the statement of profit or loss as a loss. Similar to previous year, inventories have been pledged as a security for credit facilities provided by financial institutions. The cost of inventories recognised as an expense during the year in respect of continuing operations was € 1,570 million (December 31, 2018: € 1,387 million).

21. Trade receivables

The trade receivables can be specified as follows:

x € 1,000	31.12.2019	31.12.2018
Trade receivables	202,025	206,852
Allowance for doubtful debts	(769)	(1,130)
	201,256	205,722

The allowance for doubtful receivables provides a fair reflection of the risk of none or late payments at the balance sheet date. Accordingly the carrying amount of the trade receivables is approximately equal to its fair value. The provision has been recognised at nominal value, given its current nature. An allowance for doubtful debts was formed during the financial year amounting to € 462,000 (2018: € 42,000) that was charged to the profit or loss account. No interest is charged on past due trade receivables.

The movement in the allowance for doubtful debts can be specified as follows:

x € 1,000	2019	2018
Balance as at January 1,	1,130	1,198
Acquired in business combinations	79	–
Transfer from profit or loss	462	42
Amounts written off as uncollectable	(902)	(110)
Balance as at December 31,	769	1,130

The working capital tied up in trade receivables is expressed in Days of Sales Outstanding (DSO). The average DSO for 2019 was 37 days (2018: 43).
The provision for doubtful receivables, taking into account the expected lifetime losses following the simplified approach as per IFRS 9, relates entirely to trade receivables past the contractually agreed due date for payment. Items that are considered doubtful have been fully provided for. Estimations and assumptions are applied to determine the size of the provision. Those estimates and assumptions are based on age analysis and specific developments in terms of market conditions and credit risks. In the judgement of the Group, the credit quality for receivables past due at the balance sheet date but not provided for is sufficient.

The age of the receivables that are past due but not impaired are as follows:

x € 1,000	31.12.2019	31.12.2018
Trade receivables less than 30 days due	38,186	52,952
Trade receivables between 30 and 60 days due	19,631	33,959
Trade receivables more than 60 days due	13,248	16,667
	71,065	103,578

Trade receivables disclosed above include amounts that are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable. Based on an individual assessment of all the due receivables it was concluded that impairment was not required for these receivables due to the credit quality not being significantly changed.

22. Share capital

Refer to the consolidated statement of changes in equity for information on the composition, amount and changes of equity. Details of the share capital are set out below. Information on other elements of equity (reserves) is set out in the next note.

Issued share capital
The issued share capital as at December 31, 2019 amounted to € 5,050,639.26 and consists of 84,177,321 Ordinary shares with a nominal value of € 0.06 each. Since March 23, 2018 the Company is listed on the Amsterdam Stock Exchange. The movement in the share capital can be specified as follows:

x € 1,000	31.12.2019	31.12.2018
Balance as at January 1,	5,051	5,238
Purchase P-shares	–	(228)
Issued shares	–	251
Nominal value reduction	–	(210)
Balance as at December 31,	5,051	5,051

The movement in the number of shares outstanding can be specified as follows:

	31.12.2019	31.12.2018
Balance as at January 1,	84,177,321	209,515
Split of shares (ratio 1 to 400)	–	83,596,485
Purchase P-shares	–	(3,806,000)
Issuance of shares	–	4,177,321
Balance as at December 31,	84,177,321	84,177,321

Share-based payment

As per March 23, 2018, a group of managers has received a share incentive amounting to € 4.5 million from the pre-IPO shareholders of B&S Group S.A., Sarabel Invest S.à.r.l. and Lebaras Belgium BVBA. A number of existing Ordinary Shares (310,345) representing a total amount of € 4.5 million as per March 23, 2018, have been provided to Stichting Administratiekantoor B&S Participations (STAK). The Ordinary Shares referred to will be held by the STAK and depositary receipts for such Ordinary Shares have been issued to the managers pro rata to their respective entitlements.

Five years following March 23, 2018, the managers will be entitled to acquire the underlying Ordinary Shares from the STAK for no consideration. In the event any of the managers ceases to be employed by B&S Group S.A. prior to the period of five vesting years having been lapsed, the Ordinary Shares held by the STAK for his benefit will be transferred back to the pre-IPO shareholders without any compensation. During the vesting period the € 4.5 million will be charged to the consolidated statement of profit or loss.

23. Reserves

Direct changes in equity are recognised net of tax effects. The following elements of reserves can be specified as follows:

Cash flow hedge reserve

The cash flow hedge reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is recognised in profit or loss only when the hedged transaction impacts the profit or loss, or is included directly in the initial cost or other carrying amount of the hedged non-financial items (basis adjustment). The movement can be specified as follows:

x € 1,000	2019	2018
Balance as at January 1,	–	–
Effective portion of changes in fair value of cash flow hedges	643	–
Balance as at December 31,	643	–

Reserve for translation differences

The reserve for translation differences comprises all cumulative translation differences arising from the translation of the financial statements of activities in currencies other than the euro. The reserve is not freely distributable. The movement can be specified as follows:

x € 1,000	2019	2018
Balance as at January 1,	(540)	(80)
Foreign currency translation through OCI	813	(460)
Balance as at December 31,	273	(540)

Retained earnings

The retained earnings comprise all cumulative profit or loss movements less cumulative changes. The movement can be specified as follows:

x € 1,000	2019	2018
Balance as at January 1,	229,474	196,370
IFRS 15 adjustments	–	(2,380)
Restated opening balance	229,474	193,990
Profit for the period	46,962	60,394
Dividend to the owners of the Company	(24,411)	(35,354)
Acquisition non-controlling interest JTG	–	(5,802)
Pre-IPO restructuring	–	12,867
Share-based payments	900	675
Other changes	(38)	–
	252,887	226,770
Fair value adjustment non-current liabilities	(16,183)	2,704
Balance as at December 31,	236,704	229,474

Proposed appropriation of the result for 2019

An amount of € 10,943,000 has been distributed during the year as interim dividend and the remaining amount of the net result will be added to the reserves. This proposed appropriation has not been accounted for in the annual accounts.

