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

Condensed consolidated interim financial statements for the 9 months ended 30 September 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	*9 months ended 30 September 2020* *€ (000's)*	*9 months ended 30 September 2019* *€ (000's)*	*3 months ended 30 September 2020* *€ (000's)*	*3 months ended 30 September 2019* *€ (000's)*
Revenue	5, 6	860'165	1'223'854	289'265	412'194
Vending fee	7	(99'840)	(136'887)	(38'789)	(51'411)
Materials and consumables used		(299'248)	(408'010)	(95'796)	(139'049)
Employee benefits expense		(288'589)	(360'113)	(97'011)	(122'812)
Depreciation and amortisation expense	8	(169'392)	(155'326)	(55'423)	(54'309)
Other operating expenses		(152'568)	(187'745)	(47'393)	(59'180)
Other operating income		7'539	16'580	969	12'161
Loss before net finance costs and income tax		**(141'933)**	**(7'647)**	**(44'178)**	**(2'406)**
Finance costs	9	(91'837)	(105'674)	(46'282)	(34'708)
Finance income	9	15'519	62'017	148	34'837
Loss before income tax		**(218'251)**	**(51'304)**	**(90'312)**	**(2'277)**
Income taxes		11'842	(1'748)	3'854	(1'613)
Loss from continuing operation		**(206'409)**	**(53'052)**	**(86'458)**	**(3'890)**
Profit/(Loss) from discontinued operation, net of tax		-	(194)	-	(194)
Profit/(Loss) for the period		**(206'409)**	**(53'246)**	**(86'458)**	**(4'084)**
Loss attributable to:					
Owners of the Company		(206'409)	(53'113)	(86'458)	(4'084)
Non-controlling interests		-	(133)	-	-
		(206'409)	**(53'246)**	**(86'458)**	**(4'084)**
Revenue net of vending fees [1]	5, 7	760'325	1'086'967	250'476	360'783

The notes on pages 9 to 25 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

	9 months ended 30 September 2020 € (000's)	*9 months ended 30 September 2019 € (000's)*	*3 months ended 30 September 2020 € (000's)*	*3 months ended 30 September 2019 € (000's)*
Loss for the period	**(206'409)**	**(53'246)**	**(86'458)**	**(4'084)**
Items that will not be reclassified to the consolidated statement of profit or loss				
Re-measurement loss on post-employment benefit obligations	-	11'751	-	14'751
Income tax relating to re-measurement gain on post-employment benefit obligations	-	(1'756)	-	(2'623)
	-	**9'995**	**-**	**12'128**
Items that are or may subsequently be reclassified to the consolidated statement of profit or loss				
Foreign exchange translation differences for foreign operations	(19'089)	(60'345)	19'397	(38'266)
Other comprehensive income for the period	**(19'089)**	**(50'350)**	**19'397**	**(26'138)**
Total comprehensive income for the period	**(225'498)**	**(103'596)**	**(67'061)**	**(30'222)**
Total comprehensive income attributable to:				
Owners of the Company	(225'498)	(103'463)	(67'061)	(30'222)
Non-controlling interests	-	(133)	-	-
	(225'498)	**(103'596)**	**(67'061)**	**(30'222)**

The notes on pages 9 to 25 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated balance sheet

	Notes	*30 September 2020 € (000's)*	*31 December 2019 € (000's)*
Non-current assets			
Property, plant and equipment	10	518'725	381'998
Goodwill	11	1'046'748	1'048'813
Trademarks	12	348'737	351'204
Customer contracts	12	305'976	339'642
Other intangible assets	12	24'147	26'876
Deferred income tax assets		25'361	24'555
Non-current financial assets		16'400	24'380
Net defined benefit asset		67'911	72'288
Derivative financial instruments	16	-	12'583
Total non-current assets		**2'354'005**	**2'282'339**
Current assets			
Inventories		107'493	126'371
Trade receivables		65'837	65'866
Other current assets		56'393	82'864
Cash and cash equivalents		103'588	64'396
Total current assets		**333'311**	**339'497**
Total assets		**2'687'316**	**2'621'836**

The notes on pages 9 to 25 are an integral part of these condensed consolidated interim financial statements.

