Selecta Group B.V. and its subsidiaries, Amsterdam (The Netherlands)

Condensed consolidated interim financial statements for the 3 months ended 31 December 2014 (unaudited)

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Operating and financial review

Overview of the business

Selecta is the leading independent operator of vending machines in Europe by revenue, with operations in 21 countries across Europe and leading market shares in its key markets of Switzerland, Sweden and France. We operate a network of approximately 144’000 active snack and beverage vending machines on behalf of a broad and diverse client base. We offer a wide range of products in our vending machines, including hot and cold beverages and various snacks and confectionary items. Our clients include a large number of both private and public organizations. Our private vending services, which also include our office coffee services (“OCS”), are directed primarily at office environments but also include clients such as hospitals and universities. Our public vending machines are located in high traffic public locations, such as airports, train and subway stations and gas stations, where our longer term client contracts provide us with a steady stream of revenue. In addition to our public and private vending operations, we also generate revenue from trade sales of machines and products.

Our business model covers the full value chain of the vending services market. Our sales teams originate new contracts for the placement of vending machines on clients’ premises, and we also bid for concessions pursuant to public tenders to place vending machines with public entities, such as airports and train and subway stations. We purchase vending machines for our clients, install them at their premises and manage the sourcing and stocking of the food and beverage vending products on behalf of our clients. We also provide cleaning, maintenance and technical support services, which can be customized based on individual client preferences. In addition to our vending and vending services operations, we also sell vending machines, vending machine parts and products separately and independent of vending service arrangements. We therefore generate revenue at each step of the vending services value chain, through a combination of fees from clients for providing, stocking and maintaining vending machines, through the products sold from our vending machines and from the sale of machines, ingredients and spare parts.

We operate our vending machine network primarily under the “Selecta” brand. We are the overall market leader by revenue in the European vending market, with an estimated market share of approximately 7% based on market size data from the European Vending Association for 2012 and our own estimates.

Presentation of financial information

The consolidated financial statements included in this report have been prepared in accordance with the International Financial Reporting Standards, as adopted by the International Accounting Standards Board (“IFRS”).

In addition this report contains references to certain non IFRS measures and related ratios, including EBITDA, EBITDA margin, adjusted EBITDA, adjusted EBITDA margin, third party debt, net debt, capital expenditures and free cash flow.

“EBITDA” represents earnings before interest, income tax, depreciation, amortization and impairment expense. “Adjusted EBITDA” represents earnings before interest, income tax, depreciation, amortization and impairment expense and one off items.

“EBITDA margin” is calculated as EBITDA divided by revenue whilst “Adjusted EBITDA margin” is calculated as Adjusted EBITDA divided by revenue.

“Overhead costs” represents as the sum of employee benefits expenses and other operating expenses.

“Net capital expenditure” represents the sum of additions to property, plant and equipment, and other intangible assets, less cash proceeds from disposals of property, plant and equipment and other intangible assets.

“Free cash flow” represents net cash generated from operating activities less net cash used in investing activities.

“Net debt” represents financial debt and finance leases less cash and cash equivalents at the end of period. Note that this is different to the IFRS definition of borrowings where the outstanding liabilities are reduced by the amount of the unamortised refinancing costs incurred.

All comparisons in this Operating and Financial Review are against the equivalent quarter for the prior year unless otherwise stated.

Operating review

Sales have continued to stabilise in the three months ended 31 December 2014 and were in line with the same period in the prior year. The Group has refocused its activities on sales growth as the major restructuring activities have been completed, and the investment in additional sales force as well as additional logistics costs and technician costs associated with the rollout of new machines has resulted in a lower EBITDA in the quarter.

Revenue in the three months ended 31 December 2014 was 0.2% higher than the equivalent quarter in the previous year, compared to a 3.5% decline in the previous quarter. However the regional picture remains inconsistent:

- North region has delivered year on year sales growth for the third quarter in a row.
- Sales in central region were 2.9% ahead of last year with growth driven by Switzerland, Germany and Spain
- Sales in West region were 1.4% above last year as sales continue to stabilise in the UK post the restructuring exercise completed in 2013.
- In France sales in the quarter were 6.9% below the prior year. The shortfall was due to the loss of the Avia contract in the previous year as well as lower trade sales

Installations of the new generation of public vending machines has commenced in the first quarter of financial year 2015. 34 machines have been installed at SNCF stations by 31 December 2014 of a total 87 machines have been received from the manufacturer. Initial sales results from the machines installed to date are encouraging.

At 31 December 2014 the Group has 258 Starbucks on the go installations. The pipeline continues to grow, in particular for semi-public environments, with trials continuing in locations ranging from kiosks to furniture stores. A first wave of 50 machines are in the process of being installed at a petrol station forecourt operator in the UK as part of a deal to install 200 machines by the end of calendar year 2015.

Rollout of the Group’s other new machines also continues, with close to 6’000 Ferrara table top machines in the field by 31 December 2014. Delivery and installation of the Mirante free standing hot drink machine, based on the same modular design as the Ferrara and incorporating the same technological advances such as touch screen continued in the quarter, with 207 machines in place at client sites by 31 December 2014.