Profit appropriation 2018

The 2018 financial statements were approved during the General Meeting on May 20, 2019. The General Meeting approved the proposed profit appropriation.

24. Non-controlling interest

The non-controlling interest consist of the third-party share in the following companies:

	31.12.2019	31.12.2018
J.T.G. Holding B.V., the Netherlands	24.62%	24.62%
STG Holding Import-Export S.L., Spain	49%	49%
J.T.G. WWL S.à r.l., G.D. Luxembourg	24.62%	24.62%
Topbrands Europe B.V., the Netherlands	32.83%	32.83%
FNet Acquisition Company LLC, Delaware, United States	25%	25%
B&S HTG B.V., the Netherlands	5%	5%
Lagaay Medical Group B.V., the Netherlands	30%	–
Europort Groep B.V., the Netherlands	20%	–
Dutch Care Supplies B.V., the Netherlands	20%	–
Profit rights		
B&S Investments B.V., Delfzijl, the Netherlands	100%	100%

The movement in the non-controlling interest can be specified as follows:

x € 1,000	2019	2018
Balance as at January 1,	39,110	40,442
Share of profit of associated companies	13,350	10,986
Foreign currency translation	660	488
Effective portion of changes in fair value of cash flow hedges	9	–
Acquired in business combinations	3,779	24,735
Acquisition non-controlling interest JTG	–	(2,698)
Capital contribution non-controlling interest	–	8,525
Dividend paid to non-controlling interest	(6,544)	(3,940)
Reserves transferred to profit right certificates	(503)	(100)
Pre-IPO restructuring	–	(12,753)
Other changes	38	–
	49,899	65,685
Reclassification to 'Other non-current liabilities'	(803)	(26,575)
Balance as at December 31,	49,096	39,110

The reclassification to 'Other non-current liabilities' relates to the 25% non-controlling interest in FNet Acquisition Company LLC. Reference is made to note 29 for further details on this reclassification.

25. Borrowings

The borrowings can be specified as follows:

x € 1,000	31.12.2019	31.12.2018
Borrowings from banks	54,557	55,429
Borrowings from shareholders	–	–
	54,557	55,429

Borrowings from banks
The movements in borrowings from banks can be specified as follows:

x € 1,000	2019	2018
Balance as at January 1,	64,580	23,877
Acquired in business combinations	1,117	–
New borrowings received	10,100	45,250
Installments	(9,872)	(4,547)
	65,925	64,580
Reclassification to 'Current liabilities'	(11,368)	(9,151)
Balance as at December 31,	54,557	55,429

This item consists of the following loans:

From	Original amount	Securities	Base (Euribor)	Interest	Repayment	Outstanding x € 1,000 31.12.2019	31.12.2018
2007	8,250	(1)	3-month	+ 1.5%	Quarterly terms of € 137,500	1,250	1,800
2014	1,000	(2)	3-month	+ 2.0%	Quarterly terms of € 50,000	–	150
2015	500	(1)	–	+ 2.95%	Quarterly terms of € 25,000	25	125
2015	500	(1)	–	+ 3.25%	Quarterly terms of € 25,000	25	125
2016	20,000	(2)	3-month	+ 2.0%	Quarterly terms of € 700,000 and € 6,000,000 at maturity date in 2021	11,600	14,400
2017	2,000	None	1-month	+ 2.35%	Equal monthly terms over 5 years	1,029	1,422
2017	2,000	None	6-month	+ 2.75%	Equal monthly terms over 5 years	934	1,363
2018	5,250	(1)	1-month	+ 2.5%	Monthly terms of € 55,125 and € 2,659,125 at maturity date in 2022	4,535	5,195
2018	40,000	(2)	3-month	+ 2.5%	Quarterly terms of € 1,000,000 and € 20,000,000 at maturity date in 2023	36,000	40,000
2019	7,500	(2)	3-month	+ 1.75%	Quarterly terms of € 375,000	7,102	–
2019	2,000	(1)	–	+ 2.59%	Yearly installments of € 400,000	2,000	–
2019	600	None	–	+ 1.41%	Equal monthly terms over 3 years	469	–
2010*	125	(1)	3-month	+ 2.70%	Equal quarterly terms over 12 years	19	–
2010*	200	(1)	–	+ 3.10%	Quarterly terms of € 3,350	20	–
2015*	180	(1)	–	+ 2.95%	Equal monthly terms over 10 years	92	–
2016*	1,600	(2)	1-month	+ 2.95%	Equal monthly terms over 5 years	667	–
2016*	250	(1)	–	+ 3.25%	Equal monthly terms over 10 years	160	–
						65,925	64,580

(1) Mortgage loan with underlying real estate provided as security.
(2) Pledges on the shares of the specific acquired company.
* Borrowings acquired in business combinations.

Borrowings from shareholders
The movements in borrowings from shareholders can be specified as follows:

x € 1,000	2019	2018
Balance as at January 1,	2,500	2,500
Installments	(2,500)	–
	–	2,500
Reclassification to 'Current liabilities'	–	(2,500)
Balance as at December 31,	–	–

This item consisted of the following loans:

- A loan for the original amount of € 2,500,000. The applicable interest rate was 5%. The loan was repaid in full as at 31 January 2019. No securities were provided.

