



Schoeller Packaging B.V.

Third Quarter ended September 30, 2020



Schoeller Allibert

Schoeller Packaging B.V.
Third quarter ended 30 September 2020
Unaudited condensed consolidated interim financial statements

Table of Contents

Principal Activities	2
Key Financial Results	2
Operating and Financial Review	3
Unaudited Condensed Consolidated Income Statement	7
Unaudited Condensed Consolidated Statement of Comprehensive Income	8
Unaudited Condensed Consolidated Balance Sheet	9
Unaudited Condensed Consolidated Statement of Changes in Equity	10
Unaudited Condensed Consolidated Statement of Cash Flows	11
Notes to the Unaudited Interim Condensed Consolidated Financial Statements	12

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

Principal Activities

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

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

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

Key Financial Results

The table below shows the Group’s key consolidated financial results for the three and nine months ended 30 September 2020 and 2019:

EUR'000	THREE MONTHS ENDED 30 SEPTEMBER		NINE MONTHS ENDED 30 SEPTEMBER	
	2020	2019	2020	2019
Revenue	126,029	136,494	383,967	381,436
Revenue growth	-7.7%	3.8%	0.7%	1.9%
Operating profit	6,370	7,016	17,712	15,599
Operating profit as % revenue	5.1%	5.1%	4.6%	4.1%
Adjusted EBITDA	16,406	17,698	48,117	46,370
EBITDA as a % of revenue	13.0%	13.0%	12.5%	12.2%
Profit (loss) before income taxes	(241)	(30)	324	(4,593)
Net capital expenditure	4,099	9,380	22,788	26,438
Net capital expenditure as a % of revenue	3.3%	6.9%	5.9%	6.9%
Cash generated from operations	13,217	26,426	39,912	30,347

The table below shows the Group’s key other financial metrics as at 30 September 2020 and 31 December 2019:

EUR'000	AS AT 30 SEPTEMBER	AS AT 31 DECEMBER
	2020	2019
Net working capital	(9,066)	(9,191)
Cash and cash equivalents	25,025	21,687
Total net loans and borrowings	309,688	302,037

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

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

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

Operating and Financial Review

Revenue

The table below shows the Group's operating segment revenue for the three and nine months ended 30 September 2020 and 2019:

EUR'000	THREE MONTHS ENDED 30 SEPTEMBER		NINE MONTHS ENDED 30 SEPTEMBER	
	2020	2019	2020	2019
Northern Europe	23,704	29,083	82,660	78,919
Central Europe	46,935	53,012	148,638	149,081
Southern Europe	24,412	31,655	73,384	88,835
United States of America	14,618	7,740	40,794	25,151
All Other Segments	16,360	15,004	38,491	39,450
Total revenue	126,029	136,494	383,967	381,436

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

- ▶ Northern Europe: Includes the manufacturing of RTP products and the sale thereof in the Netherlands and Belgium, UK and Ireland, Sweden, Finland, Latvia, Ukraine and Russia.
- ▶ Central Europe: Includes the manufacturing of RTP products and the sale thereof in Germany, Austria, Switzerland, Czech Republic, Romania, Slovakia, Hungary and Poland.
- ▶ Southern Europe: Includes the manufacturing of RTP products and the sale thereof in France, Italy, Spain and Portugal.
- ▶ United States of America (USA): Includes the manufacturing of RTP products and the sale thereof in the United States of America.
- ▶ All Other Segments: Includes pooling services and sale of products and technical support in Asia and South America.

Revenue in Northern Europe decreased by EUR 5,379 thousand, or 18.5%, to EUR 23,704 thousand for the three months ended 30 September 2020 from EUR 29,083 thousand for the three months ended 30 September 2019. This decrease in revenue was primarily attributable to lower retail volumes in the quarter offset by higher volumes in pooling industry.

Revenue in Central Europe decreased by EUR 6,077 thousand, or 11.5%, from EUR 53,012 thousand for the three months ended 30 September 2019 to EUR 46,935 thousand for the three months ended 30 September 2020. This decrease in revenue was driven by lower performance in the industrial manufacturing and retail partially and lower Automotive volumes offset partly by sales in the beverage market.

Revenue in the Southern Europe decreased by EUR 7,243 thousand, or 22.9%, from EUR 31,655 thousand for the three months ended 30 September 2019 to EUR 24,412 thousand for the three months ended 30 September 2020. This decrease was mainly caused by lower sales in automotive market partially offset by retail sales.

