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

Condensed consolidated interim financial statements for the 3 months ended 31 March 2020 (unaudited)

These condensed consolidated interim financial statements do not represent statutory financial statements of the parent entity Selecta Group B.V. prepared in accordance with Dutch GAAP.

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Condensed consolidated interim financial statements

Condensed consolidated statement of profit or loss

	Notes	*3 months ended 31 March 2020 € (000's)*	*3 months ended 31 March 2019 € (000's)*
Revenue	5, 6	358'078	408'305
Vending fee	7	(38'715)	(39'702)
Materials and consumables used		(124'995)	(140'941)
Employee benefits expense		(120'451)	(117'932)
Depreciation and amortisation expense	8	(58'337)	(51'207)
Other operating expenses		(53'937)	(63'531)
Other operating income		5'397	3'102
Loss on disposal of subsidiaries		-	(1)
Loss before net finance costs and income tax		**(32'960)**	**(1'907)**
Finance costs	9	(48'216)	(38'904)
Finance income	9	9'316	12'356
Loss before income tax		**(71'860)**	**(28'455)**
Income taxes		2'434	317
Loss from continuing operation		**(69'426)**	**(28'138)**
Loss attributable to:			
Owners of the Company		(69'426)	(28'013)
Non-controlling interests		-	(125)
		(69'426)	**(28'138)**
Revenue net of vending fees [1]	5, 7	319'363	368'603

The notes on pages 9 to 26 are an integral part of these condensed consolidated interim financial statements.

[1] The Group presents revenue net of vending fee which is a leading internal performance measure but not a defined performance measure in IFRS (refer to note 7). Due to this vending fee is separately disclosed below the revenue line and excluded from the line other operating expenses.

Condensed consolidated statement of comprehensive income

	3 months ended 31 March 2020 € (000's)	*3 months ended 31 March 2019 € (000's)*
Loss for the period	**(69'426)**	**(28'138)**
<u>Items that will not be reclassified to the consolidated statement of profit or loss</u>		
Re-measurement loss on post-employment benefit obligations	-	(3'000)
Income tax relating to re-measurement loss on post-employment benefit obligations	-	867
	-	**(2'133)**
<u>Items that are or may subsequently be reclassified to the consolidated statement of profit or loss</u>		
Foreign exchange translation differences for foreign operations	3'766	(10'935)
Other comprehensive income for the period	**3'766**	**(13'068)**
Total comprehensive income for the period	**(65'660)**	**(41'206)**
Total comprehensive income attributable to:		
Owners of the Company	(65'660)	(41'081)
Non-controlling interests	-	(125)
	(65'660)	**(41'206)**

The notes on pages 9 to 26 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated balance sheet

	Notes	31 March 2020 € (000's)	31 December 2019[2] € (000's)
Non-current assets			
Property, plant and equipment	10	553'357	381'998
Goodwill	11	1'048'373	1'048'813
Trademarks	12	350'382	351'204
Customer contracts	12	328'815	339'642
Other intangible assets	12	26'870	26'876
Deferred income tax assets		25'077	24'555
Non-current financial assets		19'226	24'380
Net defined benefit asset		69'786	72'288
Derivative financial instruments	16	19'510	12'583
Total non-current assets		**2'441'396**	**2'282'339**
Current assets			
Inventories		123'248	126'371
Trade receivables		68'617	65'866
Other current assets		65'189	82'864
Cash and cash equivalents		110'799	64'396
Total current assets		**367'853**	**339'497**
Total assets		**2'809'249**	**2'621'836**

The notes on pages 9 to 26 are an integral part of these condensed consolidated interim financial statements.

[2] Extended accounting year (15 months ended 31 December 2019)

	Notes	31 March 2020 € (000's)	31 December 2019[3] € (000's)
Equity and liabilities			
Equity			
Share capital	14	187	187
Share premium	14	1'039'957	1'039'957
Currency translation reserve	14	(196'351)	(200'117)
Hedging reserve	14	-	-
Accumulated deficit	14	(746'980)	(677'554)
Equity attributable to owners of the Company		**96'813**	**162'473**
Non-controlling interests		**-**	**-**
Total equity		**96'813**	**162'473**
Non-current liabilities			
Loans due to parent undertaking	13	237'778	230'879
Borrowings	13	1'550'284	1'496'076
Derivative financial instruments	16	10'734	13'094
Finance lease liabilities		197'522	22'944
Net defined benefit liability		20'534	21'026
Provisions		41'074	40'837
Other non-current liabilities		7'127	15'519
Deferred income tax liabilities		197'908	200'907
Total non-current liabilities		**2'262'961**	**2'041'282**
Current liabilities			
Finance lease liabilities		23'420	16'205
Trade payables		192'993	201'402
Provisions		3'640	5'463
Current income tax liabilities		10'255	9'746
Other current liabilities		219'167	185'265
Total current liabilities		**449'475**	**418'081**
Total liabilities		**2'712'436**	**2'459'363**
Total equity and liabilities		**2'809'249**	**2'621'836**

The notes on pages 9 to 26 are an integral part of these condensed consolidated interim financial statements.