Maturity

The maturity and related value of the borrowings can be specified as follows:

x € 1,000				31.12.2019
	< 1 year	1 <> 5 years	> 5 years	Total
Borrowings from banks	11,368	54,518	39	65,925
	11,368	54,518	39	65,925

26. Leases

The movements in the Group's right-of-use assets can be specified as follows:

x € 1,000	2019	2018
Balance as at January 1,	–	–
First time IFRS 16 adoption	71,862	–
Restated opening balance as at January 1,	71,862	–
Additions	8,817	–
Acquired in business combinations	352	
Depreciation right-of-use assets	(9,712)	–
Foreign currency translation	179	–
Balance as at December 31,	71,498	–

The Group leases several assets including buildings and vehicles. The average remaining lease term is 4 years. At December 31, 2019, the Group is committed to € 2.0 million for short-term leases. The total cash outflow for leases amounts to € 10.6 million.

The movements in the lease liabilities can be specified as follows:

x € 1,000	2019	2018
Balance as at January 1,	912	1,526
First time IFRS 16 adoption	70,770	–
Restated opening balance as at January 1,	71,682	1,526
Additions	8,830	–
Acquired in business combinations	339	–
Repayments on lease liabilities	(10,610)	(614)
Interest on lease liabilities	1,247	–
Foreign currency translation	178	–
	71,666	912
Reclassification to 'Current liabilities'	(9,575)	(571)
Balance as at December 31,	62,091	341

The maturity and related value of lease liabilities can be specified as follows:

x € 1,000				31.12.2019
	< 1 year	1 <> 5 years	> 5 years	Total
Lease liabilities	9,575	29,656	32,435	71,666
	9,575	29,656	32,435	71,666

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

27. Deferred tax liabilities

The Group only balances deferred tax assets within the same fiscal unit if the fiscal unit has an enforceable right to do so and intends to settle them on a net basis. The positions are:

x € 1,000	31.12.2019	31.12.2018
Net deferred tax liabilities	12,986	11,737
	12,986	11,737

The maturity and related value of the deferred tax liabilities can be specified as follows:

x € 1,000				31.12.2019
	< 1 year	1 <> 5 years	> 5 years	Total
Net deferred tax liabilities	1,675	7,339	3,972	12,986
	1,675	7,339	3,972	12,986

The change in net deferred tax liabilities can be broken down as follows:

x € 1,000	2019	2018
Balance as at January 1,	11,737	3,383
Acquired in business combinations	2,514	9,173
Transfer to profit or loss	(1,406)	(907)
Foreign currency translation	169	88
Reclassification from 'Current corporate income tax liability'	(28)	–
Balance as at December 31,	12,986	11,737

The deferred tax assets and liabilities relate to the following items:

x € 1,000		31.12.2019
	Deferred tax assets	Deferred tax liabilities
Property, plant and equipment	134	349
Intangible fixed assets	44	12,452
Other	188	185
	366	12,986

x € 1,000		**31.12.2018**
	Deferred tax assets	**Deferred tax liabilities**
Property, plant and equipment	123	145
Intangible fixed assets	–	11,377
Tax losses	314	144
Other	(277)	71
	160	11,737

28. Retirement and other employee benefit obligations

The obligation consists of a provision for pension obligation and employee benefit obligations. The provision for pension obligations consists of a provision for pensions of former personnel that have taken effect and are valued at fair value. The maturity of these obligations is less than five years. The movements can be summarised as follows:

x € 1,000	2019	2018
Balance as at January 1,	603	1,600
Paid during the financial year	–	–
Transfer to/from profit or loss account	290	(997)
Balance as at December 31,	893	603

This provision also includes an end-of-service indemnity payable to employees at the reporting date in accordance with the U.A.E. labour laws, and is based on current remuneration and cumulative years of service at the reporting date.

Defined contribution plans
The Company operates defined contribution retirement benefit plans for all qualifying employees. The assets of the plans are held separately from those of the Company in funds under the control of trustees. When employees leave the plans prior to full vesting of the contributions, the contributions payable by the Company are reduced by the amount of forfeited contributions.

The total expense recognised in the profit or loss of € 4,121,000 (2018: € 3,390,000) represents contributions paid or payable by the Group at rates specified in the rules of the plans. As at December 31, 2019, contributions of € 382,000 (2018: € 243,000) due in respect of the 2019 (2018) reporting period had not been paid over to the plans and hence were included in the short-term liabilities. These amounts were paid after the end of the reporting period.

Pension plan pension fund "Stichting Pensioenfonds B&S"
The Group operates defined contribution retirement benefit plans for employees for whom the benefit plan is accommodated by the company pension fund "Stichting Pensioenfonds B&S" (also referred to as 'Company pension fund'). The defined contribution plan (Pension Plan) is administered by a fund that is legally separated from the entity. The board of the Company pension fund is composed of an equal number of representatives from both the employer and employees. The board of the pension fund is required, by law and by its articles of association, to act in the interest of the fund and of all relevant stakeholders in the scheme, i.e. active employees, inactive employees, retirees and employers. The board of the Company pension fund is responsible for the investment policy with regard to the assets of the fund. Participation in this Company pension fund is mandatory for the employees of the qualifying B&S companies.