Revenue in the USA increased by EUR 6,878 thousand, or 88.9%, from EUR 7,740 thousand for the three months ended 30 September 2019 to EUR 14,618 thousand for the three months ended 30 September 2020. This increase was attributable to higher pooling volumes.

Revenue in all Other Segments increased by EUR 1,357 thousand, or 9.0%, from EUR 15,003 thousand for the three months ended 30 September 2019 to EUR 16,360 thousand for the three months ended 30 September 2020. This decrease is attributable to higher revenues from the Services business.

Operating result

EUR'000	THREE MONTHS ENDED 30 SEPTEMBER		NINE MONTHS ENDED 30 SEPTEMBER	
	2020	2019	2020	2019
Operating profit	6,370	7,016	17,712	15,599

Operating profit decreased by EUR 648 thousand to EUR 6,370 thousand for the three months ended 30 September 2020 compared to EUR 7,016 thousand for the three months ended 30 September 2019. The lower profit resulted mainly from lower revenue partially offset by lower raw material costs.

The following table shows a breakdown of operating result by geographic segment for the three and nine months ended 30 September 2020 and 2019:

EUR'000	THREE MONTHS ENDED 30 SEPTEMBER		NINE MONTHS ENDED 30 SEPTEMBER	
	2020	2019	2020	2019
Northern Europe	1,633	2,692	6,011	4,365
Central Europe	1,846	2,397	9,645	9,347
Southern Europe	551	1,474	253	5,576
United States of America	(864)	(3,174)	1,522	(3,615)
All Other Segments	3,204	3,627	281	(74)
Operating profit	6,370	7,016	17,712	15,559

Adjusted EBITDA

The Company discloses Adjusted EBITDA as a non-IFRS performance measure. The Group defines Adjusted EBITDA as the operating result for the year excluding depreciation, amortisation and impairment, adjusting items and shareholder management fees. Items are disclosed as adjusting where it is necessary to do so to provide further understanding of the financial performance of the Group.

Adjusting items are items of income or expense arising from circumstances or events such as business combinations, closure of manufacturing locations, litigation settlements, certain shareholder exit fees or other items, that in all cases are assessed by management as material, non-recurring and requiring separate disclosure due to the significance of their nature or amount

EUR'000	THREE MONTHS ENDED 30 SEPTEMBER		NINE MONTHS ENDED 30 SEPTEMBER	
	2020	2019	2020	2019
Operating profit	6,370	7,016	17,712	15,599
Adjusting items	845	1,210	2,389	3,366
Shareholder management fees	(250)	375	750	1,125
Depreciation and impairment expense	8,970	8,613	25,901	24,887
Amortisation and impairment expense	471	484	1,365	1,393
Adjusted EBITDA	16,406	17,698	48,117	46,370

Adjusting items decreased by EUR 365 thousand from EUR 1,210 thousand for three months ended 30 September 2019 to EUR 845 thousand for three months ended 30 September 2020.

Adjusting items for three months ended 30 September 2020 relate to non-recurring items arising from:

- ▶ EUR 0.6 million of employee severance costs;
- ▶ EUR 0.1 million provision for Covid19 related costs;
- ▶ EUR 0.1 million of bad debts write offs;

Adjusting items for three months ended 30 September 2019 relate to non-recurring items arising from:

- ▶ EUR 0.8 million of employee severance costs;
- ▶ EUR 0.4 million of costs related to refinancing activities;

Net finance expense

Net finance expense for the three months ended 30 September 2020 was EUR 6,608 thousand (expense for the three months ended 30 September 2019: EUR 7,047 thousand). Lower interest expense and amortization of deferred financing cost partially offset by higher foreign exchange losses are the main driver of this decrease.

Profit (loss) before income taxes

The losses before income taxes was EUR 251 thousand for the three months ended 30 September 2020 (the three months ended 30 September 2019: loss of EUR 30 thousand).

Cash generated from operations

Cash generated from operations during the three months ended 30 September 2020 amounted to a EUR 13,284 thousand inflow (the three months ended 30 September 2019 EUR 26,426 thousand inflow).

Net capital expenditure

Net capital expenditure is defined as total acquisition of property, plant and equipment, and intangible assets less proceeds from sale of property, plant and equipment less proceeds from new finance leases.