	Notes	*30 September 2020 € (000's)*	*31 December 2019 € (000's)*
Equity and liabilities			
Equity			
Share capital	14	187	187
Share premium	14	1'276'736	1'039'957
Currency translation reserve	14	(219'206)	(200'117)
Hedging reserve	14	-	-
Accumulated deficit	14	(883'963)	(677'554)
Equity attributable to owners of the Company		**173'754**	**162'473**
Non-controlling interests		**-**	**-**
Total equity		**173'754**	**162'473**
Non-current liabilities			
Loans due to parent undertaking	13	-	230'879
Borrowings	13	1'600'500	1'496'076
Derivative financial instruments	16	-	13'094
Finance lease liabilities	10	175'969	22'944
Net defined benefit liability		20'201	21'026
Provisions		13'242	40'837
Other non-current liabilities		5'315	15'519
Deferred income tax liabilities		190'811	200'907
Total non-current liabilities		**2'006'038**	**2'041'282**
Current liabilities			
Finance lease liabilities	10	50'759	16'205
Trade payables		147'249	201'402
Provisions		43'523	5'463
Current income tax liabilities		6'846	9'746
Other current liabilities		259'147	185'265
Total current liabilities		**507'524**	**418'081**
Total liabilities		**2'513'562**	**2'459'363**
Total equity and liabilities		**2'687'316**	**2'621'836**

The notes on pages 9 to 25 are an integral part of these condensed consolidated interim financial statements.

Condensed statement of changes in consolidated equity

	Attributable to owners of the Company							
	Share capital *€ (000's)*	***Share premium*** *€ (000's)*	***Currency translation reserve*** *€ (000's)*	***Hedging reserve*** *€ (000's)*	***Accumulated deficit*** *€ (000's)*	***Total*** *€ (000's)*	***Non-controlling interests*** *€ (000's)*	***Total equity*** *€ (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[2]	**187**	**1'039'957**	**(200'117)**	**-**	**(677'554)**	**162'473**	**-**	**162'473**
Other comprehensive income/(loss)	-	-	(19'089)	-	-	(19'089)	-	(19'089)
Loss for the period	-	-	-	-	(206'409)	(206'409)	-	(206'409)
Total comprehensive income/(loss) for the period	-	-	(19'089)	-	(206'409)	(225'498)		(225'498)
Equity contribution	-	236'779	-	-	-	236'779	-	236'779
Balance at 30 September 2020	**187**	**1'276'736**	**(219'206)**	**-**	**(883'963)**	**173'754**	**-**	**173'754**

The notes on pages 9 to 25 are an integral part of these condensed consolidated interim financial statements.

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

Condensed consolidated cash flow statement

	9 months ended 30 September 2020 € (000's)	9 months ended 30 September 2019 € (000's) restated[5]
Cash flows from operating activities		
Loss before income tax	(218'251)	(51'304)
Depreciation and amortisation expense	169'392	155'326
Gain on disposal of property, plant and equipment, net	(4'708)	(23'420)
Loss / (gain) on disposal of subsidiaries	47	47
Non-cash transactions	2'461	(1'220)
Finance costs, net	76'318	43'657
Changes in working capital:		
(Increase)/Decrease in inventories	17'370	1'328
(Increase)/Decrease in trade receivables and prepaid expenses	23'780	(7'709)
(Increase)/Decrease in other current assets	8'701	(13'181)
Increase/(Decrease) in trade payables	(52'153)	46'509
Increase/(Decrease) in other liabilities	66'449	34'454
Income taxes paid	(1'230)	(5'576)
Net cash generated from operating activities	**88'176**	**178'911**
Cash flows from investing activities		
Acquisition of subsidiary, net of cash acquired	(3'192)	(22'509)
Purchases of property, plant and equipment	(33'920)	(110'056)
Purchases of intangible assets	(4'289)	(12'947)
Proceeds from sale of property, plant and equipment	10'621	62'968
Interest received	113	75
Other proceeds granted	(473)	-
Net cash used in investing activities	**(31'140)**	**(82'469)**
Cash flows from financing activities		
Proceeds/(Repayment) of loans and borrowings	97'294	(9'419)
Capital element of lease liabilities[3]	(46'290)	(9'590)
Proceeds/(Repayment) from factoring	(857)	(1'076)
Interest paid	(60'012)	(49'339)
Financing costs paid	(7'377)	(3'161)
Net cash (used in)/generated from financing activities	**(17'242)**	**(72'585)**
Net (decrease)/increase in cash and cash equivalents	**39'794**	**23'857**
Cash and cash equivalents at the beginning of the period	64'675	104'243
Exchange gains/(losses) on cash and cash equivalents	(881)	1'017
Cash and cash equivalents at the end of the period	**103'588**	**129'117**