The accrual of the intended pension entitlement is always fully funded through contribution payments in the related calendar year. The Pension Plan is a conditional career average plan including – for both active and inactive participants (former employees not yet retired and retired persons) – conditional granting of supplements.
Under the Pension Plan, the employees are entitled to post-retirement annual instalments based on fixed premiums paid during their career with the Group. The post-retirement annual instalment depends on amongst others: investment return arising from the premium contributions, interest rate, salary of plan participants and longevity. According to the pension plan the

employer has the obligation to pay a fixed annual premium to the pension fund of two-third of 22% of the pension base, the remaining one-third is paid by the employee. The return on the contribution payments has not been guaranteed. The only liability for the employer is to pay the annual premium as the employer has no obligation to pay additional contributions, neither to compensate for inflation nor to supplement in case the fund does not hold sufficient assets to fund the pension obligations. In the last case, the fund would need to take other measures to restore its solvency, such as reductions of the entitlements of the plan members.

The pensionable salary accommodated by the Company pension fund is limited to € 107,593 (2018: € 105,075). The pension base is the difference between the pensionable (current) salary of the employee and the state retirement benefit.

The Company pension fund has stated that the funding ratio is 96,2% at December 31, 2019 (2018: 96,5%).

The Company pension fund has issued a recovery plan on July 1, 2015 as the funding ratio was below the required level set by the authorities. An evaluation performed at the end of 2019 led to the conclusion that the recovery plan would not be realised if the existing assumptions were maintained. Therefore, the Company pension fund has decided to take additional measures, leading to a decrease of the annual entitlement from 1,875% to 1,64% of the pension base.

Based on IAS 19, the Pension Plan as such is accounted for as a defined contribution plan. The Group presents the employer contribution in the profit or loss item "Personnel costs".

Industry pension schemes 'Bedrijfstakpensioenfonds voor de detailhandel'
Pursuant to the Dutch pension system this plan is financed by contributions to an industry pension fund. Participation in the industry pension fund is required by the collective labour agreement applicable to Koninklijke Capi-Lux Holding B.V.

The related accrued entitlements are always fully financed in the related calendar year through – at least – cost effective contribution payments. The pension plan is a career average plan including – for both active and inactive participants (former employees not yet retired and retired persons) – conditional granting of supplements. The granting of supplements depends on it the investment return.

The annual accrual of the pension entitlements amounts to 1,56% of the pensionable salary that is based on the gross wage net of a deductible (of € 13,582). The pensionable salary is capped (at € 55,927). The annual employer-paid contribution is 22,5% of which 5,7% is contributed by the employee. Based on the funding ratio and expected returns the board of the industry pension fund sets the contribution on a yearly basis.

The related industry pension fund has stated that the funding ratio is 111,9% at the end of 2019 (2018: 106,5%). Based on the administrative regulations the group has no obligation to make additional contributions in the event of a deficit other than through higher future contributions.

Industry pension schemes 'Bedrijfstakpensioenfonds Dranken'
Participation in the industry pension fund 'Bedrijfstakpensioenfonds Dranken' is required by the collective labour agreement applicable to Anker Amsterdam Spirits B.V. and Square Dranken Nederland B.V. In 2019, this pension fund became part of 'Bedrijfstakpensioenfonds voor de detailhandel', of which the characteristics are described in the previous section. The following percentage and amount are different compared to 'Bedrijfstakpensioenfonds voor de detailhandel':
- Deductible from pensionable salary of € 18,929;
- Employee contribution is 8,17%.

Other defined benefit plans
The end-of-service indemnity payable in accordance with the U.A.E. labour laws as noted before is considered as a defined benefit plan for which a provision is accounted for. Total amount of end-of-service indemnity provision as per 2019 was € 314,273 (2018: € 233,000).

In several countries, defined benefit plans are in place. However due to the limited number of employees and limited financial risk these plans are accounted for as defined contribution plans. Pension plans for which the pension fund cannot provide data on an individual company basis are, in line with IAS19, accounted for as a defined contribution plans. In 2019 the premium related to these plans charged to the consolidated statement of profit or loss amounts to € 293,000 (2018: € 285,000).

29. Other liabilities

The other liabilities can be specified as follows:

x € 1,000	2019	2018
Subsidy (IPR)	721	756
Contingent consideration Lagaay	546	–
Deferred payment FragranceNet	40,857	23,871
	42,124	24,627

Subsidy (IPR)
The movements in 'Subsidy (IPR)' can be specified as follows:

x € 1,000	2019	2018
Balance as at January 1,	791	825
Installments	(35)	(34)
	756	791
Reclassification to 'Current liabilities'	(35)	(35)
Balance as at December 31,	721	756

This item comprises an "InvesteringsPremieRegeling (IPR)" subsidy with an original amount of € 1,264,000 which is being reduced with € 35,000 per year and released to the profit or loss account.

Contingent consideration Lagaay
The movements in 'Contingent consideration Lagaay' can be specified as follows:

x € 1,000	2019	2018
Balance as at January 1,	–	–
Acquired in business combinations	532	–
Charged interest	14	–
Balance as at December 31,	546	–

This contingent consideration relates to the acquisition of Lagaay Medical Group B.V.. For more details on the measurement of the consideration, reference is made to note 32.

Deferred payment FragranceNet
The movements in 'Deferred payment Fragrancenet' can be specified as follows:

x € 1,000	2019	2018
Balance as at January 1,	23,871	–
Reclassification from 'Non-controlling interest'	803	26,575
	24,674	26,575
Fair value adjustment	16,183	(2,704)
Balance as at December 31,	40,857	23,871

In October 2018 the Group acquired 75% of the shares of FNet Acquisition Company LLC, the established 100% parent company of FragranceNet.com, Inc. As part of the acquisition, 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 12,5% of shares is 10 years after closing date (effectively October 29, 2028). The put and call options have a similar strike price and exercise date and as such a liability exists. The exercise prices are dependent on the EBITDA realised in the 12 months preceding the exercise date and a multiple that is dependent on the EBITDA growth rate in the years prior to the exercise date. 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 value of the expected future consideration discounted against long term US government bond yields plus a company specific mark-up. As such, apart from the discount rate, the fair value measurement is derived from valuation techniques that include inputs that are not based on observable market data. The fair value adjustments are recognised in retained earnings.