EUR'000	THREE MONTHS ENDED 30 SEPTEMBER		NINE MONTHS ENDED 30 SEPTEMBER	
	2020	2019	2020	2019
Proceeds from sale of property, plant and equipment	93	(95)	120	164
Acquisition of property, plant and equipment	(5,307)	(10,624)	(23,360)	(29,375)
Acquisition of intangible assets	(624)	(1,240)	(3,490)	(2,915)
Gross Capital Expenditure	(5,931)	(11,864)	(26,850)	(32,290)
New finance leases	1,739	2,579	3,942	5,688
Net Capital Expenditure	(4,099)	(9,380)	(22,788)	(26,438)

Net capital expenditure was EUR 4,099 thousand outflow for the three months ended 30 September 2020 (the three months ended 30 September 2019: EUR 9,380 thousand outflow), which represented 3.3% of revenue for the three months ended 30 September 2020 (6.9% for the three months ended 30 September 2019). The decrease was driven by lower investments in machinery and equipment.

Net working capital

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

As of 30 September 2020, the current receivables from related parties were equal to nil (31 December 2019: nil) and the current payables due to related parties were equal to EUR 109 thousand (31 December 2019: EUR 124 thousand).

EUR'000	AS AT 30 SEPTEMBER	AS AT 31 DECEMBER
	2020	2019
Total current assets	143,770	153,520
Cash and cash equivalents	(42,025)	(40,613)
Total current working capital assets	101,745	112,907
Total current liabilities	144,605	156,682
Bank overdrafts	(17,000)	(18,926)
Current portion of loans and borrowings	(16,685)	(15,534)
Current payable from related parties	(109)	(124)
Total current working capital liabilities	110,811	122,098
Net Working Capital	(9,066)	(9,191)

As of 30 September 2020, the Group had a negative net working capital of EUR 9,066 thousand (31 December 2019 negative net working capital of EUR 9,191 thousand).

Cash and cash equivalents

Cash and cash equivalents is defined as cash and cash equivalents less bank overdrafts. As of 30 September 2020, the Group had cash and cash equivalents of EUR 25,025 thousand (31 December 2019: EUR 21,687 thousand) on its balance sheet.

EUR'000	AS AT 30 SEPTEMBER	AS AT 31 DECEMBER
	2020	2019
Cash and cash equivalents	42,025	40,613
Bank overdrafts	(17,000)	(18,926)
Cash and cash equivalents	25,025	21,687

As at 30 September 2020, the Group had one revolving credit facility of EUR 30 million (31 December 2019: EUR 30 million). As at 30 September 2020 we have drawn EUR 18.6 million (31 December 2019: EUR 5 million) against this credit facility of which EUR 1.6m is used for guarantees and EUR 17m is kept as cash on the balance sheet as a precautionary measure given the Covid 19 crisis.

Total net loans and borrowings

Net loans and borrowings is defined as total current and non-current loans and borrowings excluding deferred financing costs less cash and cash equivalents, which increased to EUR 309.7 million as at 30 September 2020 (31 December 2019 EUR 302 million).

EUR'000	AS AT 30 SEPTEMBER	AS AT 31 DECEMBER
	2020	2019
Senior secured note	250,000	250,000
Lease liabilities	51,186	52,077
Other credit institutions	24,335	13,345
Total debt excl shareholder credit facility	325,541	315,422
Shareholder credit facility (incl accrued interest)	9,192	8,304
Total debt incl shareholder credit facility	334,773	323,726
Total deferred financing costs	(6,001)	(7,310)
Total loans and borrowings as per note 12	328,712	316,416

Unaudited Condensed Consolidated Income Statement

EUR'000	Note	THREE MONTHS ENDED 30 SEPTEMBER		NINE MONTHS ENDED 30 SEPTEMBER	
		2020	2019	2020	2019
Revenue	8	126,029	136,494	383,967	381,436
Other income (loss)		30	27	22	153
Total revenue		126,059	136,521	383,989	381,589
Raw materials and consumables used		(57,880)	(68,231)	(179,430)	(185,939)
Costs for subcontracting		(479)	(635)	(1,188)	(1,690)
Employee benefit expense		(30,745)	(31,286)	(94,841)	(92,922)
Other operating costs		(21,144)	(20,256)	(63,553)	(59,159)
Depreciation and impairment expense		(8,970)	(8,613)	(25,901)	(24,887)
Amortisation and impairment expense		(471)	(484)	(1,364)	(1,393)
Total operating expenses		(119,689)	(129,505)	(366,277)	(365,990)
Operating profit		6,370	7,016	17,712	15,599
Finance income		58	4	1,196	27
Finance expense		(6,667)	(7,050)	(18,584)	(20,219)
Net Finance Expense		(6,608)	(7,046)	(17,388)	(20,192)
Profit (loss) before income taxes		(241)	(30)	324	(4,593)
Income tax	11	173	385	(1,284)	(662)
Profit (loss) for the period		(67)	355	(961)	(5,256)
Attributable to:					
Owners of the Company		(103)	330	(931)	(5,195)
Non-controlling interests		36	25	(30)	(61)