[3] Extended accounting year (15 months ended 31 December 2019)

Condensed statement of changes in consolidated equity

	Attributable to owners of the Company							
	Share capital	*Share premium*	*Currency translation reserve*	*Hedging reserve*	*Accumulated deficit*	*Total*	*Non-controlling interests*	*Total equity*
	€ (000's)	*€ (000's)*	*€ (000's)*	*€ (000's)*	*€ (000's)*	*€ (000's)*	*€ (000's)*	*€ (000's)*
Balance at 1 October 2018	**187**	**895'974**	**(133'084)**	**158**	**(538'043)**	**225'192**	**(199)**	**224'993**
Other comprehensive income	-	-	(67'033)	(158)	(2'144)	(69'335)	-	(69'335)
Loss for the period	-	-			(136'490)	(136'490)	(278)	(136'768)
Total comprehensive income/(loss) for the period	-	-	(67'033)	(158)	(138'634)	(205'825)	(278)	(206'103)
Equity contribution	-	*143'983*	-	-	-	*143'983*	-	*143'983*
Acquisition of NCI without change in control				-	(877)	(877)	477	(400)
Balance at 31 December 2019[4]	**187**	**1'039'957**	**(200'117)**	**-**	**(677'554)**	**162'473**	**-**	**162'473**
Other comprehensive income/(loss)	-	-	3'766	-	-	3'766	-	3'766
Loss for the period	-	-	-	-	(69'426)	(69'426)	-	(69'426)
Total comprehensive income/(loss) for the period	-	-	3'766	-	(69'426)	(65'660)	-	(65'660)
Balance at 31 March 2020	**187**	**1'039'957**	**(196'351)**	**-**	**(746'980)**	**96'813**	**-**	**96'813**

The notes on pages 9 to 26 are an integral part of these condensed consolidated interim financial statements.

[4] Extended accounting year (15 months ended 31 December 2019)

Condensed consolidated cash flow statement

	Notes	*3 months ended 31 March 2020 € (000's)*	*3 months ended 31 March 2019 € (000's) restated[6]*
Cash flows from operating activities			
Loss before income tax		(71'860)	(28'455)
Depreciation and amortisation expense		58'337	51'207
Gain on disposal of property, plant and equipment, net		(2'003)	(6'285)
Non-cash transactions		(7'953)	(3'321)
Finance costs, net		38'900	26'548
Changes in working capital:			
(Increase)/Decrease in inventories		1'967	4'072
(Increase)/Decrease in trade receivables		13'515	(181)
(Increase)/Decrease in other current assets		4'583	1'365
Increase/(Decrease) in trade payables		(6'618)	27'674
Increase/(Decrease) in other liabilities		15'550	7'926
Income taxes paid		(94)	(446)
Net cash generated from operating activities		**44'324**	**80'104**
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		(1'050)	(16'113)
Purchases of property, plant and equipment		(18'630)	(35'675)
Purchases of intangible assets		(1'931)	(2'643)
Proceeds from sale of property, plant and equipment		3'771	13'924
Interest received		28	50
Other proceeds granted		(270)	-
Net cash used in investing activities		**(18'082)**	**(40'457)**
Cash flows from financing activities			
Proceeds/(Repayment) of loans and borrowings		47'170	(32'452)
Capital element of lease liabilities[5]		(15'800)	(3'631)
Proceeds/(Repayment) from factoring		(2'910)	(2'921)
Interest paid		(9'158)	(4'053)
Financing costs paid		(124)	(1'458)
Net cash (used in)/generated from financing activities		**19'178**	**(44'515)**
Net (decrease)/increase in cash and cash equivalents		**45'420**	**(4'868)**
Cash and cash equivalents at the beginning of the period		64'675	104'243
Exchange gains/(losses) on cash and cash equivalents		704	543
Cash and cash equivalents at the end of the period		**110'799**	**99'918**

The notes on pages 9 to 26 are an integral part of these condensed consolidated interim financial statements.

[5] Restatement principal of finance lease previously presented in net cash used in investing activities.

Notes to the condensed consolidated interim financial statements

1. General Information

Selecta Group B.V. ("the Company") is a limited liability company incorporated and domiciled in Amsterdam, the Netherlands. The Company and its subsidiaries are collectively referred to herein as "the Group" or "the Selecta Group". The Group is a pan-European self-service retail and coffee services company.

These condensed consolidated interim financial statements do not represent statutory financial statements of the Company prepared in accordance with Dutch GAAP and the requirements of the Dutch chamber of commerce and have been prepared voluntarily by the Board of Directors.

On 11 March 2020, the World Health Organization declared the Coronavirus (COVID-19) outbreak to be a pandemic in recognition of its rapid spread across the globe. Many governments have taken stringent steps to help contain or delay the spread of the virus. The scale and impact of COVID-19 expanded in all of our end markets, notably in Italy, France, Spain and UK and has a severe impact on our revenues. Despite this, the Group continues to operate in all countries.

At present it is not possible to quantify the potential financial impact of COVID-19 as it depends on various factors (such as the extent and duration of the pandemic, governmental measures and customer behaviour) and there is a high degree of uncertainty regarding these factors.

2. Basis of preparation

These condensed consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting ("IAS 34" as issued by the IASB).

The disclosure requirements of IAS 34 are based on the assumption that the reader of the condensed consolidated financial statements is doing so together with the most recent consolidated financial statements.