Adjusted EBITDA in the quarter was € 4.2 million, or 13.5%, lower than last year. Profit on sale of assets was € 1.0m lower in current year than previous year whilst EBITDA in the quarter was further impacted by a € 0.6m cost resulting from an increase in vacation provision. Investment in the sales force as part of the Group's sales force effectiveness programme has led to 20 additional sales FTE's in place, whilst costs have also been impacted by additional logistics and technician costs associated with the rollout of new machines, both of which are expected to contribute to profit growth in remainder of the year

Financial review

Financial summary

	3 months ended		
	Dec 14 €m	Dec 13 €m	Change %
Revenue	177.1	176.8	0.2%
Materials and consumables used	(56.2)	(56.0)	0.3%
Gross profit	120.9	120.8	0.1%
% margin	*68.3%*	*68.3%*	*0.0 pts*
Employee benefits expense	(56.4)	(54.0)	4.4%
Other operating expenses	(39.8)	(38.9)	2.4%
EBITDA	24.7	27.9	-11.5%
% margin	*14.0%*	*15.8%*	*-1.8 pts*
Adjustments	1.9	2.9	-33.5%
Adjusted EBITDA	26.6	30.8	-13.5%
% margin	*15.0%*	*17.4%*	*-2.4 pts*
Depreciation & amortisation	(20.9)	(21.4)	-3.3%
% revenue	*-11.8%*	*-12.1%*	*0.3 pts*

Revenue

Revenue increased by 0.2% in the 3 months ended 31 December 2014 to € 177.1 million compared to prior year (2013: € 176.8 million), an improvement compared to a revenue decline of 3.5% in the previous quarter.

The following table sets out the revenue development by region in the 3 months ended 31 December 2014 and 2013.

	3 months ended		
	Dec 14 €m	Dec 13 €m	Change %
France	44.8	48.1	-6.9%
West	26.0	25.7	1.4%
Central	74.7	72.5	2.9%
North	31.7	30.5	3.8%
Inter-company eliminations	(0.1)	(0.0)	
Group	**177.1**	**176.8**	**0.2%**

France

Revenue decreased by 6.9% in the 3 months ended 31 December 2014 to € 44.8 million compared to prior year (2013: € 48.1 million). The shortfall against last year is due to two element, the loss of the Avia contract earlier in the year (€ 1.6 million sales in the 3 months ended 31 December 2013), and in addition trade sales of machines and ingredients were € 1.6 million lower than in the previous year, The lower trade sales were largely due to machine sales of € 1.0 million to one client in the 3 months ended 31 December 2013. Sales in private vending were flat against prior year with strong new business gains compensating the continued negative same machine sales caused by the difficult trading environment. Sales in public vending (excluding the impact of Avia) were flat against last year. Installations of the Group's new generation public vending machine have commenced in the quarter, with 34 machines installed by 31 December 2014. Results from the initial machines installed are in line with the Group's expectations.

West

Revenue of € 26.0 million in the 3 months ended 31 December 2014 was 1.4% higher than last year (2013: € 25.7 million) as sales continue to stabilise in the UK post the restructuring exercise completed in 2013.

Central

Revenue increased by 2.9% to € 74.7 million in the 3 months ended 31 December 2014 compared to prior year (2013: € 72.5 million). Sales growth was strong across the region. In Switzerland sales were 3.0% ahead of last year, whilst Germany and Spain also showed strong growth on the back of new business gains (+4.0% and +5.8% respectively).

North

The North region experienced sales growth for the third consecutive quarter. Revenue increased by 3.8% to € 31.7 million in the 3 months ended 31 December 2014 compared to prior year (2013: € 30.5 million). The new Ferrara table top coffee machine continues to be rolled out across the region driving both new business gains as well as sales uplift on reinvestments. In addition increases in coffee prices have contributed to the higher sales, although the higher input prices are reflected in lower margins.

Gross profit

Gross profit and gross margin in the 3 months ended 31 December 2014 were in line with prior year. Gross margin increased by € 0.1 million, or 0.1%, to € 120.9 in the 3 months ended 31 December 2014 (2013: € 120.8 million) whilst gross margin was 68.3% in the 3 months ended 31 December 2014 and 2013. Gross margin has been negatively impacted by a reduction in high margin petrol station sales due to the loss of the Avia contract in France as well as increased coffee prices. These effects however have been offset by the sales mix with an increase in higher margin OCS sales, hence the flat margin on the total business.

Employee benefits expense

Employee benefits expense of € 56.4 million in the 3 months ended 31 December 2014 was € 2.4 million, or 4.4% higher than prior year (2013: € 54.0 million) due to the investment in additional sales force to drive the roll out of the Group's new machines and to deliver the Group's sales force effectiveness programme, as well as additional technician costs to support the rollout of the new business and new machines. In addition employee benefits expense was impacted by a € 0.6 million increase in vacation accruals in Switzerland in the 3 months ended 31 December 2014. At 31 December 2014 the Group had 4'416 FTE's, 38 less than at 31 December 2013 (4'454).

Other operating expenses

Other operating expenses increased by € 0.9 million, or 2.4%, to € 39.8 million in the 3 months ended 31 December 2014 (2013: € 38.9 million) driven by higher logistics costs associated with the machine rollout.

Depreciation, amortisation and impairment expense

Depreciation, amortisation and impairment expense decreased by 3.3% to € 20.9 million in the 3 months ended 31 December 2014 (2013: € 21.4 million) as a result of lower depreciation charges resulting from the lower capex spend in recent years.

Adjustments

Adjustments in respect of one off items were € 1.9 million in the 3 months ended 31 December 2014, 33.5% lower than in prior year (2013: € 2.9 million) consisting of € 1.1 million in respect of project costs, including the Group's sales force effectiveness programme and IT strategy review, as well € 0.8 million in restructuring costs, primarily in France.

Adjusted EBITDA

Adjusted EBITDA decreased by 13.5% in the 3 months ended 31 December 2014 to € 26.6 million compared to prior year (2013: € 30.8 million).