30. Derivative financial instruments

The carrying amounts of the various derivatives as at December 31, 2019 were equal to their fair values. B&S Group S.A. uses interest rate swaps and forward currency contracts to manage interest rate and currency risks. Receivables under derivatives are presented in non-current and current assets. Derivatives designated and effective as hedging instruments are carried at fair value. The following derivative financial instruments were held by the Company:

x € 1,000	**31.12.2019**	**31.12.2018**
Non-current assets	–	–
Current assets	32	–
Non-current liabilities	–	–
Current liabilities	–	288
Total assets / (liabilities)	32	(288)

31. Contingent liabilities and contingent assets

Concession fee

The Group has entered into long-term concession agreements. The maturity of these agreements is between 1 and 10 years. The amounts involved are based on the turnover of the particular agreement.

Guarantees

The Group has issued guarantees. These guarantees can be specified as follows:

x € 1,000	**31.12.2019**	**31.12.2018**
Total maximum level of guarantees facility granted to the Group	22,500	28,500
Issued guarantees in relation to import duties	8,431	8,861
Issued guarantees in relation to rental agreements	2,487	1,324
Other issued guarantees	732	772
	11,650	10,957

32. Risk management and financial instruments

Financial instruments by category

The following table combines information about:

- classes of financial instruments based on their nature and characteristics;
- the carrying amounts of financial instruments;
- fair values of financial instruments (except financial instruments when carrying amount approximates their fair value); and
- fair value hierarchy levels of financial assets and financial liabilities for which fair value was disclosed.

Fair value hierarchy levels 1 to 3 are based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

x € 1,000	Amortised cost	FVTPL	FVTOCI	Total		31.12.2019	
					Level 1	Level 2	Level 3
Financial assets measured at fair value							
Derivative financial instruments	–	32	–	32	–	32	–
	–	32	–	32	–	32	–
Financial assets not measured at fair value							
Receivables, non-current assets	3,270	–	–	3,270			
Receivables, current assets	250	–	–	250			
Trade receivables	201,256	–	–	201,256			
Cash and cash equivalents	50,884	–	–	50,884			
	255,660	–	–	255,660			
Financial liabilities measured at fair value							
Derivative financial instruments	–	–	–	–	–	–	–
	–	–	–	–	–	–	–
Financial liabilities not measured at fair value							
Borrowings, non-current liabilities	54,557	–	–	54,557			
Lease liabilities	71,666	–	–	71,666			
Credit institutions	280,482	–	–	280,482			
Borrowings due within one year	11,548	–	–	11,548			
Trade payables	104,620	–	–	104,620			
	522,873	–	–	522,873			

x € 1,000	Amortised cost	FVTPL	FVTOCI	Total	31.12.2018		
					Level 1	Level 2	Level 3
Financial assets measured at fair value							
Derivative financial instruments	–	–	–	–	–	–	–
	–	–	–	–	–	–	–
Financial assets not measured at fair value							
Receivables, non-current assets	2,331	–	–	2,331			
Receivables, current assets	250	–	–	250			
Trade receivables	205,722	–	–	205,722			
Cash and cash equivalents	26,900	–	–	26,900			
	235,203	–	–	235,203			
Financial liabilities measured at fair value							
Derivative financial instruments	–	288	–	288	–	288	–
	–	288	–	288	–	288	–
Financial liabilities not measured at fair value							
Borrowings, non-current liabilities	55,770	–	–	55,770			
Credit institutions	271,494	–	–	271,494			
Borrowings due within one year	12,342	–	–	12,342			
Supplier finance arrangements	21,177	–	–	21,177			
Trade payables	69,630	–	–	69,630			
	430,413	–	–	430,413			

Measurement of fair values

The following tables show the valuation techniques used in measuring Level 2 fair values, as well as the significant unobservable inputs used:

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Forward exchange contracts & interest rate swaps	Market comparison technique: The fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.	Not applicable	Not applicable

Financial risk management objectives

As a result of its activities, the Company is exposed to various financial risks. The Company applies a Group-wide treasury policy for the adequate management of cash flows and financing flows combined with management of the related financial risks, such as currency risks and interest rate risks.

A summary of the main financial risks is provided below. The risks are linked to the Company's core objectives and categorised as liquidity risks, currency risks, interest rate risks and credit risks. Also mentioned is how the Company manage these risks.

Foreign currency risk

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).

Foreign currency sensitivity analysis

The Group is mainly exposed to the US Dollar as indicated in the next table. Assuming the Euro had strengthened (weakened) 3% against the US Dollar compared to the actual 2019 rate with all other variables held constant the hypothetical result on income before taxes would have been a change of € 4,518,000. A 3% increase or decrease of the other currencies the Group is trading in would not have a significant impact on both the income before taxes and the equity of the Group.

x 1,000 Foreign currency		31.12.2019		31.12.2018
	Assets	Liabilities	Assets	Liabilities
USD	507,540	338,339	478,698	379,581
GBP	17,286	14,059	25,890	18,698
JPY	940,777	1,129,466	360,604	391,897

Interest rate risk

The Group is exposed to interest rate risks because the entities are financed by both fixed and variable rate interest borrowings.