The condensed consolidated financial statements do not include all information required for a complete set of IFRS financial statements and should therefore be read in conjunction with the annual consolidated financial statements as at 31 December 2019.

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 for the year ended 31 December 2019.

3. Summary of significant accounting policies

3.1. Accounting policies

The Group has adopted all International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) issued by the International Accounting Standards Board (the IASB) as well as Interpretations given by the IFRS Interpretations Committee (the IFRIC) and the former Standing Interpretations Committee (SIC) that are relevant to the Group's operations and effective for annual reporting periods beginning on 1 January 2020.

Except as described below, the accounting policies applied in these condensed consolidated semi-annual financial statements are the same as those applied in the consolidated financial statements as of 31 December 2019.

Specifically, the Group applied IFRS 16 "Leases" for the first time. The Group has initially adopted IFRS 16 "Leases" by choosing the modified retrospective approach as of 1 January 2020. As permitted under the specific transitional provisions in the standard, no restatement of the comparatives for the 2019 reporting period was required. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the opening balance sheet on 1 January 2020. The switch to IFRS 16 has no impact on equity as of 1 January 2020.

On adoption of IFRS 16, the Group recognized right-of-use assets and lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17 “Leases”. The lease liabilities were initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if this rate could be readily determined. For all other lease liabilities, the present value was measured of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2020. The average lessee’s incremental borrowing rate applied to the lease liabilities on 1 January 2020 was 3.8%.

For leases previously classified as finance leases the entity recognized the carrying amount of the leased asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics,
- to grandfather the assessment of which the transactions are leases,
- reliance on previous assessments on whether leases are onerous,
- the exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has elected not to recognize right-of-use assets and lease liabilities for some leases of low-value assets and short-term leases. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term. For all classes of underlying assets, the Group has elected not to separate non-lease components from lease components and instead to account for each lease component and any associated non-lease component as a single lease component.

The adoption of IFRS 16 had the following impact on the consolidated balance sheet as of 1 January 2020:

	31 December 2019 reported € (000's)	IFRS16 impact € (000's)	1 January 2020 € (000's)
Assets			
Freehold land and buildings	10'092	120'570	130'662
Vending equipment	322'484	22'262	344'746
Other Fixtures & Fittings	17'620	37	17'657
Vehicles	11'243	49'681	60'925
Other equipment	20'559	3'150	23'708
Property, plant and equipment	**381'998**	**195'700**	**577'698**
Total non-current Assets	**2'282'339**	**195'700**	**2'478'039**
Total current assets	**339'497**	**(2'812)**	**336'685**
Total assets	**2'621'836**	**192'888**	**2'814'724**

	31 December 2019 reported € (000's)	IFRS16 impact € (000's)	1 January 2020 € (000's)
Equity			
Total equity	**162'473**	**-**	**162'473**
Liabilities			
Finance Lease Liabilities	22'944	181'884	204'828
Total non-current liabilities	**2'041'282**	**181'884**	**2'223'166**
Finance lease liabilities	16'205	11'004	27'209
Total current Liabilities	**418'081**	**11'004**	**429'085**
Total liabilities	**2'459'363**	**192'888**	**2'652'250**
Total equity and liabilities	**2'621'836**	**192'888**	**2'814'724**

In the reporting period, other expenses were decreased by CHF 12.1 million while the depreciation and interest expenses were increased by CHF 11.3 million due to the application of IFRS 16. Furthermore, the consolidated statement of cash flows was impacted by a shift from cash flows used in operating activities to cash flows used in financing activities in the amount of CHF 13.8 million.

The Group enters into contracts to install, operate, supply and maintain self-service retail machines and pays the counterparties a consideration (vending fees) in exchange. The right to re-locate the machines remains with the counterparty and therefore has a practical ability to substitute the asset.

3.2. New and revised/amended standards and interpretations

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted. However, the Group has not early adopted them in preparing these consolidated financial statements.

The following new or amended standards and interpretations that may be relevant to the consolidated financial statements have been issued, but are not yet effective. They have not been applied early in these consolidated financial statements.

	Impact	*Effective date*	*Planned application by Selecta Group B.V.*
New standards or interpretations			
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	3)	1 January 2022	Reporting year 2022

1) No significant impacts are expected on the consolidated financial statements of Selecta Group
2) Mainly additional disclosures are expected in the consolidated financial statements of Selecta Group
3) The impact on the consolidated financial statements of Selecta Group cannot yet be determined with sufficient reliability
4) The expected impact on the opening balance is described below

3.3. Statement of seasonality of operations

Whilst the business of Selecta fluctuates from month to month, the impact between quarters is limited, except for working capital.

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 the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

5. Segmental reporting

The Group's Board of Directors examines the results achieved by each segment when making decisions on the allocation of resources and assessment of performance. The Group's financing activities are managed at Group level and are not allocated to segments.

Three different regions present similarities in terms of both channel and business model predominances, and related characteristics. Each of those regions engages business activities as described below, earns revenues and incurs expenses:

- **Segment South, UK & Ireland:** characterised by paid-vend, predominantly private vending and includes Italy, Spain and the UK (including Ireland).

- **Segment Central:** characterised by paid-vend, mixed channel vending and includes Switzerland, Germany, Austria and France, with a strong presence and expertise in the public business.