The following table sets out the adjusted EBITDA by region in the 3 months ended 31 December 2014 and 2013:

	3 months ended		
	Dec 14 €m	**Dec 13 €m**	**Change %**
France	4.3	6.7	-36.3%
West	2.0	2.2	-9.3%
Central	18.3	18.2	0.3%
North	6.0	6.8	-12.4%
HQ	(3.9)	(3.1)	23.9%
Group	**26.6**	**30.8**	**-13.5%**

France

Adjusted EBITDA of € 4.3 million in the 3 months ended 31 December 2014 was € 2.4 million, or 36.3%, below last year (2013: € 6.7 million) In addition to the impact of the lower sales, profit on sale of assets was € 1.0 million lower than in the previous year, whilst personnel and logistics costs were impacted by additional costs incurred in respect of the delivery of the new Move machine as well as installation of new business gains. Restructuring measures continue to be taken to improve efficiency particularly operational employees at branch level.

West

Adjusted EBITDA of € 2.0 million in the 3 months ended 31 December 2014 was € 0.2 million, or 9.3%, below prior year (2013: € 2.2 million) due to € 0.4 million lower EBITDA in Netherlands. UK delivered 8% year on year EBITDA growth in the quarter.

Central

Adjusted EBITDA of € 18.3 million in the 3 months ended 31 December 2014 was € 0.1 million, or 0.3%, higher than prior year (2013: € 18.2 million). Adjusted EBITDA was negatively impacted by a € 0.6 million increase in vacation accruals in Switzerland in the 3 months ended 31 December 2014. Excluding this impact, adjusted EBITDA was 3.6% higher than previous year, reflecting the sales growth delivered in the quarter across the region.

North

Adjusted EBITDA of € 6.0 million in the 3 months ended 31 December 2014 was € 0.8 million, or 12.4%, below prior year (2013: € 6.8 million). Whilst sales have continued to show growth margins have been adversely impacted by an increase in coffee prices. In addition the region has incurred exceptional logistics and technical costs associated with the rollout of the Ferrara machine.

Cash flow

	3 months ended		
	Dec 14 €m	**Dec 13 €m**	**Change %**
Net cash generated from/(used in) operating activities	(9.6)	14.4	-167.1%
Net cash used in investing activities	(17.6)	(10.3)	71.6%
Free cash flow	**(27.3)**	**4.1**	**-770.6%**
Proceeds from borrowings	29.1	-	
Repayment of borrowings	-	0.7	
Interest paid	(18.0)	(4.4)	
Other	(1.0)	0.1	
Net cash generated from/(used in) financing activities	**10.1**	**(3.6)**	
Net change in cash and cash equivalents	**(17.2)**	**0.5**	

Net cash generated from operating activities of € -9.6 million in the 3 months ended 31 December 2014 was € 24.0 million, or 167.1%, lower than last year (2013: € 14.4 million) driven by changes in working capital. Accounts payable decreased by € 19.3 million in the 3 months ended 31 December 2014 compared to a decrease of € 0.8 million in the previous year. The accounts payable decrease in the quarter represents a return to the normal unwind of accounts payable in the first quarter following year end. In addition inventories increased by € 6.5 million in the 3 months to 31 December 2014, compared to an increase of € 3.5 million in the previous year. The increase in inventories was driven by machines and spare parts awaiting installation at client sites.

Net cash used in investing activities increased by € 7.3 million, or 71.6%, to € 17.6 million in the 3 months ended 31 December 2014 (2013: € 10.3 million). Net capital expenditure increased by € 4.9 million, or 39.5%, to € 17.3 million (2013: € 12.4 million) reflecting the continued increased investment the Group has been making. New business capex (i.e. capital expenditure on machines at new locations) was € 7.3 million in the quarter, compared to € 6.7 million in the equivalent period in 2013, reflecting the installation of new business gains driven by the Group's sales force effectiveness programme. Cash received from disposals decreased by € 1.0 million, or 54.1%, to € 1.0 million (2013: € 2.1 million) as a result of lower asset sales in the quarter.

Therefore free cash flow in the 3 months ended 31 December 2014 was € -27.3 million, € 31.4 million or 771%, below last year (2013: € 4.1 million).

Net cash generated from financing activities of € 10.1 million in the 3 months ended 31 December 2014 consists primarily of € 30.0m drawn down on the Group's revolving credit facility to finance short term working capital changes, and € 18.0m interest payments, € 17.5 million of which relates to the interest payment on the senior secured notes in December 2014.

Net debt

The following table sets out the group's net debt at 31 December 2014.

	Dec 14 €m	Sep 14 €m	Change €m
Cash at bank	**28.1**	**45.4**	**(17.3)**
Revolving credit facility	30.0	-	30.0
Senior notes	553.8	553.0	0.8
PIK loan	233.8	220.7	13.1
Accrued interest	1.7	16.7	(15.0)
Finance leases	14.9	15.8	(0.9)
Total debt	**834.2**	**806.2**	**28.0**
Net debt	**806.1**	**760.8**	**45.3**

Note that the above definition of debt is different to the IFRS definition of borrowings where the outstanding liabilities are reduced by the amount of the unamortised refinancing costs incurred

Cash at bank decreased by € 17.3 million to € 28.1 million at 31 December 2014 (30 September 2014: € 45.4 million) due primarily to payment of the interest for the 6 months ended 15 December 2014 of € 17.5 million on the Group's senior secured notes in December 2014.

The amounts outstanding under the Group's revolving credit facility increased by € 30.0 million to € 30.0 million at 31 December 2014 (30 September 2014: zero) as a result of drawings made under the facility to cover short term working capital requirements.

The amounts outstanding on the PIK loan increased by € 13.1 million to € 233.8 million at 31 December 2014 (30 September 2014: € 45.4 million) due to the capitalisation of the PIK interest for the 6 months ended 15 December 2014 of € 13.1 million.

Accrued interest decreased by € 15.0 million to € 1.7 million at 31 December 2014 (30 September 2014: € 16.7 million) as a result of the payment of the interest on the senior secured notes and the capitalisation of the interest on the PIK loan. The remaining accrual represents interest for the period from 15 December until 31 December 2014.