On the basis of the financing position as at year-end 2019, B&S Group S.A. estimates that an increase of 1 percentage point in the euro money market interest rates would have a negative effect of approximately € 3.0 million on net finance costs and thus the result before taxes and a negative effect of € 2.2 million on equity. Fluctuations in long-term interest rates had a limited direct effect on the result, as the interest rate terms are fixed.

Credit risk

Credit risk is the risk of financial loss if a customer or counterparty in a financial instrument fails to meet its contractual obligations. The risk for B&S Group S.A. arises mainly from trade receivables, for which credit concentration is limited.

The activities of the retail segment consist mainly of retail activities in exchange for direct cash. The segments B&S and HTG have a large number of customers and accordingly there is no material concentration of credit risk.

As the Company trades with a large number of clients around the world, strict internal policies and guidelines have been drawn-up regarding business agreements with new clients as well as the setting of payment terms and credit risk management. The Corporate rule is that trade transactions must be secured, either by payment up front, insurance or by a secured payment instrument (guarantee or letter of credit). Before doing business with new clients their creditworthiness is checked by the internal credit risk department.

The internal credit risk department also monitors outstanding payments on a daily basis using an automated and sophisticated credit risk monitoring system. This process meets the requirements specified by the insurance institutions. The rigid handling of new client acceptance and payment control means the Company's debtor risk is fairly limited and well under control. The average outstanding debt period is less than 60 days, which is within the limits set by management and acceptable for global trading. As a result of our stringent debtor policies, debtor write-offs are limited.

Management acknowledges that general client payment behaviour has been adversely affected by the deteriorating creditworthiness of clients and the decline of overall liquidity of the Group during the economic crisis. This is especially relevant in respect of the insurance companies that have downgraded limits on clients. It is certainly putting extra pressure on accurately dealing with credit risks.

Liquidity risk

Liquidity risk is the risk that B&S Group S.A. is unable at the required time to meet its financial obligations. Liquidity management is based on the principle that sufficient liquidity is maintained in the form of credit facilities or cash and cash equivalents to meet the obligations in both normal and exceptional circumstances. Cash flows are forecasted within the Group on a regular basis and the extent is determined to which the Group has sufficient liquidity for the operating activities while maintaining sufficient credit facilities (headroom).

The total credit facilities, excluding non-current borrowings, amounted to € 479 million as at December 31, 2019, meaning a headroom of € 198 million under the existing facilities. The Company therefore has credit facilities that are sufficient for the existing and expected credit requirements of the Group.

The extent of the risk that covenants agreed with financial institutions are breached is regularly determined. With the present Net Debt/EBITDA and interest coverage B&S Group S.A. is comfortably within the covenants agreed with the various financial institutions of a maximum net debt/EBITDA (pre-IFRS 16) of 3.5 and a minimum interest cover (pre-IFRS 16) of 3.0. These agreed covenants are similar for the main financial institutions.

A 10% decrease in our operating result (defined for this purpose as operating result before depreciation of property, plant and equipment and amortisation of intangible assets and impairments) would increase Net Debt/EBITDA by 0.3 points, at unchanged Net Debt. The Net Debt/EBITDA covenant agreed with financial institutions is set at a maximum of 3.5 points. This covenant would only be breached if the operating result decreases by more than 18%.

A 10% decrease in our operating result (defined for this purpose as operating result before depreciation of property, plant and equipment and amortisation of intangible assets and impairments) would reduce interest coverage by 1.1 points, at unchanged interest rates on interest-bearing debt. The interest coverage rate covenant agreed with financial institutions is set at a minimum of 3.0 points. This covenant would only be breached if the operating result decreases by more than 72%.

The following table represents the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables contain the non-discounted cash-flows as per the first date the Group can be required to pay.

x € 1,000					31.12.2019
	Interest	< 1 year	1 <> 5 years	> 5 years	Total
Non-interest bearing		104,620	–	–	104,620
Lease liabilities	1.7%	9,575	29,656	32,435	71,666
Variable interest rate instruments	2.74%	291,850	54,518	39	346,407
Closing balance at 31.12.2019		406,045	84,174	32,474	522,693

x € 1,000					31.12.2018
	Interest	< 1 year	1 <> 5 years	> 5 years	Total
Non-interest bearing		90,807	–	–	90,807
Financial lease liability	3,2%	571	341	–	912
Variable interest rate instruments	2,78%	280,645	55,429	–	336,074
Fixed interest rate instruments	5%	2,500	–	–	2,500
Closing balance at 31.12.2018		374,523	55,770	–	430,293

The following table detail the Group's expected maturity for its non-derivative financial assets.

x € 1,000					31.12.2019
	Interest	< 1 year	1 <> 5 years	> 5 years	Total
Non-interest bearing		201,256	–	–	201,256
Fixed interest rate instruments	8%	250	2,331	939	3,520
Cash and cash equivalents		50,884	–	–	50,884
Closing balance at 31.12.2019		252,390	2,331	939	255,660

x € 1,000					31.12.2018
	Interest	< 1 year	1 <> 5 years	> 5 years	Total
Non-interest bearing		205,722	–	–	205,722
Fixed interest rate instruments	10%	250	2,331	–	2,581
Cash and cash equivalents		26,900	–	–	26,900
Closing balance at 31.12.2018		232,872	2,331	–	235,203

Capital risk

No significant changes in terms of capital management were effected in the year under review. An enabling condition in our policy is a healthy financing structure that maintains a balance between adequate solvency, the availability of adequate working capital and sufficient available funding. The Company's balance sheet structure and cash flow generation remains strong over years. This enables us to continue to grow organically and through acquisitions.

33. Related party transactions

The members of the Executive Board and the members of the Supervisory Board together are the key management of the Company.