The notes on pages 9 to 25 are an integral part of these condensed consolidated interim financial statements.

[3] 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 in all of our end markets, has had a severe impact on our revenues. Despite this pandemic, the Group continues to operate in all of its markets.

The Company experienced a substantial decline in revenues across all markets starting in March, which had a negative impact on profitability that was only partially mitigated through a comprehensive action plan. Although there has been a gradual recovery from May to September it is not possible to foresee the future development of the pandemic.

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.

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 accounting requirements 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 when the contract contains an option 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	324'551	22'262	346'813
Other fixtures & fittings	15'553	37	15'590
Vehicles	11'243	49'681	60'924
Other equipment	20'559	3'150	23'709
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 operating expenses were decreased by € 36.9 million while the depreciation and amortisation expense as well as the interest expenses included in finance costs were increased by € 34.9 million due to the application of IFRS 16. Furthermore, the consolidated cash flow statement was impacted by a shift from cash flows used in operating activities to cash flows used in financing activities in the amount of € 46.3 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 they has a practical ability to substitute the asset. As a consequence, there is no lease identified for such contracts.

3.2. New and revised/amended standards and interpretations

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

A number of other new amendments are effective from 1 January 2020, but they do not have a material effect on the Group's financial statements.

The following new or amended standards and interpretations that may be relevant to the condensed consolidated interim 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			
Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)	3)	1 January 2022	Reporting year 2022
Annual Improvements to IFRS Standards 2018-2020	3)	1 January 2022	Reporting year 2022
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	1)	1 January 2022	Reporting year 2022
Reference to the Conceptual Framework (Amendments to IFRS 3)	3)	1 January 2022	Reporting year 2022
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	3)	1 January 2023	Reporting year 2023

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 9 months ended 30 September 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	284'163	316'671	269'677	**870'511**	(10'346)	**860'165**
Revenue net of vending fee	249'968	263'991	256'712	**770'671**	(10'346)	**760'325**
Profit/(loss) before net finance costs and income taxes, depreciation and amortisation expense	**10'259**	**31'037**	**36'543**	**77'839**	**(50'335)**	**27'504**
Depreciation and amortisation expense	(46'609)	(51'395)	(32'158)	**(130'162)**	(39'230)	**(169'392)**
Loss before net finance costs and income tax						**(141'933)**
Finance costs, net						**(76'318)**
Loss before income tax						**(218'251)**

Result for the 9 months ended 30 September 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	455'926	452'039	333'034	**1'240'999**	(17'145)	**1'223'854**
Revenue net of vending fee	414'026	373'853	316'233	**1'104'112**	(17'145)	**1'086'967**
Profit/(loss) before net finance costs and income taxes, depreciation and amortisation expense	**62'231**	**43'078**	**67'806**	**173'115**	**(25'303)**	**147'812**
Depreciation and amortisation expense	(40'130)	(46'648)	(30'682)	**(117'460)**	(37'866)	**(155'326)**
Loss before net finance costs and income tax						**(7'647)**
Finance costs, net						**(43'657)**
Loss before income tax						**(51'304)**