As a result net debt increased by € 45.3 million to € 806.1 million at 31 December 2014 (30 September 2014: € 760.8 million).

Other material developments

Subsequent to the date of these condensed consolidated interim financial statements, the Swiss National Bank discontinued the minimum exchange rate of 1.20 Swiss Francs per Euro on 15 January 2015 resulting in a strengthening of the Swiss franc against the euro. As of 31 January 2015, the Swiss franc exchange rate was 1.04 to the euro. As a portion of the Group's revenues, profits, cash flows and borrowings are generated in or denominated in Swiss Francs, the appreciation in the value of the Swiss Franc against the Euro would result in an increase in the values reported in the condensed consolidated financial statements.

See note 14 of these interim financial statements for further details regarding the impact of the appreciation of the Swiss Franc against the Euro.

There have been no other material developments in respect of the Group in the 3 months ended 31 December 2014 or since this date and up to the date of approval of these condensed consolidated interim financial statements.

Condensed consolidated interim financial statements

Consolidated statement of profit or loss

	Notes	*3 months ended 31 December 2014 € (000's)*	*3 months ended 31 December 2013 € (000's)*
Revenue	6	177'135	176'845
Materials and consumables used		(56'227)	(56'050)
Employee benefits expense		(56'393)	(53'995)
Depreciation, amortisation and impairment expense		(20'927)	(21'417)
Other operating expenses		(42'040)	(42'616)
Other operating income		2'238	3'734
Profit before interest and income tax		**3'786**	**6'501**
Finance costs		(16'950)	(8'029)
Finance income		26	12
Loss before income tax		**(13'138)**	**(1'516)**
Income taxes		(215)	1'505
Net profit/(loss) for the period attributable to equity holders of the parent		**(13'353)**	**(11)**

Consolidated statement of comprehensive income

	3 months ended 31 December 2014 € (000's)	*3 months ended 31 December 2013 € (000's)*
Net profit (loss) for the period	**(13'353)**	**(11)**
Items that are or may subsequently be reclassified to the consolidated statement of profit or loss		
Effective portion of changes in fair value of cash flow hedges	2'640	-
Income tax relating to effective portion of changes in fair value of cash flow hedges	(700)	-
Foreign exchange translation differences for foreign operations	(1'000)	1'849
Other comprehensive income net of tax	**940**	**1'849**
Total comprehensive income attributable to equity holders of the parent	**(12'413)**	**1'838**

Consolidated balance sheet

	Notes	*31 December 2014 € (000's)*	*30 September 2014 € (000's)*
Assets			
Non-current assets			
Property, plant and equipment	7	169'746	168'925
Goodwill	8	483'128	483'128
Trademarks	9	286'301	286'301
Customer contracts	9	176'867	182'655
Other intangible assets	9	8'338	7'812
Deferred income tax assets		6'934	8'450
Derivative financial instruments	12	1'936	-
Non-current financial assets		2'365	2'563
Total non-current assets		**1'135'615**	**1'139'834**
Current assets			
Inventories		45'316	38'960
Trade receivables		37'429	38'522
Other current assets		37'073	35'409
Cash and cash equivalents		33'419	50'758
Total current assets		**153'237**	**163'649**
Total assets		**1'288'852**	**1'303'483**
Equity and liabilities			
Equity			
Share capital	11	187	187
Share premium	11	279'191	279'191
Additional paid-in capital	11	220'529	220'529
Currency translation reserve	11	(85'305)	(84'305)
Hedging reserve	11	1'254	(686)
Retained earnings	11	(229'008)	(215'655)
Equity attributable to equity holders of the parent		**186'848**	**199'261**
Non-current liabilities			
Borrowings	10	790'136	751'623
Derivative financial instruments	12	-	2'308
Non-current finance lease liabilities		8'145	11'116
Post-employment benefit obligations		11'193	10'694
Provisions		6'569	6'639
Deferred income tax liabilities		130'510	132'142
Total non-current liabilities		**946'553**	**914'522**
Current liabilities			
Borrowings	10	-	-
Derivative financial instruments	12	1'584	1'993
Current finance lease liabilities		6'753	4'206
Trade payables		77'208	98'112
Provisions		855	1'146
Current income tax liabilities		4'032	3'967
Other current liabilities		65'019	80'276
Total current liabilities		**155'451**	**189'700**
Total liabilities		**1'102'004**	**1'104'222**
Total equity and liabilities		**1'288'852**	**1'303'483**

Statement of changes in consolidated equity

	Share capital *€ (000's)*	***Share premium*** *€ (000's)*	***Additional paid-in capital*** *€ (000's)*	***Currency translation reserve*** *€ (000's)*	***Hedging reserve*** *€ (000's)*	***Retained earnings*** *€ (000's)*	***Equity attribut-able to equity holders of the parent*** *€ (000's)*
Balance at 1 October 2013	**187**	**278'457**	**220'529**	**(86'659)**	**-**	**(195'701)**	**216'813**
Other comprehensive income	-	-	-	2'354	(686)	3'368	5'036
Net profit/(loss)	-	-	-	-	-	(23'322)	(23'322)
Total comprehensive income	-	-	-	*2'354*	*(686)*	*(19'954)*	*(18'286)*
Capital contribution	-	*734*	-	-	-	-	*734*
Balance at 30 September 2014	**187**	**279'191**	**220'529**	**(84'305)**	**(686)**	**(215'655)**	**199'261**
Other comprehensive income	-	-	-	(1'000)	1'940	-	940
Net profit/(loss)	-	-	-	-	-	(13'353)	(13'353)
Total comprehensive income	-	-	-	(1'000)	1'940	(13'353)	(12'413)
Balance at 31 December 2014	**187**	**279'191**	**220'529**	**(85'305)**	**1'254**	**(229'008)**	**(186'848)**