Unaudited Condensed Consolidated Statement of Comprehensive Income

EUR'000	THREE MONTHS ENDED 30 SEPTEMBER		NINE MONTHS ENDED 30 SEPTEMBER	
	2020	2019	2020	2019
Profit (loss) for the period	(67)	355	(961)	(5,256)
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation differences - foreign operations, net of tax	(70)	1,275	(3,835)	1,613
Total comprehensive loss for the period, net of income tax	(137)	1,630	(4,796)	(3,643)
Attributable to:				
Owners of the Company	(103)	1,606	(4,762)	(3,586)
Non-controlling interests	(34)	24	(34)	(57)
Total comprehensive loss for the period	(137)	1,630	(4,796)	(3,643)

Unaudited Condensed Consolidated Balance Sheet

EUR'000	Note	AS AT 30 SEPTEMBER	AS AT 31 DECEMBER
		2020	2019
ASSETS			
Non-current assets			
Property, plant and equipment		119,724	119,085
Right of use assets		53,243	51,417
Intangible assets		12,078	9,415
Equity accounted investments		785	785
Other financial assets		14,579	15,117
Deferred income tax assets		12,697	11,669
Total non-current assets		213,106	207,488
Current assets			
Inventories		39,675	37,922
Trade and other receivables		51,207	59,857
Current income tax assets		935	2,521
Prepayments		9,928	12,607
Net Cash and cash equivalents		42,025	40,613
Total current assets		143,770	153,520
TOTAL ASSETS		356,876	361,008
EQUITY			
Share capital		-	-
Share premium		106,979	106,979
Other reserves		(146,646)	(142,881)
Accumulated deficit		(74,377)	(73,380)
Equity attributable to owners of the Company		(114,044)	(109,282)
Non-controlling interests		572	607
Total equity		(113,472)	(108,676)
LIABILITIES			
Non-current liabilities			
Loans and borrowings	12	312,027	300,882
Employee benefits		9,418	9,311
Provisions	13	493	623
Deferred income tax liabilities		3,808	2,185
Total non-current liabilities		325,746	313,001
Current liabilities			
Loans and borrowings	12	16,685	15,534
Bank overdrafts		17,000	18,926
Provisions	13	470	1,005
Current income tax liabilities		1,145	1,700
Trade and other payables		109,305	119,517
Total current liabilities		144,605	156,682
Total liabilities		470,348	469,683
TOTAL EQUITY AND LIABILITIES		356,876	361,008

Unaudited Condensed Consolidated Statement of Changes in Equity

EUR'000	Share capital	Share premium	Other reserves	Accumulated deficit	Total	Non-controlling interest	Total equity
Balance as at 1 January 2020	-	106,979	(142,881)	(73,380)	(109,282)	607	(108,676)
Loss for the period	-	-	-	(931)	(931)	(30)	(961)
Foreign currency translation differences – foreign operations; net of income tax	-	-	(3,832)	-	(3,832)	(4)	(3,835)
Total comprehensive loss for the year	-	-	(3,832)	(931)	(4,763)	(34)	(4,796)
Balance as at 30 September 2020	-	106,979	(146,713)	(74,311)	(114,045)	572	(113,472)

EUR'000	Share capital	Share premium	Other reserves	Accumulated deficit	Total	Non-controlling interest	Total equity
Balance as at 1 January 2019	-	106,979	(145,268)	(60,820)	(99,108)	515	(98,593)
Profit/(loss) for the year	-	-	-	(5,195)	(5,195)	(61)	(5,256)
Foreign currency translation differences - foreign operations; net of income tax	-	-	1,607	-	1,607	5	1,612
Total comprehensive loss for the year	-	-	1,607	(5,195)	(3,588)	(57)	(3,644)
Balance as at 30 September 2019	-	106,979	(143,661)	(66,015)	(102,696)	458	(102,237)