6. Revenue by channel

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

Result for the 9 months ended 30 September 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 clients	284'163	316'671	260'415	861'249	(10'346)	850'903
Rental revenue	-	-	9'262	9'262	-	9'262
Total revenue	**284'163**	**316'671**	**269'677**	**870'511**	**(10'346)**	**860'165**
Revenue from On-the-Go channel	103'823	157'958	43'811	305'592		305'592
Intersegment revenue from On-the-Go channel	-	138	-	138	(138)	-
Third party revenue from Workplace channel	140'056	129'749	122'635	392'440	-	392'440
Intersegment revenue from Workplace channel	-	38	-	38	(38)	-
Third party revenue from Trading channel	40'284	28'773	83'814	152'871	-	152'871
Intersegment revenue from Trading channel	-	15	10'155	10'170	(10'170)	-
Total revenue from contracts with clients	**284'163**	**316'671**	**260'415**	**861'249**	**(10'346)**	**850'903**

Result for the 9 months ended 30 September 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 from contracts with clients	455'926	452'039	321'475	1'229'440	(17'145)	1'212'295
Rental revenue	-	-	11'559	11'559	-	11'559
Total Revenue	**455'926**	**452'039**	**333'034**	**1'240'999**	**(17'145)**	**1'223'854**
Revenue from On-the-Go channel	162'950	229'408	52'172	444'530	-	444'530
Third party revenue from Workplace channel	211'470	178'971	151'803	542'244	-	542'244
Intersegment revenue from Workplace channel	-	57	-	57	(57)	-
Third party revenue from Trading channel	81'487	43'603	100'431	225'521	-	225'521
Intersegment revenue from Trading channel	19	-	17'069	17'088	(17'088)	-
Total revenue from contracts with clients	**455'926**	**452'039**	**321'475**	**1'229'440**	**(17'145)**	**1'212'295**

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 client 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 clients 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 client 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

	9 months ended 30 September 2020	*9 months ended 30 September 2019*	*3 months ended 30 September 2020*	*3 months ended 30 September 2019*
	€ (000's)	*€ (000's)*	*€ (000's)*	*€ (000's)*
Depreciation[4]	(122'709)	(107'127)	(39'814)	(36'385)
Amortisation costumer relationship contracts and trade mark	(36'634)	(38'844)	(13'243)	(13'251)
Amortisation other	(10'049)	(9'355)	(2'366)	(4'673)
Total depreciation and amortisation expense	**(169'392)**	**(155'326)**	**(55'423)**	**(54'309)**

9. Finance costs and finance income

	9 months ended 30 September 2020	*9 months ended 30 September 2019*
	€ (000's)	*€ (000's)*
Interest on loan due to parent undertaking	(8'154)	(29'891)
Interest on loans	(67'000)	(62'141)
Refinancing costs amortisation	(6'334)	(6'834)
Finance lease interest expense	(4'588)	(777)
Other interest and finance expense	(5'761)	(6'031)
Total finance costs	**(91'837)**	**(105'674)**
Foreign exchange gains, net	14'894	58'907
Change in fair value of derivative financial instruments	512	3'032
Other interest and finance income	113	78
Total finance income	**15'519**	**62'017**

[4] With the application of IFRS 16 as of 1 January 2020, additional depreciation for the 9 months ended 30 September 2020 of € 34.9 million and for the 3 months ended 30 September 2020 of € 11.6 million.