Consolidated cash flow statement

	Notes	3 months ended 31 December 2014 € (000's)	3 months ended 31 December 2013 € (000's)
Cash flows from operating activities			
Net loss before income tax		(13'138)	(1'516)
Depreciation, amortization and impairment expense		20'927	21'417
Gain on disposal of property, plant and equipment, net		(438)	(1'237)
Net finance costs		16'924	8'017
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):			
(Increase)/Decrease in inventories		(6'467)	(3'547)
(Increase)/Decrease in trade receivables		469	(723)
(Increase)/Decrease in other current assets		(1'506)	2'394
Increase/(Decrease) in trade payables		(19'347)	(844)
Increase/(Decrease) in other liabilities		(6'192)	(9'445)
Income taxes (paid)/received		(870)	(165)
Net cash generated from/(used in) operating activities		**(9'638)**	**14'351**
Cash flows from investing activities			
Purchases of property, plant and equipment		(17'657)	(11'840)
Proceeds from sale of property, plant and equipment		1'108	2'080
Purchases of intangible assets		(1'124)	(535)
Interest received		26	12
Net cash used in investing activities		**(17'647)**	**(10'283)**
Cash flows from financing activities			
Proceeds from issuance of loans and borrowings	10	29'129	682
Interest paid		(18'048)	(4'353)
Other non-cash items (relating to FX rate differences)		(1'002)	63
Net cash generated from/(used in) financing activities		**10'079**	**(3'608)**
Net increase/(decrease) in cash and cash equivalents		**(17'206)**	**460**
Cash and cash equivalents at the beginning of the period		50'758	95'498
Exchange gains/(losses) on cash and cash equivalents		(133)	(325)
Cash and cash equivalents at the end of the period		**33'419**	**95'633**

Notes to the condensed consolidated interim financial statements

1. General Information

Selecta Group BV (“the Company”) is a limited company incorporated and domiciled in Amsterdam, the Netherlands. The Company and its subsidiaries are collectively referred to as herein as “the Group” or “the Selecta Group”. The Group is a European provider of food and beverage vending machine solutions. These financial statements do not represent statutory financial statements of the parent entity Selecta Group B.V.

2. Basis of preparation

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all information required for a complete set of IFRS financial statements and should therefore be read in conjunction with the financial statements for the year ended 30 September 2014.

Selected explanatory notes have been included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual consolidated financial statements as at and for the year ended 30 September 2014.

3. Summary of significant accounting policies

3.1. Accounting policies

The accounting policies adopted in the interim period are consistent with those in the previous financial year as disclosed in the financial statements for the year ended 30 September 2014, except for those accounting policies which have changed as a result of the issuance of new or revised standards and interpretations as disclosed in note 3.2 below.

3.2. New and revised/amended standards and interpretations

The Group has applied the following new International Financial Reporting Standards (IFRS) and revised International Accounting Standards (IAS) as from 1 October 2014.

	Effective date	***Planned application by Selecta Group B.V.***
New Standards or Interpretations		
IFRIC 21 Levies	1 January 2014	Reporting year 2014/15
Revisions and amendments of Standards and Interpretations		
Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)	1 January 2014	Reporting year 2014/15
Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)	1 January 2014	Reporting year 2014/15
Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)	1 January 2014	Reporting year 2014/15
Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)	1 July 2014	Reporting year 2014/15
Annual Improvements to IFRSs 2010-2012 Cycle	1 July 2014	Reporting year 2014/15
Annual Improvements to IFRSs 2011-2013 Cycle	1 July 2014	Reporting year 2014/15

3.3. Foreign exchange rates

The foreign currency rates applied against the Euro were as follows:

		31 December 2014	
		Balance sheet	*Income statement*
Czech Koruna	CZK	27.72	27.72
Danish Krone	DKK	7.45	7.45
Great Britain Pound	GBP	0.78	0.79
Hungarian Forint	HUF	315.76	310.17
Norwegian Kroner	NOK	9.07	8.76
Swedish Krona	SEK	9.47	9.34
Swiss Franc	CHF	1.20	1.20

3.4. Statement of seasonality of operations

Whilst the business of Selecta fluctuates from month to month, the impact between the first nine months and the remaining three months is limited, and in addition seasonal fluctuations across the months offset each other to a certain degree at group level.

4. Use of estimates and key sources of estimation uncertainties

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 September 2014.

5. Segmental reporting

The Group is organised and managed internally within four geographical regions. Each of these regions, which are the operating segments of the Group, offers a similar portfolio of vending products and services to consumers and customers. No operating segments have been aggregated. These segments represent the reportable segments of the Group, as follows:

Region France: includes operating entities in France.

Region West: includes operating entities in UK, Netherlands and Belgium.

Region Central: includes operating entities in Switzerland, Germany, Spain, Austria, Czech Republic, Slovakia and Hungary.

Region North: includes operating entities in Sweden, Finland, Estonia, Latvia, Lithuania, Denmark and Norway.

In addition to the segments identified above, the Group reports separately on its Headquarters (HQ), which includes corporate centre functions in Switzerland and in the Netherlands.

The operating results, earnings before interest, tax, depreciation and amortisation (EBITDA), of each reportable segment are regularly reviewed by the Chief Executive Officer, as the Group's Chief Operating Decision Maker, to assess performance and to determine how resources should be distributed.