Unaudited Condensed Consolidated Statement of Cash Flows

EUR'000	THREE MONTHS ENDED 30 SEPTEMBER		NINE MONTHS ENDED 30 SEPTEMBER	
	2020	2019	2020	2019
Profit (loss) for the period	(67)	355	(961)	(5,256)
Adjustments for:				
Depreciation and impairment	8,970	8,613	25,901	24,887
Amortisation and impairment	471	484	1,364	1,393
Loss/(Profit) on sale of property, plant and equipment	(30)	(27)	(22)	(153)
Net finance costs	7,244	9,154	17,555	23,021
Tax (income) expense	(173)	(385)	1,284	662
Change in:				
Inventories	(3,301)	(5,806)	(2,282)	(13,770)
Trade and other receivables	11,243	2,466	7,699	(5,534)
Prepayments and accrued income	(9)	(1,696)	2,259	(2,394)
Trade and other payables	(9,894)	12,979	(12,195)	8,375
Provisions and employee benefits	(1,238)	289	(690)	(884)
Cash generated from operations	13,217	26,426	39,912	30,347
Interest received	58	3	142	26
Interest paid	(1,156)	(1,943)	(11,932)	(13,079)
Income tax paid	140	(2,845)	326	(4,323)
Net cash inflow (outflow) from operating activities	12,259	21,642	28,449	12,972
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment	93	(96)	121	164
Long term loans receivable granted	(290)	(910)	82	(1,793)
Long term loans receivable collected	-	-	-	-
Acquisition of property, plant and equipment	(3,568)	(8,045)	(19,418)	(23,687)
Acquisition of intangible assets	(624)	(1,240)	(3,490)	(2,915)
Net cash inflow (outflow) from investing activities	(4,389)	(10,290)	(22,706)	(28,231)
Cash flows from financing activities				
Payment of transaction costs related to loans and borrowings	(30)	(55)	(513)	(66)
Proceeds from borrowings	11,887	1,162	15,570	10,902
Repayment of borrowings	(2,594)	(1,282)	(4,126)	(3,295)
Payment of lease liabilities	(4,945)	(3,802)	(12,725)	(10,920)
Net cash inflow (outflow) from financing activities	4,317	(3,977)	(1,793)	(3,380)
Net change in cash and cash equivalents	12,187	7,374	3,950	(18,638)
Cash and cash equivalents at beginning of period	13,093	(17,334)	21,687	8,634
Effect of exchange rate fluctuations on cash and cash equivalents	(254)	118	(612)	162
Cash and cash equivalents at end of period	25,025	(9,841)	25,025	(9,841)

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

1. General information

SCHOELLER PACKAGING B.V. (“SP” or “the Company”) is a company limited by shares incorporated and domiciled in the Netherlands, having its statutory seat in Amsterdam. The address of the Company’s registered office is Taurusavenue 35, 2132 LS, Hoofddorp. Schoeller Packaging B.V. was incorporated on 25 October 2019.

Schoeller Packaging B.V. was established on 30 September 2019 and is registered with the Dutch Commercial Register under number 75962357. The Company received the shares in Schoeller Allibert Group B.V. as part of a share premium contribution from Schoeller Packaging Holding B.V. After this transaction, Schoeller Allibert Group B.V. is a wholly owned subsidiary of the Company.

Because the Company did not exist prior to 30 September 2019, no consolidated financial information was prepared by the Company for the period before that date. The financial information before 30 September 2019 was derived from the consolidated financial statements of Schoeller Allibert Group B.V. and its direct and indirect subsidiaries. The Company is the continuation of the operations of Schoeller Allibert Group B.V. as the business is transferred to the Company in common control transaction. This transaction was primarily created to facilitate the refinancing of the Senior Secured Notes.

Schoeller Packaging B.V. is a wholly owned subsidiary of Schoeller Packaging Holding B.V., a company incorporated in the Netherlands that is owned 70% by BCP IV RTP Holdings Ltd., ultimately 100% held by Brookfield Asset Management Inc., and 30% by Schoeller Industries B.V., a company incorporated in the Netherlands that is active in supply chain systems. Brookfield Asset Management Inc. has a 52% voting interest in the business, which provides them control. Accordingly, Brookfield Asset Management Inc. consolidates the business for their financial reporting purposes.

The Company and its direct and indirect subsidiaries are collectively referred to as the “Group”, and individually as “Group entities”. The Group is primarily involved in developing, producing and selling plastic returnable transport packaging solutions.

2. Basis of Preparation

The interim financial information for the third quarter ended 30 September 2020 has been prepared on a going concern basis and in accordance with IAS 34 ‘Interim financial reporting’ as adopted by the European Union. The interim condensed consolidated financial statements are presented in euros and rounded to the nearest thousand, unless otherwise stated. The interim condensed consolidated financial statements do not include all the information and disclosures required in the complete set of annual financial statements and should be read in conjunction with the audited Annual Report of Schoeller Packaging B.V. for the year ended 31 December 2019, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

3. Going concern

In the first three quarters of 2020, the Group increased its revenue by EUR 2.5 million. However, the Group has recorded a net loss for first three quarters of 2020 of EUR 0.1 million and still has a negative working capital of EUR 9.1 million and negative equity of EUR 113.5 million which should be carefully considered when considering the entity’s ability to continue as a going concern. In spite of this, the Group has taken several measures and has reported improvements in its performance that will ensure the Company’s future.