- **Segment North:** characterised by free-vend, office coffee services (OCS) and includes Sweden, Norway, Finland, Denmark, Belgium, Netherlands and the Pelican Rouge Roaster in the Netherlands.

Revenues, revenues net of vending fees and profit/(loss) before finance costs, net and income taxes, depreciation and amortisation expense as the operating result of the Group's reportable segments are regularly reviewed by the Board of Directors, as the Group's Chief Operating Decision Maker, to assess performance and to determine how resources should be allocated.

Result for the 3 months ended 31 March 2020

	South, UK & Ireland	*Central*	*North*	*Total reportable segments*	*HQ and Interco*	*Total Group*
	€ (000's)	*€ (000's)*	*€ (000's)*	*€ (000's)*	***€ (000's)***	*€ (000's)*
Revenue	126'606	123'356	113'620	**363'582**	(5'504)	**358'078**
Revenue net of vending fee	111'604	104'102	109'161	**324'867**	(5'504)	**319'363**
Profit/(loss) before net finance costs and income taxes, depreciation and amortisation expense	**10'235**	**9'886**	**17'276**	**37'397**	**(12'020)**	**25'377**
Depreciation and amortisation expense	(15'434)	(18'717)	(11'188)	**(45'339)**	(12'998)	**(58'337)**
Loss before net finance costs and income tax						**(32'960)**
Finance costs, net						**(38'900)**
Loss before income tax						**(71'860)**

Result for the 3 months ended 31 March 2019

	South, UK & Ireland	*Central*	*North*	*Total reportable segments*	*HQ and Interco*	*Total Group*
	€ (000's)	*€ (000's)*	*€ (000's)*	*€ (000's)*	***€ (000's)***	*€ (000's)*
Revenue	150'792	146'305	117'289	**414'386**	(6'081)	**408'305**
Revenue net of vending fee	138'645	123'909	112'130	**374'684**	(6'081)	**368'603**
Profit/(loss) before net finance costs and income taxes, depreciation and amortisation expense	**19'402**	**16'446**	**23'318**	**59'166**	**(10'773)**	**48'393**
Depreciation and amortisation expense	(14'685)	(14'337)	(10'236)	**(39'258)**	(11'949)	**(51'207)**
Loss before net finance costs and income tax						**(1'907)**
Finance costs, net						**(26'548)**
Loss before income tax						**(28'455)**

6. Revenue by channel

The table below shows the interaction between revenues by channels and segment revenues.

Result for the 3 months ended 31 March 2020

	South, UK & Ireland € (000's)	*Central* € (000's)	*North* € (000's)	*Total reportable segments* € (000's)	*HQ and Interco* **€ (000's)**	*Total Group* € (000's)
Revenue from contracts with customers	126'606	123'356	109'685	359'647	(5'504)	354'143
Rental revenue	-	-	3'935	3'935	-	3'935
Total revenue	**126'606**	**123'356**	**113'620**	**363'582**	**(5'504)**	**358'078**
Revenue from On-the-Go channel	47'158	58'595	16'780	122'533	-	122'533
Third party revenue from Workplace channel	61'208	53'165	51'966	166'339	-	166'339
Intersegment revenue from Workplace channel	-	17	-	17	(17)	-
Third party revenue from Trading channel	18'240	11'519	35'512	65'271	-	65'271
Intersegment revenue from Trading channel	-	60	5'427	5'487	(5'487)	-
Total revenue from contracts with customers	**126'606**	**123'356**	**109'685**	**359'647**	**(5'504)**	**354'143**

Result for the 3 months ended 31 March 2019

	South, UK & Ireland € (000's)	*Central* € (000's)	*North* € (000's)	*Total reportable segments* € (000's)	*HQ and Interco* **€ (000's)**	*Total Group* € (000's)
Revenue from contracts with customers	150'792	146'305	113'173	410'270	(6'081)	404'189
Rental revenue	-	-	4'116	4'116	-	4'116
Total Revenue	**150'792**	**146'305**	**117'289**	**414'386**	**(6'081)**	**408'305**
Revenue from On-the-Go channel	54'030	69'165	16'921	140'116	-	140'116
Third party revenue from Workplace channel	71'713	58'982	54'770	185'465	-	185'465
Intersegment revenue from Workplace channel	-	19	-	19	(19)	-
Third party revenue from Trading channel	25'041	18'098	35'469	78'608	-	78'608
Intersegment revenue from Trading channel	8	41	6'013	6'062	(6'062)	-
Total revenue from contracts with customers	**150'792**	**146'305**	**113'173**	**410'270**	**(6'081)**	**404'189**

On-the-Go (Public & semi-public):
The On-the-Go channel includes public and semi-public points of sale (vending machines).

Public points of sale are characterized by their public access, and the fact that the customer on these premises purchase the merchandise (goods such as foods and drinks) 'on the go', with travel being the main purpose of their presence at such premises.

Semi-public points of sales are in areas accessible to customers either visiting the premises or employed on the premises. The main purpose of visitors on the premises shall not be travel (such premises are captured within public) or work (such premises are captured within workplace), it can be leisure, education, health, access to public services, etc.

Workplace (private):
The Workplace points of sale are installed in workplace environments and therefore primarily accessible to the counterparty's employees.