Result for the 3 months ended 31 December 2014

	France € (000's)	**West** € (000's)	**Central** € (000's)	**North** € (000's)	**Total segments** € (000's)	**HQ** € (000's)	**IC elimin-ations** € (000's)	**Total Group** € (000's)
External revenue	44'809	26'046	74'670	31'667	**177'192**	-	(57)	**177'135**
Profit before interest, tax, depreciation and amortisation (EBITDA)	**3'533**	**1'922**	**18'168**	**5'842**	**29'465**	**(4'752)**	**-**	**24'713**
Depreciation and amortisation	(3'145)	(2'375)	(6'190)	(3'149)	**(14'859)**	(6'068)	-	(20'927)
Impairment expense	-	-	-	-	**-**	-	-	**-**
Profit before interest and income tax								**3'786**
Finance costs and finance income, net								**(16'924)**
Loss before income tax								**(13'138)**

Result for the 3 months ended 31 December 2013

	France € (000's)	**West** € (000's)	**Central** € (000's)	**North** € (000's)	**Total segments** € (000's)	**HQ** € (000's)	**IC elimin-ations** € (000's)	**Total Group** € (000's)
External revenue	48'116	25'691	72'538	30'512	**176'857**	10	(22)	**176'845**
Profit before interest, tax, depreciation and amortisation (EBITDA)	**6'035**	**1'802**	**17'868**	**6'805**	**32'510**	**(4'592)**	**-**	**27'918**
Depreciation and amortisation	(3'504)	(2'460)	(6'415)	(3'014)	**(15'393)**	(6'024)	-	**(21'417)**
Impairment expense	-	-	-	-	**-**	-	-	**-**
Profit before interest and income tax								**6'501**
Finance costs and finance income, net								**(8'017)**
Loss before income tax								**(1'516)**

There is no material revenue earned between the operating segments.

In addition, net revenues and non-current assets other than financial instruments and deferred tax assets are allocated according to the registered office of the related Group company as follows:

	Net revenue		*Non-current assets excluding deferred tax assets*	
	3 months ended 31 December 2014 € (000's)	*3 months ended 31 December 2013 € (000's)*	*31 December 2014 € (000's)*	*30 September 2014 € (000's)*
Switzerland	52'739	51'201	675'596	672'282
France	44'809	48'116	43'826	41'481
Sweden	24'244	23'420	44'995	45'739
UK	18'160	17'461	16'085	16'870
Germany	10'427	10'169	8'767	9'133
Netherlands	6'376	6'768	4'468	4'824
All other countries	20'380	19'710	40'521	40'248
Not allocated			294'423	300'807
Total	**177'135**	**176'845**	**1'128'681**	**1'131'384**

6. Revenue

	3 months ended 31 December 2014 € (000's)	*3 months ended 31 December 2013 € (000's)*
Revenue from publicly accessible points of sale	37'357	38'359
Revenue from privately placed points of sale	119'392	114'436
Revenue from trade sales of machines and products	13'199	16'077
Other revenue	7'187	7'973
Total revenue	**177'135**	**176'845**

Other revenue includes revenue from the rendering of technical services and rental income from machines placed at client sites under a rental contract.

Due to the nature of the Group's business operations, whereby the sale of goods and rendering of services are often incorporated into one contractual price, it is not possible to split revenue into these categories. Therefore the Group has disclosed instead the allocation of revenue used for internal management reporting purposes.

7. Property, plant and equipment

Property, plant and equipment consists primarily of vending equipment.

Additions of property, plant and equipment in the 3 months ended 31 December 2014 amount to € 17.3 million.

Net book values of disposals of property, plant and equipment in the 3 months ended 31 December 2014 amount to € 9.6 million.

As at 31 December 2014 commitments in respect of capital expenditure amounted to € nil (30 September 2014: € nil).

8. Goodwill

	31 December 2014 € (000's)	*30 September 2014 € (000's)*
Goodwill	**483'128**	**483'128**

During the financial year ended 30 September 2014 the carrying value of the Group, including goodwill, has been compared to its recoverable amount. It has been concluded that the recoverable amount exceeds the carrying amounts and therefore no impairment is required to be booked.

In respect of the 3 months ended 31 December 2014 management has reviewed whether there are any indications of impairment which would trigger the requirement to perform an impairment test at 31 December 2014 and concluded that there are no such indications of impairment.

9. Other intangible assets

Other intangible assets consist primarily of trademarks and customer contracts.

The trademark recognised by the Group represents the brand name and has an indefinite useful life. Therefore this trademark is tested for impairment annually.

During the financial year ended 30 September 2014 the carrying value of the trademark has been compared to its recoverable amount. It has been concluded that the recoverable amount exceeds the carrying amounts and therefore no impairment is required to be booked.

In respect of the 3 months ended 31 December 2014 management has reviewed whether there are any indications of impairment which would trigger the requirement to perform an impairment test at 31 December 2014 and concluded that there are no such indications of impairment.

The customer contracts recognised by the Group arise primarily from the customer contracts acquired as part of a previous business combination and are amortised over the determined useful life of 15 years.

10. Borrowings

	31 December 2014 € (000's)	*30 September 2014 € (000's)*
Borrowings at amortised cost	566'608	535'013
Loans due to parent undertaking at amortised cost	223'528	216'610
Total borrowings	**790'136**	**751'623**

The maturity of borrowings is as follows:

	31 December 2014 € (000's)	*30 September 2014 € (000's)*
Less than one year	**-**	**-**
After one year but not more than five years	30'049	-
Total more than one year	**760'087**	**751'623**
Total borrowings	**790'136**	**751'623**

10.1. Total borrowings by currency

Total amount of outstanding liabilities in respect of the groups borrowings were:

	31 December 2014			*30 September 2014 (as restated)*		
	€ million	*in %*	*Interest rate*	*€ million*	*in %*	*Interest rate*
EUR	603.9	73.9%	8.5%	577.4	74.0%	8.6%
CHF	213.8	26.1%	6.4%	203.0	26.0%	6.5%
GBP	-			-	-	-
SEK	-			-	-	-
Total	**817.7**	**100%**	**7.9%**	**780.4**	**100%**	**8.0%**

The amounts shown above excluded unamortised borrowing costs.