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)	(3'356)	(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[5]	120'570	22'262	49'681	3'187	**195'700**
Additions	17'846	36'066	9'154	3'599	**66'665**
Disposals	(3'874)	(36'329)	(7'086)	(8'907)	**(56'196)**
Modification	6'654	(386)	1'302	-	**7'570**
Reclassifications*	(134)	(14'918)	(534)	(858)	**(16'444)**
Effects of foreign currency exchange differences	(924)	(5'109)	(751)	(1'089)	**(7'873)**
Balance at 30 September 2020	**154'310**	**820'761**	**77'693**	**80'823**	**1'133'587**
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)**	**(48'781)**	**(562'167)**
Depreciation expense	(13'597)	(80'249)	(18'893)	(9'970)	**(122'709)**
Disposals	1'004	37'019	6'563	8'834	**53'420**
Reclassifications*	105	11'468	270	494	**12'337**
Effects of foreign currency exchange differences	145	3'289	243	581	**4'258**
Balance at 30 September 2020	**(16'423)**	**(523'097)**	**(26'500)**	**(48'842)**	**(614'862)**
Net Book Value					
At 1 January 2020	**10'092**	**324'551**	**11'243**	**36'110**	**381'998**
At 30 September 2020	**137'887**	**297'664**	**51'194**	**31'980**	**518'725**

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

The above table includes right of use assets in the amount € 219.2 million as of 30 September 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, see table below.

[5] Refer to note 3.1

	30 September 2020 € (000's)
Right-of-use assets	
Freehold land and buildings	129'146
Vending equipment	19'291
Vehicles	41'819
Other equipment	28'921
Total Right-of-use assets	**219'177**

Lease liabilities	
Current lease liabilities	(175'969)
Non-current lease liabilities	(50'759)
Total lease liabilities	**(226'728)**

11. Goodwill

	9 months ended 30 September 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	(2'065)	13'765
Balance gross and net carrying amount closing	**1'046'748**	**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

		30 September 2020 € (000's)	31 December 2019 € (000's)
Loans due to parent undertaking at amortised cost		-	230'879
Liquidity facility agreement	-	50'000	-
Borrowings at amortised cost (incl. revolving credit facility)		1'550'500	1'496'076
Total borrowings		**1'600'500**	**1'726'955**

13.1. Borrowings

	30 September 2020			*31 December 2019*		
	€ (000's)	*in %*	*Interest rate*	*€ (000's)*	*in %*	*Interest rate*
EUR	1'400'114	85.8%	5.5%	1'533'949	86.9%	6.6%
CHF	231'396	14.2%	5.9%	230'330	13.1%	5.9%
Total	**1'631'510**	**100%**	**5.6%**	**1'764'279**	**100%**	**6.5%**

The amounts shown above reflect the nominal value and original currency of the borrowings including, as of 31 December 2019, accrued interest for the PIK proceeds loan that was converted into equity in April 2020, without the deduction of net capitalized transaction costs. The nominal interest rate is disclosed.

13.2. Rate structure of borrowings

	30 September 2020 *€ (000's)*	*31 December 2019* *€ (000's)*
Total borrowings at variable rates	526'458	427'651
Total borrowings at fixed rates	1'074'042	1'299'304
Total borrowings at amortised cost	**1'600'500**	**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 June 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

In March 2020, entities managed, advised or controlled by KKR Credit Advisors (US) LLC, provided a liquidity facility of €50 million with a term of 1 year (maturity March 2021). The facility has the same super senior status as the existing RCF; i.e. it will receive proceeds of an enforcement or realization of collateral ahead of the senior secured notes. Except for the maturity, the terms of the liquidity facility are substantially the same as those under the existing super senior RCF provided by external banks in 2018 as part of the refinancing. The liquidity facility was drawn in April 2020.

In April 2020, the group performed a corporate reorganization. As part of this, the existing PIK loan to the Group's parent, Selecta Group Midco S.a.r.L., was converted into equity against the issue price of one new share in April 2020. The Company is now directly held (100%) by Selecta Group AG; resident in Switzerland. Selecta Group AG is directly owned (100%) by Selecta Group Midco S.a.r.L
The senior secured notes, the revolving credit facility and the liquidity facility are secured by first ranking security interests over the issued share capital of certain Group companies (together the "Guarantors"), certain intercompany receivables of the Company and the Guarantors, including assignment of certain bank accounts of the Company.