Trading:
The Trading channel captures sales of vending machines and ingredients, rental and technical services and the sales of products from our own coffee roasting facility. Roaster products include roasted, blended and packed coffee and related ingredients.

The above channel split articulates the main differences in counterparty and customer segmentation and the corresponding offering and contract types across the Group.

7. Vending fee and revenue net of vending fee

The Group enters into contracts with public and semi-public counterparties to install, operate, supply and maintain self-service retail machines on freely accessible public and semi-public locations. In return Selecta pays the counterparties a consideration which is presented as vending fee expense in the consolidated statement of profit or loss.

From the perspective of the Company's management, the economic substance of these transactions is in such cases a revenue-sharing business model between Selecta and its counterparties. As such, for internal operating and management purposes the Group has started to use the measure of revenue net of vending fee in order to assess the performance of the segments and to draw management decisions accordingly, on a consistent basis across segments.

Revenue net of vending fees is not a defined performance measure in IFRS. Management presents the performance measure of revenue net of vending fees because it monitors this performance measure at a consolidated and segment level and it believes that this measure is relevant to the understanding of the Group's financial performance. Due to this, vending fees are separately disclosed below the revenue line and excluded from the line other operating expenses.

8. Total Depreciation and amortisation expense

	3 months ended 31 March 2020	*3 months ended 31 March 2019*
	€ (000's)	*€ (000's)*
Depreciation[6]	(42'899)	(35'594)
Amortisation costumer relationship contracts and trade mark	(12'621)	(13'294)
Amortisation other	(2'817)	(2'319)
Total depreciation and amortisation expense	**(58'337)**	**(51'207)**

[6] With the application of IFRS 16 as per 1 January 2020 additional depreciation in 3 months ended 31 March 2020 of € 11.1m.

9. Finance costs and finance income

	3 months ended 31 March 2020	*3 months ended 31 March 2019*
	€ (000's)	*€ (000's)*
Interest on loan due to parent undertaking	(6'899)	(9'744)
Interest on loans	(22'089)	(20'492)
Refinancing costs amortisation	(2'069)	(3'109)
Finance lease interest expense	(1'411)	(308)
Other interest and finance expense	(1'761)	(2'253)
Foreign exchange losses, net	(13'987)	-
Change in fair value of derivative financial instruments	-	(2'998)
Total finance costs	**(48'216)**	**(38'904)**
Foreign exchange gains, net		12'306
Change in fair value of derivative financial instruments	9'288	-
Other interest and finance income	28	50
Total finance income	**9'316**	**12'356**

10. Property, plant and equipment

Cost	*Freehold land and buildings € (000's)*	*Vending equipment € (000's)*	*Vehicles € (000's)*	*Other equipment € (000's)*	***Total € (000's)***
Balance at 1 October 2018	**18'282**	**802'480**	**24'677**	**84'798**	**930'236**
Additions	488	161'507	4'412	19'288	**185'695**
Disposals	(4'666)	(84'186)	('356)	(4'211)	**(96'419)**
Acquisitions through business combinations	23	5'558	334	76	**5'991**
Reclassifications*	-	(75'399)	-	(16'095)	**(91'494)**
Effects of foreign currency exchange differences	45	9'216	(141)	1'035	**10'156**
Balance at 31 December 2019	**14'172**	**819'176**	**25'926**	**84'891**	**944'165**
Application of IFRS 16[7]	120'570	22'262	49'682	3'186	**195'700**
Additions	118	18'544	1'377	1'168	**21'207**
Disposals	(4)	(20'892)	(2'232)	(3'212)	**(26'340)**
Modification	1'798	-	-	-	**1'798**
Reclassifications*	-	(6'237)	(317)	(121)	**(6'675)**
Effects of foreign currency exchange differences	(106)	(1'947)	(1'098)	(612)	**(3'763)**
Balance at 31 March 2020	**136'548**	**830'906**	**73'338**	**85'300**	**1'126'092**
Accumulated depreciation and impairment					
Balance at 1 October 2018	**(3'522)**	**(466'579)**	**(12'210)**	**(41'678)**	**(523'989)**
Depreciation expense	(1'551)	153'716)	(5'421)	14'403)	**(175'091)**
Disposals	(1'264	68'007	2'763	884)	**71'150**
Reclassifications*	(232)	63'848	136	8'748	**72'500**
Effects of foreign currency exchange differences	(39)	6'184)	49	563)	**(6'737)**
Balance at 31 December 2019	**(4'080)**	**(494'624)**	**(14'683)**	**(48'780)**	**(562'167)**
Depreciation expense	(4'129)	(29'215)	(6'612)	(2'943)	**(42'899)**
Disposals	4	22'015	2'093	3'206	**27'318**
Reclassifications*	-	2'910	193	80	**3'183**
Effects of foreign currency exchange differences	54	1'070	422	284	**1'830**
Balance at 31 March 2020	**(8'151)**	**(497'844)**	**(18'587)**	**(48'153)**	**(572'735)**
Net Book Value					
At 1 January 2020	**10'092**	**322'483**	**11'243**	**38'180**	**381'998**
At 31 March 2020	**128'397**	**333'062**	**54'751**	**37'147**	**553'357**

* Reclassifications mainly relate to transfers to inventory of used equipment to be sold

The above table includes right of use assets in the amount € 185m as of 31 March 2020 which were newly capitalized as a first time application of IFRS 16 "Leases". These right of use assets are mainly related to freehold land and building, vehicles and vending equipment.