10.2. Rate structure of borrowings

	31 December 2014 € million	*30 September 2014 € million*
Total borrowings at variable rates	30.0	-
Total borrowings at fixed rates	760.1	751.6
Total	**790.1**	**751.6**

10.3. Details of borrowing facilities

In June 2014 the Group issued a € 350 million 6.5% senior secured note (ISIN: XS1078234686, XS1078234330) and a CHF 245 million 6.5% senior secured note (ISIN: XS1078234926, XS1078235147). The notes are listed on the Official List of the Luxembourg Stock Exchange and are traded on the Euro MTF market.

In addition the Group's parent undertaking, Selecta Group S.a.r.L. issued a PIK loan for € 220 million, the proceeds of which have been loaned to the Group also in the form of a PIK loan (the "PIK proceeds loan"). The PIK proceeds loan carries an interest rate of 11.875%

As part of the refinancing package the Group entered into a € 50 million super senior revolving credit facility. The amount drawn under this facility at 30 December 2014 is € 30.0 million (30 September 2014: nil).

The senior secured notes and the revolving credit facility are secured by first ranking security interests over all the issued share capital of certain Group companies (together the "Guarantors"), certain receivables and intercompany receivables of the Company and the Guarantors, including assignment of the PIK Proceeds Loan and certain bank accounts of the Company.

11. Equity

11.1. Share capital and share premium

The Group's share capital consists of 187'000 fully paid ordinary shares (30 September 2014: 187'000) with a nominal value of € 1 per share.

Fully paid ordinary shares carry one vote per share and a right to dividends.

11.2. Reserves

The other comprehensive income accumulated in reserves, net of tax was as follows:

31 December 2014	*Attributed to equity holders of the parent*			
	Currency translation reserve € (000's)	*Retained earnings € (000's)*	*Hedging reserve € (000's)*	***Total** € (000's)*
Foreign currency translation differences for foreign operations	(1'000)			**(1'000)**
Remeasurement gain/(loss) on post-employment benefit obligations, net of tax		-		**-**
Effective portion of change in fair value of cash flow hedges, net of tax			1'940	**1'940**
Total other comprehensive income, net of tax	**(1'000)**	**-**	**1'940**	**940**

30 September 2014	*Attributed to equity holders of the parent*			
	Currency translation reserve € (000's)	*Retained earnings € (000's)*	*Hedging reserve € (000's)*	***Total** € (000's)*
Foreign currency translation differences for foreign operations	2'354	-	-	**2'354**
Remeasurement gain/(loss) on post-employment benefit obligations, net of tax	-	3'368	-	**3'368**
Effective portion of change in fair value of cash flow hedges, net of tax	-	-	(686)	**(686)**
Total other comprehensive income, net of tax	**2'354**	**3'368**	**(686)**	**5'036**

Reserves arising from foreign currency translation adjustments comprise the differences from the foreign currency translation of the financial statements of subsidiaries and associates from the functional currency into EURO.

Retained earnings include the accumulated net losses as well as the accumulated remeasurement gains and losses on post-employment benefit obligations, including any income taxes.

The hedging reserves comprise the effective portion of changes in the fair value of hedging instruments which were designated a cash flow hedges, included any related income taxes.

12. Financial instruments

12.1. Accounting classifications and fair values

At 31 December 2014

	Carrying amount				*Fair value*			
	Cash flow hedging instrument € (000's)	*Loans and receivables € (000's)*	*Other financial liabilities € (000's)*	***Total € (000's)***	*Level 1 € (000's)*	*Level 2 € (000's)*	*Level 3 € (000's)*	***Total € (000's)***
Financial assets not measured at fair value								
Trade receivables	-	37'429	-	**37'429**				
Non-current other financial assets	-	2'365	-	**2'365**				
Cash and cash equivalents	-	33'419	-	**33'419**				
Accrued income	-	21'078	-	**21'078**				
	-	**94'291**	**-**	**94'291**				
Financial liabilities measured at fair value								
Cross currency swaps used for hedging	352	-	-	**352**		352		**352**
	352	**-**	**-**	**352**				
Financial liabilities not measured at fair value								
Revolver credit facility	-	-	(30'049)	**(30'049)**	-	(30'049)	-	**(30'049)**
Secured loan notes	-	-	(536'559)	**(536'559)**	(520'269)	-	-	**(520'269)**
Loans due to parent undertaking	-	-	(223'528)	**(223'528)**	-	(223'528)	-	**(223'528)**
Finance lease liabilities	-	-	(14'898)	**(14'898)**	-	(14'898)	-	**(14'898)**
Trade payables	-	-	(77'208)	**(77'208)**				
	-	**-**	**(882'242)**	**(882'242)**				

At 30 September 2014

	Carrying amount				*Fair value*			
	Cash flow hedging instrument € (000's)	*Loans and receivables € (000's)*	*Other financial liabilities € (000's)*	***Total € (000's)***	*Level 1 € (000's)*	*Level 2 € (000's)*	*Level 3 € (000's)*	***Total € (000's)***
Financial assets not measured at fair value								
Trade receivables	-	38'522	-	**38'522**				
Non-current other financial assets	-	2'563	-	**2'563**				
Cash and cash equivalents	-	50'758	-	**50'758**				
Accrued income	-	20'185	-	**20'185**				
	-	**112'028**	**-**	**112'028**				
Financial liabilities measured at fair value								
Cross currency swaps used for hedging	(4'301)	-	-	**(4'301)**	-	(4'301)	-	**(4'301)**
	(4'301)	**-**	**-**	**(4'301)**				
Financial liabilities not measured at fair value								
Secured loan notes	-	-	(535'013)	**(535'013)**	(517'928)	-	-	**(517'928)**
Loans due to parent undertaking	-	-	(216'610)	**(216'610)**	-	(216'610)	-	**(216'610)**
Finance lease liabilities	-	-	(15'322)	**(15'322)**	-	(15'322)	-	**(15'322)**
Trade payables	-	-	(98'112)	**(98'112)**				
	-	**-**	**(865'057)**	**(865'057)**				