Remuneration of members of the Executive Board

The Executive Board consists of the following members:

- Mr. J.B. Meulman
- Mr. G. van Laar
- Mr. B. Schreuders
- Mr. N. Groen

The table below sets out the remuneration of the Executive Board:

x € 1,000	2019	2018
Gross salary	1,041	1,072
Social security charges	31	29
Pension charges	115	111
Management fee	–	1,312
Variable short-term remuneration	688	647
	1,875	3,171

Remuneration of members of the Supervisory Board

The Supervisory Board consists of the following members:

- Mr. J.A. van Barneveld
- Mr. W.A. Blijdorp
- Mr. J.C. Beerman
- Mr. R.P.C. Cornelisse
- Ms. K. Koelemeijer

The table below sets out the remuneration of the Supervisory Board:

x € 1,000	2019	2018
Annual fee	255	293
	255	293

Entities with joint control or significant influence over the entity

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

x € 1,000	31.12.2019		31.12.2018	
	Transaction value	Balance outstanding	Transaction value	Balance outstanding
Sales of products and services	5,826	301	26,600	972
Purchase of products and services	5,533	1	19,405	949
Premises rented	7,001	1,092	5,985	745
Interest received on loans issued	182	759	182	546
Loans issued	–	1,820	–	1,820
Operating expenses	85	–	217	–
Recharged expenses	711	1,454	7,214	819

Associated companies

The associated companies consist of the following entities:

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

The table below sets out the transactions with these companies:

x € 1,000	31.12.2019		31.12.2018	
	Transaction value	Balance outstanding	Transaction value	Balance outstanding
Sales of products and services	3,254	649	3,415	65
Purchase of products and services	1,031	37	721	116
Interest received on loans issued	26	65	33	–
Loans issued	–	296	–	492

34. Acquisitions

During the financial year the Group acquired the following companies:

	%	Date
Lagaay Medical Group B.V., Rotterdam, The Netherlands	70%	15–07–2019
Rotterdam Airport Tax-Free Shop B.V., The Netherlands	100%	29–05–2019
Niederrhein Airport Shop GmbH, Germany	100%	29–05–2019

Lagaay Medical Group B.V.
Established in 1879 in The Netherlands, Lagaay acts as a specialty distributor to niche markets worldwide, providing brand name medical and pharmaceutical products to marine, offshore and remote locations. The company brings extensive medical and international trade licensing, deep knowledge of international medical regulations and a strong and loyal clientele with high customer retention.

The markets that Lagaay serves are a seamless match with the maritime and remote operations within the B&S segment, and its product offering has clear overlap with the Health & Beauty category of the Group. The acquisition is fully consolidated from the date on which the Group gained control, which was July 15, 2019. The acquisition is accounted for using the acquisition method.

Rotterdam Airport Tax-Fee Shop B.V. / Niederrhein Shop GmbH
The shops are located at Rotterdam The Hague Airport and Weeze airport respectively and are part of Group's retail store portfolio. This expansion is a logical step in Group's strategy to expand presence at regional airports with multi-category duty free stores that offer a varied assortment in perfumes and cosmetics, liquors, travel accessories, regional products and confectionary. The acquisition is fully consolidated from the date on which the Group gained control, which was May 29, 2019. The acquisition is accounted for using the acquisition method.

The assets acquired and liabilities recognised at the dates of the acquisitions can be specified as follows:

x € 1,000	
Non-current assets	
Intangible fixed assets	11,152
Property, plant and equipment	1,021
Right-of-use assets	352
Other receivables	54
Current assets	
Inventory	4,513
Trade receivables	4,327
Other receivables	459
Cash and cash equivalents	60
Current liabilities	
Borrowings due within one year	(387)
Lease liabilities due within one year	(207)
Trade payables	(4,367)
Other current liabilities	(897)
Non-current liabilities	
Deferred tax liabilities	(2,514)
Borrowings	(730)
Lease liabilities	(132)
	12,704

The goodwill arising on these acquisitions can be specified as follows:

x € 1,000	
Total considerations	13,859
Plus: non-controlling interest	3,779
Less: fair value of identifiable net assets acquired	(12,704)
	4,934

None of the goodwill is expected to be deductible for income tax purposes.

Impact of acquisitions

Acquisition-related costs (included in administrative expenses) amount to € 0.5 million. The acquisitions contributed € 28.2 million revenue and € 0.5 million to the Group's profit for the period between the date of acquisition and the reporting date. If the acquisitions had been completed on the first day of the financial year, Group revenues for the year would have been € 31.9 million higher and Group profit would have been € 0.7 million higher.

35. Subsequent events

There were no material events after December 31, 2019 that would have changed the judgement and analysis by Management of the financial condition as at December 31, 2019 or the result for the year of the Group.

OTHER INFORMATION

Independent auditor's report

To the Shareholders of
B&S Group S.A.
14, rue de Strachen
L-6933 Mensdorf
Grand Duchy of Luxembourg

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of B&S Group S.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2019, and of its consolidated financial performance and of its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the EU Regulation N° 537/2014, the Law of July 23, 2016 on the audit profession (Law of July 23, 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF). Our responsibilities under the EU Regulation No 537/2014, the Law of July 23, 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "Responsibilities of the "Réviseur d'Entreprises Agréé" for the Audit of the Consolidated Financial Statements section of our report. We are also independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

First-time adoption of IFRS 16 Leases accounting standard — Refer to Notes 2.1, 3.9 and 26 to the consolidated financial statements

Key Audit Matter Description

The Group adopted IFRS 16 Leases on the mandatory effective date of the standard, January 1, 2019. The Group has chosen to apply IFRS 16 using the modified retrospective approach.