[7] Refer to note 3.1

11. Goodwill

	3 months ended 31 March 2020 € (000's)	15 months ended 31 December 2019 € (000's)
Balance gross and net carrying amount opening	**1'048'813**	**1'035'048**
Provisional goodwill relating to minor acquisitions and other minor changes	(440)	13'765
Balance gross and net carrying amount closing	**1'048'373**	**1'048'813**

In the period 15 months ending 31 December 2019 several minor acquisitions were made, where the measurement period is still open.

12. Intangible assets

Intangible assets consist primarily of trademarks and customer contracts.

The trademarks Selecta and Pelican Rouge recognised by the Group have an indefinite useful life and are not amortised. These trademarks are allocated on a reasonable and consistent basis to the cash-generating units that are tested for impairment annually as described in the section on goodwill above. Trademarks which have definite useful life are amortised over 10 years.

Customer contracts recognised by the Group arise from customer contracts acquired as part of previous business combinations, including the Pelican Rouge acquisition, and are amortised over a period of 10-15 years.

13. Borrowings

	31 March 2020 € (000's)	31 December 2019 € (000's)
Loans due to parent undertaking at amortised cost	237'778	230'879
Borrowings at amortised cost (incl. revolving credit facility)	1'550'284	1'496'076
Total borrowings	**1'788'062**	**1'726'955**

13.1. Borrowings

	31 March 2020			31 December 2019		
	€ (000's)	in %	Interest rate	€ (000's)	in %	Interest rate
EUR	1'587'336	87.0%	6.5%	1'533'949	86.9%	6.6%
CHF	236'183	13.0%	5.9%	230'330	13.1%	5.9%
Total	**1'823'519**	**100%**	**6.4%**	**1'764'279**	**100%**	**6.5%**

The amounts shown above reflect the nominal value and original currency of the borrowings including accrued interest for the PIK proceeds loan without the deduction of net capitalized transaction costs. The nominal interest rate is disclosed.

13.2. Rate structure of borrowings

	31 March 2020 € (000's)	31 December 2019 € (000's)
Total borrowings at variable rates	474'660	427'651
Total borrowings at fixed rates	1'313'402	1'299'304
Total borrowings at amortised cost	**1'788'062**	**1'726'955**

The total includes the reduction of net capitalized transaction costs.

13.3. Details of borrowing facilities

In October 2019, Selecta increased its outstanding bonds (maturing February 2024) by a total amount of € 150 million. The bond tap was composed of € 100 million denominated fixed rate bonds and € 50 million denominated floating rate bonds.

As of March 2020, the total bonds outstanding are:

Senior Secured Fixed Rate Notes	EUR 865'000'000	5.875%	2024
Senior Secured Fixed Rate Notes	CHF 250'000'000	5.875%	2024
Senior Secured Floating Rate Notes	EUR 375'000'000	5.375%	2024

As part of the senior debt refinancing, the senior revolving credit facility was upsized to € 150 million from € 100 million in 2017. The amounts drawn under this facility were € 109.6 million on 31 March 2020 (31 December 2019: € 63.1 million). The interest rate on this senior revolving credit facility is based on the relevant rate of the currency drawn EURIBOR plus 3.5%. In March 2020, KKR managed funds provided another revolving credit facility in the amount of € 50 million. The facility is equal in terms of conditions and seniority towards the existing senior revolving credit facility.

In addition, one of the Group's parents, Selecta Group S.a.r.L., had issued a PIK loan for € 220 million in June 2014, 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%. Interest payments are capitalized every 6 months (end of March and end of September). In 2019 part of the PIK loan (€ 143 million) has been set off against the issue price of a new share (Note 14.1).

Bonds

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 intercompany receivables of the Company and the Guarantors, including assignment of the PIK Proceeds Loan and certain bank accounts of the Company.

	Interest rate	*31 March 2020*
	%	*€ (000's)*
PIK proceeds loan	11.875	237'778
Senior secured note (EUR fixed)	5.875	865'000
Senior secured note (Euribor + 5.375%)	5.375	375'000
Senior secured note (CHF fixed)	5.875	236'183
Senior revolving credit facility (Libor + 3.5%)	3.5	109'558
Total borrowings and loans due to parent undertaking at nominal values		**1'823'519**

	Interest rate	*31 December 2019*
	%	*€ (000's)*
PIK proceeds loan	11.875	230'879
Senior secured note (EUR fixed)	5.875	865'000
Senior secured note (Euribor + 5.375%)	5.375	375'000
Senior secured note (CHF fixed)	5.875	230'330
Senior revolving credit facility (Libor + 3.5%)	3.5	63'070
Total borrowings and loans due to parent undertaking at nominal values		**1'764'279**

14. Equity

14.1. Share capital, share premium

The Group's share capital consists of € 187'003 fully paid ordinary shares (31 December 2019: € 187'003) with a nominal value of € 1 per share.