12.2. Measurement of fair values

The following table shows the valuation techniques used in measuring Level 2 fair values:

Financial instruments measured at fair value

	Valuation technique	*Significant unobservable inputs*
Cross currency swaps used for hedging	Periodic mid market values are based on observable inputs including foreign currency exchange rates and interest rates. A credit spread is added to the standard, risk-free discount curve, determined by comparing the composite yield of a basket of fixed-rate bonds issued by entities with similar credit characteristics to the Company, to the risk-free rate.	Not applicable

Financial instruments not measured at fair value

	Valuation technique	*Significant unobservable inputs*
Debt securities	Discounted cash flows	Not applicable
Other financial liabilities	Discounted cash flows	Not applicable

12.3. Derivative financial instruments designated as cash flow hedges

The Group holds certain cross currency swaps in order to hedge against the impact of exchange rate fluctuations on the Group's interest payments and borrowings. These cross currency swaps have been designated as cash flow hedges to the extent that they represent an effective accounting hedge.

At 31 December 2014 the derivative financial instruments had a fair value of € 0.4 million (2013: € -4.3 million). In the 3 months ended 31 December 2014 the change in fair value of the derivative financial instruments which was recorded in other comprehensive income was € 2.6 million (2013: nil).

The following table shows the original trade date, maturity date, notional amounts and carrying amount of the cross currency swaps:

31 December 2014	*Original trade date*	*Maturity date*	*Notional amount € (000's)*	*Carrying amount € (000's)*
CHF / EUR cross currency swap	20 June 2014	15 June 2017	85'000	(1'927)
SEK / EUR cross currency swap	20 June 2014	15 June 2017	170'000	2'279

30 September 2014	*Original trade date*	*Maturity date*	*Notional amount € (000's)*	*Carrying amount € (000's)*
CHF / EUR cross currency swap	20 June 2014	15 June 2017	85'000	(1'198)
SEK / EUR cross currency swap	20 June 2014	15 June 2017	170'000	(3'103)

The following table indicates the periods in which the cash outflows associated with cash flow hedges are expected to occur and the carrying amounts of the related hedging instruments:

	Carrying amount € (000's)	*Total € (000's)*	*One year or less € (000's)*	*More than one year € (000's)*
31 December 2014				
Cross currency swaps used for hedging	352	629	(1'649)	2'279
30 September 2014				
Cross currency swaps used for hedging	(4'301)	(4'534)	(2'051)	(2'483)

The following table indicates the periods in which the cash outflows associated with cash flow hedges are expected to impact profit or loss and the carrying amounts of the related hedging instruments:

	Carrying amount € (000's)	*Total € (000's)*	*One year or less € (000's)*	*More than one year € (000's)*
31 December 2014				
Cross currency swaps used for hedging	352	629	(1'649)	2'279
30 September 2014				
Cross currency swaps used for hedging	(4'301)	(4'534)	(2'051)	(2'483)

12.4. Master netting or similar agreements

The Group enters into derivative transactions under International Swaps and Derivatives master netting agreements under which, in the event of a default, the amounts owed by each counterparty at any given point in time are aggregated into a single net amount that is payable by one party to the other.

13. Acquisition and disposal of subsidiaries

During the 3 months ended 31 December 2014 there have not been any acquisitions or disposals of subsidiaries (2013: none).

14. Events after the balance sheet date

Subsequent to the date of these condensed consolidated interim financial statements, the Swiss National Bank discontinued the minimum exchange rate of 1.20 Swiss Francs per Euro on 15 January 2015 resulting in a strengthening of the Swiss franc against the euro. As of 31 January 2015, the Swiss franc exchange rate was 1.04 to the Euro. The amounts reported in these interim financial statements do not reflect changes in foreign exchange rates after 31 December 2014.

As a portion of the Group’s revenues, profits, cash flows and borrowings are generated in or denominated in Swiss Francs, the appreciation in the value of the Swiss Franc against the Euro would result in an increase in the net profit reported in the condensed consolidated financial statements and a negative currency translation impact on the consolidated equity.

The discontinuation of the minimum exchange rate is not expected to have a material impact on the financial condition of the Group as the Group is effectively hedged against the portion of its borrowings and interest paid in Swiss Francs. This hedging is achieved through the issuance of a portion of the senior secured notes in Swiss Francs in order to create a natural hedge between the amounts outstanding and interest payment obligations arising as a result of the senior secured notes against the profits and cash flows generated in Swiss Francs, as well as a Swiss Franc / Euro cross currency swap to hedge the amounts outstanding under the PIK notes with the profits and cash generated in Swiss Francs.

For details regarding the Group’s approach to foreign currency risk management and the Group’s exposure to currency risk see note 32.7 of the consolidated financial statements for the year ended 30 September 2014.

There have been no other material developments in respect of the Group in the 3 months ended 31 December 2014 or since this date and up to the date of approval of these condensed consolidated interim financial statements.

Approval of the condensed consolidated interim financial statements

The condensed consolidated interim financial statements for the 3 months ended 31 December 2014 have been authorised by the Board of Directors on 20 February 2015.

Amsterdam, 20 February 2015

Dr. Rainer Husmann,
Member of the Supervisory Board

Joerg Spanier,
Member of the Supervisory Board

Remo Brunschwiler,
Member of the Management Board

Gary Hughes,
Member of the Management Board

Christian Zarnitz,
Member of the Management Board