During the first three quarters of 2020, the Group generated a net cash inflow from operating activities of EUR 39.9 million (YTD September 2019: EUR 30.3 million inflow). The Group has a stable financing structure provided by senior secured notes due in 2024 and access to a EUR 30 million revolving credit facility with a solid cash position as at 30 September 2020. Furthermore, the Group has access to a committed credit facility of up to EUR 65 million from its shareholder Brookfield, subject to shareholder consent, of which EUR 9.2 million including capitalized and accrued interest was drawn as of Q3 2020.

During the past years the Group has seen significant levels of capital expenditure focused on product innovation. These innovations have resulted in new product launches that have contributed to the revenue in the nine months of 2020 with further growth potential in the coming years.

Based on the above mentioned facts, Management of the Group believes that the application of the going concern assumption for the Q3 2020 consolidated financial statements is appropriate.

4. Auditor involvement

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

5. Accounting policies

The accounting policies applied are consistent with those applied in the audited Annual Financial Report 2019 of Schoeller Packaging B.V., except for the adoption of new and amended standards.

Other standards and interpretations

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

6. Critical accounting estimates and judgments

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

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

In preparing these third quarter condensed consolidated interim financial statements, the significant judgments made by the Management in applying the Group's accounting policies and the key sources of estimation uncertainty, were the same as those that applied to the audited Annual Financial Report 2019 of Schoeller Packaging B.V.

7. Financial risk management

The Group's operations and financial results are subject to various risks and uncertainties that could adversely affect its business, financial position, results of operations and cash flows. The Group's risk management objectives and policies are consistent with those disclosed in the audited Annual Financial Report 2019 of Schoeller Packaging B.V.

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

	2020			2019		
	September Closing	Three Month Average	Nine Month Average	September Closing	Three Month Average	Nine Month Average
British pound	0.9124	0.9029	0.8852	0.8857	0.9024	0.8824
US dollar	1.1708	1.1831	1.1286	1.0889	1.1024	1.1215
Swiss franc	1.0804	1.0782	1.0685	1.0847	1.0932	1.1161

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

For the nine months ended 30 September 2020, approximately 64% of revenue was generated by operations inside the Euro zone. Consequently the translation risk of non-Euro results to the Euro is the most significant currency risk. Currency fluctuations of especially the US dollar and British pound could materially affect the consolidated Group results. Translation risks of non-Euro equity positions in the Group are not hedged.

The Group's companies are also exposed to foreign currency transactional risks on revenues and expenses that are denominated in a currency other than the respective functional currencies of the Group's entities. The Group tries to mitigate the risks of transactional currency exposures by natural hedges. The Group may use forward exchange contracts or currency swaps to hedge forecasted foreign exchange cash flow transactions.

8. Revenue

EUR'000	THREE MONTHS ENDED 30 SEPTEMBER		NINE MONTHS ENDED 30 SEPTEMBER	
	2020	2019	2020	2019
Sales of goods	108,987	117,265	340,347	339,899
Services rendered	17,042	19,229	43,620	41,537
Revenue	126,029	136,494	383,967	381,436

9. Segment Information

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

The BoD considers the business primarily from a geographic perspective. The production and sale of Returnable Transit Packaging ("RTP") products' performance per region, also called the Manufacturing business is key. Smaller segments that are not meeting the aggregation criteria or individual reporting thresholds are all reported in "All Other Segments".

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

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

The segment results for the three months ended 30 September 2020 and 2019 are as follows:

EUR'000	THREE MONTHS ENDED 30 SEPTEMBER 2020						
	Northern Europe	Central Europe	Southern Europe	USA	All other Segments	Eliminations	Total
Total segment revenue	34,758	52,046	31,216	14,637	17,849	(24,478)	126,029
Inter-segment revenue	(11,054)	(5,111)	(6,805)	(19)	(1,489)	24,478	-
Total revenue from external customers	23,704	46,935	24,412	14,618	16,360	-	126,029
Operating result	1,633	1,846	551	(884)	3,204	-	6,370
Net finance cost							(6,608)
Income tax expense							173
Profit (loss) for the period							(67)