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

On 2 February 2018, two new shares were issued with a nominal value of € 1 per share to Selecta Group Midco S.a.r.L., the shareholder of Selecta Group B.V. The new shares were issued at an issue price of in total € 200.4 million. The amount above the nominal value of the shares increased the share premium of Selecta Group B.V. The shareholder and the Company had previously entered into a PIK loan agreement, as a result of which this shareholder had a receivable on the Company in the value of € 200.4 million. The obligation of the Shareholder to pay the issue price of the new shares, was agreed to be settled by means of a set off against the receivable.

On 13 September 2019, one new share was issued with a nominal value of € 1 per share to Selecta Group Midco S.a.r.L., the shareholder of Selecta Group B.V. The new share was issued at an issue price of in total € 143.9 million. The amount above the nominal value of the share increased the share premium of Selecta Group B.V. The shareholder and the Company had previously entered into a PIK loan agreement, dated 2 February 2018 and amended and restated as of 4 December 2018, as a result of which the Company owes debt to the Shareholder, which was agreed to be set off against the issue price of the new share.

14.2. Reserves

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

	Attributable to owners of the Company			
For 3 months ended 31 March 2020	*Currency translation reserve € (000's)*	*Retained earnings € (000's)*	*Hedging reserve € (000's)*	***Total** € (000's)*
Foreign currency translation differences for foreign operations	3'766	-	-	3'766
Total other comprehensive income, net of tax	**3'766**	**-**	**-**	**3'766**

	Attributable to owners of the Company			
For 15 months ended 31 December 2019	*Currency translation reserve € (000's)*	*Retained earnings € (000's)*	*Hedging reserve € (000's)*	***Total** € (000's)*
Foreign currency translation differences for foreign operations	(67'033)	-	-	**(67'033)**
Re-measurement gain/(loss) on post-employment benefit obligations, net of tax	-	(2'144)	-	**(2'144)**
Effective portion of change in fair value of cash flow hedges, net of tax		-	(158)	**(158)**
Total Other comprehensive income, net of tax	**(67'033)**	**(2'144)**	**(158)**	**(69'335)**

Reserves arising from foreign currency translation adjustments comprise the differences from the translation of the financial statements of subsidiaries from their functional currency into Euro. Additionally, the foreign exchange differences on qualifying net investment loans are included in this reserve.

Retained earnings include the accumulated net losses as well as the accumulated re-measurement gains and losses on post-employment benefit obligations, net of any related income taxes.

15. Purchase price allocation adjustment

The Group did not have any acquisition in the 1st Quarter 2020 and any significant acquisition in 2019.

16. Financial instruments

16.1. Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

31 March 2020	*Carrying amount* Mandatorily at FVTPL - others € (000's)	Financial assets at amortised cost € (000's)	Other financial liabilities € (000's)	**Total € (000's)**	*Fair value* Level 1 € (000's)	Level 2 € (000's)	Level 3 € (000's)	**Total € (000's)**
Financial assets measured at fair value								
Cross currency swaps	**19'510**	**-**	**-**	**19'510**		19'510	-	19'510
	19'510	**-**	**-**	**19'510**				
Financial assets not measured at fair value								
Trade receivables	-	68'617	-	68'617				
Non-current financial assets	-	19'226	-	19'226				
Cash and cash equivalents	-	110'799	-	110'799				
Accrued income	-	31'715	-	31'715				
	-	**230'357**	**-**	**230'357**				
Financial liabilities measured at fair value								
Cross currency swaps	(10'734)	-	-	(10'734)		(10'734)	-	(10'734)
	(10'734)	**-**	**-**	**(10'734)**				
Financial liabilities not measured at fair value								
Revolving credit facility	-	-	(109'558)	(109'558)		(109'558)	-	(109'558)
Bank credit facility	-	-	(4'794)	(4'794)		(4'794)	-	(4'794)
Secured loan notes	-	-	(1'476'183)	(1'476'183)	(796'433)	–	-	(796'433)
Loans due to parent undertaking	-	-	(237'778)	(237'778)		287'937	-	287'937
Finance lease liabilities	-	-	(220'943)	(220'943)		(220'943)	-	(220'943)
Factoring reserve	-	-	2'144	2'144		2'144	-	2'144
Reverse factoring liability & credit facilities	-	-	(10'491)	(10'491)		(10'491)	-	(10'491)
Trade payables	-	-	(192'993)	(192'993)				
	-	**-**	**(2'250'596)**	**(2'250'596)**				

	Carrying amount				Fair value			
31 December 2019	*Mandatorily at FVTPL - others* € (000's)	*Financial assets at amortised cost* € (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 measured at fair value								
Cross currency swaps	**12'583**	**-**	**-**	**12'583**		12'583	-	12'583
	12'583	**-**	**-**	**12'583**				
Financial assets not measured at fair value								
Trade receivables	-	65'866	-	65'866				
Non-current financial assets	-	24'380	-	24'380				
Cash and cash equivalents	-	64'396	-	64'396				
Accrued income	-	49'801	-	49'801				
	-	**204'443**	**-**	**204'443**				
Financial liabilities measured at fair value								
Cross currency swaps	(13'094)	-	-	(13'094)		(13'094)	-	(13'094)
	(13'094)	**-**	**-**	**(13'094)**				
Financial liabilities not measured at fair value								
Revolving credit facility	-	-	(63'070)	(63'070)		(63'070)		(63'070)
Bank credit facility	-	-	(13'004)	(13'004)		(13'004)		(13'004)
Secured loan notes	-	-	(1'470'330)	(1'470'330)	(1'506'247)			(1'506'247)
Loans due to parent undertaking	-	-	(230'879)	(230'879)		(282'668)		(282'668)
Finance lease liabilities	-	-	(39'149)	(39'149)		(39'149)	-	(39'149)
Factoring liabilities	-	-	(419)	(419)		(419)	-	(419)
Reverse factoring liability & credit facilities	-	-	(6'696)	(6'696)		(6'696)	-	(6'696)
Trade payables	-	-	(201'402)	(201'402)				
	-	**-**	**(2'024'949)**	**(2'024'949)**				