IFRS 16 modifies the accounting treatment of operating leases at inception, with the recognition of a right of use on the leased asset and of a liability for the lease payments over the lease contract term. The Group leases several assets including buildings and vehicles.

The first-time adoption of IFRS 16 resulted in the recognition, for the January 1, 2019 opening balance sheet, of right-of-use assets for a net value of € 71,862,000 and additional non-current lease liabilities of € 62,344,000 and current lease liabilities of € 8,426,000.

We considered the first time application of IFRS 16 as a key audit matter due to the material nature of those leases on the opening financial statements, and the significance of the Group's judgements in determining the assumptions used.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures included, but were not limited to:

- We have evaluated the first-time adoption of IFRS 16 by the Group and tested the resulting impact on the balance sheet and income statement. We have assessed whether the accounting regarding leases is consistent with the definitions of IFRS 16 including factors such as lease term, discount rate and measurement principles. Furthermore, we have assessed the application of the modified retrospective approach and verified whether this is consistent with the definition and expedients of IFRS 16. Due to the degree of management judgment in establishing the underlying assumptions we have involved a valuation specialist in assessing the appropriateness of the discount rates used in the IFRS 16 calculations. We also evaluated the impacts from and adequacy of disclosures regarding the new accounting standard IFRS 16.

Goodwill impairment test — Refer to Notes 3.5, 4 and 14 to the consolidated financial statements

Key Audit Matter Description

As disclosed in note 14, the Group's goodwill balance amounts to € 65,656,000 as at December 31, 2019.
In accordance with IFRS (IAS 36 Impairment of Assets) management is required to perform a yearly impairment test to ensure that the Group's goodwill is not carried at a value exceeding its recoverable amount. The impairment assessment is subject to significant management judgement and estimation in the following areas:

- assessment and determination of the expected cash flows from the businesses;
- setting appropriate terminal growth rates; and
- selection of the appropriate discount rate.

The audit procedures carried out on the valuation of goodwill are regarded as a key audit matter as the valuation of goodwill is susceptible to management judgment and estimates and is based on assumptions that are affected by future market and economic conditions.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures included, but were not limited to:

- We have addressed the goodwill valuation by testing the assumptions, discount rates, methodologies and financial data used. Specific focus was given to the sensitivity in the available headroom of cash-generating units (CGUs) where a reasonably possible change in the underlying assumption could cause the carrying amount to exceed its recoverable amount. We have also assessed management's internal controls with regard to the goodwill impairment test.

Other information

The Executive Board of Directors is responsible for the other information. The other information comprises the information stated in the consolidated management report and the Corporate Governance Statement but does not include the consolidated financial statements and our report of the "Réviseur d'Entreprises Agréé" thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Executive Board of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Executive Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs as adopted by the European Union, and for such internal control as the Executive Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Executive Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Executive Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Responsibilities of the "Réviseur d'Entreprises Agréé" for the Audit of the Consolidated Financial Statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "Réviseur d'Entreprises Agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation N° 537/2014, the Law of July 23, 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the EU Regulation N° 537/2014, the Law of July 23, 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Board of Directors.
- Conclude on the appropriateness of Executive Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "Réviseur d'Entreprises Agréé" to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "Réviseur d'Entreprises Agréé". However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

Report on Other Legal and Regulatory Requirements

We have been appointed as "Réviseur d'Entreprises Agréé" by the General Meeting of the Shareholders on May 20, 2019 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is two years.

The consolidated management report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

The Corporate Governance Statement is included in the consolidated management report. The information required by Article 68ter paragraph (1) letters c) and d) of the law of December 19, 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

We confirm that the audit opinion is consistent with the additional report to the audit committee or equivalent.

We confirm that the prohibited non-audit services referred to in the EU Regulation N° 537/2014 were not provided and that we remained independent of the Group in conducting the audit.

For Deloitte Audit, Cabinet de Révision Agréé

Eddy R. Termaten, Réviseur d'Entreprises Agréé
Partner

February 24, 2020
20 Boulevard de Kockelscheuer
L-1821 Luxembourg
Grand Duchy of Luxembourg

List of subsidiaries

Set out below are B&S Group S.A.'s significant subsidiaries at December 31, 2019. The disclosed significant subsidiaries represent the largest subsidiaries and represent approximate 90% of the total result before taxation of the Group. All subsidiaries are 100% owned unless stated otherwise.

Anker Amsterdam Spirits B.V., the Netherlands
B&S B.V., the Netherlands
B&S Bosman Global B.V., the Netherlands
B&S HTG B.V., the Netherlands (95%)
B&S International B.V., the Netherlands
B&S Investments B.V., the Netherlands
B&S Köpcke Global Supply B.V., the Netherlands
B&S LMCS DMCC, U.A.E.
B&S World Supply DMCC, U.A.E.
Capi-Lux Distribution B.V., the Netherlands
Capi-Lux Netherlands B.V., the Netherlands
Checkpoint Distribution B.V., the Netherlands
F.C.T. B.V., the Netherlands
FragranceNet.com Inc., U.S.A.
JTG B.V., the Netherlands (75.38%)
Kamstra Export B.V., the Netherlands
Koninklijke Capi-Lux Holding B.V., the Netherlands
Lagaay Medical Group B.V., the Netherlands (70%)
New World Distribution DMCC, U.A.E.
Paul Retail B.V., the Netherlands
Topbrands Europe B.V., the Netherlands (67.17%)
World Class Products International N.V., Netherlands Antilles

Contact

B&S Group S.A.
14, Rue Strachen
L-6933, Mensdorf
G.D. Luxembourg
Tel: +352 (0) 2687 0881
www.bs-group-sa.com