

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