Factoring receivables have reduced since 1 October 2018 as the Group replaced its legacy trade receivables factoring with recourse program by a trade receivables factoring program with no recourse to the Company. This new non-recourse program allowed the Group to de-recognize trade receivables in the amount of € 50.8 million at 31 March 2020 (€ 51.8 million at 31 December 2019) and improve its net working capital as well as cash flow from operating activities.

16.2. 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	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*
Other financial liabilities	Discounted cash flows: The fair value is estimated considering a net present value calculated using discount rates derived from quoted yields of securities with similar maturity and credit rating that are traded in active markets, adjusted by an illiquidity factor.	Not applicable

16.3. Derivative financial instruments

On 2 February 2018, the Group entered into new cross currency swaps in the value of € 404 million with a maturity date of 1 October 2021 and conditions set out below. No hedge accounting is applied to these cross currency swaps. The net fair value of the swaps at 31 March 2020 was recognized at a value of € 8.8 million (31 December 2019: € -0.5 million), resulting in a gain of € 9.3 million for the 3 months period ended 31 March 2020.

31 March 2020 and 31 March 2019	*Beginning EUR Notional (000's)*	*Beginning Notional in Currency (000's)*
EUR/GBP Fixed-Fixed Principal Final Exchange Cross Currency Swap	125'000	109'275
EUR/CHF Fixed-Fixed Principal Final Exchange Cross Currency Swap	106'000	122'960
EUR/SEK Fixed-Fixed Principal Final Exchange Cross Currency Swap	173'000	1'695'400

17. Share based payments

In April 2018, the Group implemented a long-term incentive plan for key senior management called «Management incentive plan» (MIP). The MIP offers the opportunity to invest indirectly, through a partnership, in certain instruments of one of Selecta Group B.V.'s parents (HoldCo) which is not in the scope of these consolidated financial statements, at nominal value. The MIP is a group share-based payment plan under IFRS 2. Due to the fact that the plan does not result in an obligation for the Group to settle the plan, it is classified as an equity-settled plan.

Entitled managers entered into the plan in April 2018 and the following months by signing a deed of adherence. The individual deed signing date represents the grant date. Managers subscribed to almost 100 % of the total plan volume.

The following investments were made:

- Class A interests which provide an indirect economic interest in 597,238,605 preferred equity certificates (PECs) of HoldCo with a total nominal value of € 5'972'386.
- Class B interests which provide an indirect economic interest in 28'455 ordinary shares with a nominal value of € 285 representing 0.86% of the HoldCo's share capital and;
- Class C interests which provide an indirect economic interest in 223'193 additional shares with a nominal value of € 2'232 representing 6.70% of the HoldCo's share capital.

The PECs underlying class A interests are interest-bearing, have a mandatory retirement date and do not entitle to voting rights in HoldCo. They are generally not convertible to equity. As a result, they do not qualify as a share based payment under IFRS 2.
Holders of class B and C interests are entitled to distributions based on the underlying shares including distributions in case of a sale or an initial public offering (IPO), an exit event, of the Group.

The MIP provides the following vesting rules in regards to class C interests:

- Graded vesting over a period of four years with 20% vesting at the grant date and 20% at each anniversary over a period of four years
- Accelerated vesting in case of an exit event

The class B interests vested immediately at grant date.

In case of a termination of employment before an exit event, a manager would become a good or a bad leaver depending on the circumstances of termination. A good leaver's vested class C interests would be reimbursed at fair value whereas unvested class C interests would be reimbursed at cost. If a manager became a bad leaver all class C interests would be reimbursed at cost.

The MIP had no significant impact on the Group's financial statements for the period ended 30 September 2019 and the comparative period.

18. Contingent liabilities and contingent assets

The Group, through a number of its subsidiaries, is involved in various legal proceedings or claims arising from its normal business. Provisions are made as appropriate where management assesses that it is probable that an outflow of economic benefits will arise. None of these proceedings results in a material contingent liability for the Group.

19. Events after the balance sheet date

No events have occurred between 31 March 2020 and the date of authorisation of the issue of these condensed consolidated interim financial statements by the Board of Directors of the Company on 25 May 2020 that could have a material impact on the consolidated financial statements.

20. Approval of the consolidated financial statements

The consolidated financial statements for the 3 months ended 31 March 2020 have been authorised by the Board of Directors on 25 May 2020.

Amsterdam, 25 May 2020

David Hamill
President of the Supervisory Board

Markus Hunold
Member of the Supervisory Board

Andreas Schneiter
Member of the Board of Directors

Ruud Gabriels
Member of the Board of Directors

Irene Henry
Member of the Board of Directors