	Interest rate	*30 September 2020*
	%	*€ (000's)*
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	231'396
Senior revolving credit facility (Libor + 3.5%)	3.5	110'114
Liquidity facility (Euribor + 3.5%)	3.5	50'000
Total borrowings and loans due to parent undertaking at nominal values		**1'631'510**

	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**

Selecta or its affiliates may from time to time seek to retire or purchase outstanding securities of Selecta or its affiliates through cash purchases, in open market purchases, in privately negotiated transactions or otherwise. Such transactions may depend on market conditions, liquidity requirements, contractual restrictions and other factors, and the amounts involved may be material.

With regards to the debt restructuring executed in October 2020 we refer to note 18.

14. Equity

14.1. Share capital, share premium

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

On 16 April 2020, Selecta Group performed a reorganisation of the entities above Selecta Group BV. Selecta Group BV issued one new share 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 € 239 million. The amount above the nominal value increased the share premium of Selecta Group B.V. This share issuance fully offset all outstanding amounts under a previously entered PIK loan agreement between Selecta Group BV and Selecta Midco S.a.r.L., dated 2 February 2018 and amended and restated as of 4 December 2018.

Following this debt restructure, Selecta MidCo S.a.r.L contributed all issued and outstanding shares of the Selecta Group BV into Selecta Group AG. Consequently, as of 16th April 2020 Selecta Group BV is fully owned by Selecta Group AG. Selecta Group AG is fully owned by Selecta MidCo S.a.r.L.

14.2. Reserves

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

	Attributable to owners of the Company			
For 9 months ended 30 September 2020	*Currency translation reserve € (000's)*	*Retained earnings € (000's)*	*Hedging reserve € (000's)*	***Total** € (000's)*
Foreign currency translation differences for foreign operations	(19'089)	-	-	(19'089)
Total other comprehensive income, net of tax	**(19'089)**	**-**	**-**	**(19'089)**

	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 make any acquisition in the reporting period 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.

30 September 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 not measured at fair value								
Trade receivables	-	65'837	-	65'837				
Non-current financial assets	-	16'400	-	16'400				
Cash and cash equivalents	-	103'588	-	103'588				
Accrued income	-	27'301	-	27'301				
	-	**213'126**	**-**	**213'126**				
Financial liabilities not measured at fair value								
Revolving credit facility	-	-	(110'114)	(110'114)		(110'114)		(110'114)
Bank credit facility	-	-	(3'092)	(3'092)		(3'092)		(3'092)
Secured loan notes	-	-	(1'471'396)	(1'471'396)	(718'850)			(718'850)
Liquidity facility agreement	-	-	(50'000)	(50'000)		(50'000)		(50'000)
Finance lease liabilities	-	-	(226'728)	(226'728)		(226'728)	-	(226'728)
Factoring reserve	-	-	1'248	1'248		1'248	-	1'248
Reverse factoring liability & credit facilities	-	-	(11'603)	(11'603)		(11'603)	-	(11'603)
Trade payables	-	-	(147'249)	(147'249)				
	-	**-**	**(2'018'934)**	**(2'018'934)**				

31 December 2019	*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	**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 € 26.6 million at 30 September 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. Following a review of the Company's debt and hedging position, it was decided on 19 August 2020 to terminate the Cross Currency Swaps. The resulted net terminated value as receivable of the Group was € 3.0 million. No hedge accounting was applied to these cross currency swaps. The net fair value of the swaps at 30 September 2019 was recognized at a value of € -0.5 million.

30 September 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. 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.

18. Events after the balance sheet date

On October 29, 2020 Selecta completed a comprehensive debt recapitalization, which resulted in a significant reduction of the Company's outstanding third-party debt and also provided an extension of debt maturities through 2026, € 175 million new money from the shareholders by way of € 125 million cash funding and settlement of the € 50 million super senior liquidity facility, as well as material cash interest reduction in the near-term.

19. Approval of the consolidated financial statements

The consolidated financial statements for the 9 months ended 30 September 2020 have been authorised by the Board of Directors on 30 November 2020.

Amsterdam, 30 November 2020

Philippe Gautier
Director of the Selecta Group B.V.

Ruud Gabriels
Director of the Selecta Group B.V.

Irene Henry
Director of the Selecta Group B.V.