EUR'000	THREE MONTHS ENDED 30 SEPTEMBER 2019						
	Northern Europe	Central Europe	Southern Europe	USA	All other Segments	Eliminations	Total
Total segment revenue	39,422	61,586	40,665	7,740	19,003	(31,923)	136,494
Inter-segment revenue	(10,339)	(8,574)	(9,010)	-	(4,001)	31,923	-
Total revenue from external customers	29,083	53,012	31,655	7,740	15,003	-	136,494
Operating result	2,692	2,397	1,474	(3,174)	3,627	-	7,016
Net finance cost							(7,047)
Income tax expense							385
Profit (loss) for the period							354

The segment results for the nine months ended 30 September 2020 and 2019 are as follows:

NINE MONTHS ENDED 30 SEPTEMBER 2020							
EUR'000	Northern Europe	Central Europe	Southern Europe	USA	All other Segments	Eliminations	Total
Total segment revenue	112,458	166,251	94,842	40,913	45,042	(75,539)	383,967
Inter-segment revenue	(29,798)	(17,613)	(21,458)	(119)	(6,551)	75,539	-
Total revenue from external customers	82,660	148,638	73,384	40,794	38,491	-	383,967
Operating result	6,011	9,645	253	1,522	281	-	17,712
Net finance cost							(17,388)
Income tax expense							(1,284)
Profit (loss) for the period							(961)

NINE MONTHS ENDED 30 SEPTEMBER 2019							
EUR'000	Northern Europe	Central Europe	Southern Europe	USA	All other Segments	Eliminations	Total
Total segment revenue	105,345	173,201	113,119	25,282	47,109	(82,620)	381,436
Inter-segment revenue	(26,426)	(24,120)	(24,120)	(131)	(7,658)	82,620	-
Total revenue from external customers	78,919	149,081	88,835	25,151	39,451	-	381,436
Operating result	4,365	9,347	5,576	(3,615)	(74)	-	15,599
Net finance cost							(20,192)
Income tax expense							(662)
Profit (loss) for the period							(5,255)

10. Net finance cost

EUR'000	THREE MONTHS ENDED 30 SEPTEMBER		NINE MONTHS ENDED 30 SEPTEMBER	
	2020	2019	2020	2019
Interest income on loans and receivables	58	4	142	26
Net foreign exchange gain	-	-	1,054	-
Finance income	58	4	1,196	26
Interest expense on borrowings	(4,949)	(5,094)	(14,879)	(14,933)
Amortisation deferred financing fees	(527)	(977)	(1,792)	(2,931)
Net foreign exchange loss	(467)	(178)	-	(163)
Other financial expenses	(723)	(801)	(1,914)	(2,192)
Finance expense	(6,667)	(7,050)	(18,584)	(20,219)
Net finance expense	(6,608)	(7,046)	(17,388)	(20,193)

Net finance expense for the three months ended 30 September 2020 was EUR 6,608 thousand (expense for the three months ended 30 September 2019: EUR 7,046 thousand). The FX loss is higher than last year. Deferred financing fees offset that increase.

The net foreign exchange results are mainly attributable to the fluctuations of the Euro against the US dollar, British pound, Swiss franc, Polish zloty and Swedish krona. Finance expenses are lower, among other things, interest on IFRS 16 liability and the Shareholder loan.

11. Income tax expense

Income tax expense/income is recognized based on management's estimate of the average annual income tax rate expected for the full financial year. The total income tax expense for the nine months ended 30 September 2020 amounted EUR 1,284 thousand (nine months ended 30 September 2019 income tax expense: EUR 662 thousand).

12. Loans and borrowings

The carrying amounts of loans and borrowings are as follows:

EUR'000	AS AT 30 SEPTEMBER			AS AT 31 DECEMBER		
	2020			2019		
	Current	Non-current	Total	Current	Non-current	Total
Senior secured note	-	250,000	250,000	-	250,000	250,000
Deferred financing costs	-	(5,998)	(5,998)	-	(7,038)	(7,038)
Senior secured note at amortised cost	-	244,002	244,002	-	242,962	242,962
Other credit institutions	2,100	22,235	24,335	1,369	11,976	13,345
Shareholder credit facility (incl accrued interest)	-	9,192	9,192	-	8,304	8,304
Lease liabilities	14,588	36,598	51,186	14,167	37,909	52,077
Deferred financing costs	(3)	-	(3)	(3)	(269)	(272)
Total loans and borrowings	16,685	312,027	328,712	15,534	300,882	316,416

Movements during the period

Senior Secured Notes and the Guarantors

On 25 October 2019, the Group issued EUR 250,000 thousand 6.375% Senior Secured Notes due in 2024. Interest on the Notes is paid semi-annually in arrears on 1 May and 1 November of each year and accrues at a rate equal to 6.375% per annum. The maturity date of the notes is 1 November 2024. The Notes are listed and permitted to deal with at The Channel Island Securities Exchange Authority Limited.

The Notes are the Group's general senior obligations and rank pari passu in right of payment with any existing and future obligations that are not subordinated in right of payment to the Notes, including the revolving credit facility. No financial covenants apply to the Notes unless a change of control occurs.

The Notes are guaranteed on a senior secured basis by some of the Group subsidiaries located in the Netherlands, the United Kingdom, France, Germany, Spain, Belgium and the United States (Guarantors) and are secured by first-ranking security interest over the same assets that secure the Revolving Credit Facility (collateral).

We or our affiliates may, at any time and from time to time, seek to retire or purchase our outstanding debt through cash purchases and/or exchanges for equity or debt, in open-market purchases, privately negotiated transactions or otherwise. Such repurchases or exchanges, if any, will be upon such terms and at such prices as we may determine, and will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

Total loans and borrowings increased by EUR 12.3 million to EUR 328.7 million, mainly due to new loans.

As at 30 September 2020, EUR 18.6 million was drawn against the revolving credit facility (31 December 2019: EUR 5 million) of which EUR 17.0 million has been kept as cash and cash equivalents on the balance sheet as a precautionary measure given the Covid-19 crisis.

13. Provisions

EUR'000	Restructuring	Claims	Total
As at 1 January 2020	1,238	390	1,628
Provisions made during the year*	76	40	1,116
Provisions used during the year	(450)	-	(450)
Provisions reversed during the year	(330)	-	(330)
Effect of movements in exchange rates	-	(1)	(1)
As at 30 September 2020	534	429	963
Non-current	493	-	493
Current	41	429	470
Total provisions	534	429	963

EUR'000	Restructuring	Claims	Total
As at 1 January 2019	1,099	1,512	2,611
Provisions made during the year	660	474	1,134
Provisions used during the year	(526)	(1,429)	(1,955)
Provisions reversed during the year	-	(200)	(200)
Effect of movements in exchange rates	5	33	38
As at 31 December 2019	1,238	390	1,628
Non-current	623	-	623
Current	615	390	1,005
Total provisions	1,238	390	1,628

*part of the severance payments made have been recorded as Employee Benefit Cost (see note 8; and have not been separately reflected in the movement of the provisions.

The economic outflow of non-current provisions is expected to occur within one to three years.

Restructuring

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

Claims

In Q3 2020, the provision for claims included claims related to disputes with customers.

14. Contingencies

Dutch fiscal unity

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

Warranties

The Group does not provide for warranties, since no major claims have been received or payments made in connection with product warranty issues in recent years. However, contingencies might exist for product warranties, with no material losses expected.

Legal proceedings

The Group is involved in some legal proceedings and other claims. In the judgement of management, no losses in excess of provisions made, which would be material in relation to the Group's financial position, are likely to arise in respect of these matters, although their occurrence may have a significant effect on periodic results.

15. Related party transactions

There have been no changes in the nature of the related party transactions in the nine months ended 30 September 2020 as compared to the year ended 31 December 2019.

The Group has a commitment for a EUR 65 million investor facility from entities affiliated with Brookfield Business Partners L.P. As of 30 September 2020, an amount of EUR 7.6m was drawn under this facility and an amount of EUR 1.6 million of interest was accrued on the amount drawn.

16. Seasonality of Operations

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

17. Fair value of financial instruments

The fair values of financial assets and liabilities as at 30 September 2020 and 31 December 2019 are as follows.

EUR'000	AS AT 30 SEPTEMBER			AS AT 31 DECEMBER		
	2020			2019		
Financial liabilities	Carrying amount	Fair value	Fair value hierarchy	Carrying amount	Fair value	Fair value hierarchy
Senior secured note	250,000	240,163	1	250,000	258,300	1

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

18. Events after the balance sheet date

The Covid -19 ("Corona") virus has been spreading around the world since the end of 2019, having a major impact on society and businesses alike.

Lock-down measures in most European countries have been re-instated during Q3 2020 following an increase in infection rates across countries. The impact of the virus on the economy and our customers and by extension on our business remains impossible to estimate.

The business continues to monitor the situation in each country in order to timely execute the existing mitigation plans and develop new plans where required.

The business follows the situation day by day and is well focused and prepared to get through the coming months.

Hoofddorp, 31 October 2020



Schoeller Allibert

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