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

Condensed consolidated interim financial statements for the 3 months ended 31 December 2016 (unaudited)

February 17, 2017

Table of Contents

Operating and financial review

Overview of the business

Selecta is the leading independent operator of vending machines in Europe by revenue, with operations in 15 countries across Europe and leading market shares in its key markets of Switzerland, Sweden and France. We operate a network of approximately 132’000 active snack and beverage vending machines on behalf of a broad and diverse client base. We offer a wide range of products in our vending machines, including hot and cold beverages and various snacks and confectionary items. Our clients include a large number of both private and public organizations. Our private vending services, which also include our office coffee services (“OCS”), are directed primarily at office environments but also include clients such as hospitals and universities. Our public vending machines are located in high traffic public locations, such as airports, train and subway stations and gas stations, where our longer term client contracts provide us with a steady stream of revenue. In addition to our public and private vending operations, we also generate revenue from trade sales of machines and products.

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

We operate our vending machine network primarily under the “Selecta” brand. We are the overall market leader by revenue in the European vending market, with an estimated market share of approximately 6% based on market size data from the European Vending Association for 2014 and our own estimates.

Presentation of financial information

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

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

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

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

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

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

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

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

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

Operating review [1]

Sales in the three months ended 31 December 2016 were 0.4% below last year, but they were 2.0% ahead of last year at constant foreign currency[2] rate. At constant rates, this is the seventh consecutive positive quarter.

Following the announcement in January 2017 of the divestment of the three Baltic countries, the disposal group is reported as disposal group held for sale in the interim financial statements for the three months ended 31 December 2016. The effective date of the divestment is expected in March 2017. In the operating review the 2016 numbers are excluding the disposal group held for sale and are stated at constant foreign currency[2] rate if not stated otherwise.

The key messages of the regional performance are :

- In France sales in the quarter were 2.8% below the prior year, affected by the low level of commercial gains in Private in 2016 partially offset by improved performance in rail.
- Sales in West region grew by 2.1% compared to last year on the back of Starbucks on the go machines at Shell petrol stations in the Netherlands.
- Sales in central region were 3.3% above last year driven by growth in Public in Germany following major commercial wins from 2016, whereas sales in Switzerland remained stable.
- North region has delivered year on year sales growth of 5.6%, mainly coming from the Starbucks on the go sales in Q8 petrol stations in Denmark.

Adjusted EBITDA in the quarter was € 0.7 million lower than last year.

[1] All numbers in the financial review, unless stated otherwise, are at constant foreign currency rates based on 30 September 2016 and exclude companies held for sale and impact of sales from companies held for sale.
Companies held for sale are the following country organisations: Lithuania, Latvia, and Estonia.
[2] Constant foreign currency rates applied: CHF/EUR 1.09; SEK/EUR 9.62; GBP/EUR 0.86

Financial review [1]

Financial summary

	3 months ended Dec 16 €m	Dec 15 €m	Change %
Revenue	**181.3**	**177.8**	**2.0%**
Materials and consumables used	(57.2)	(53.7)	(6.5%)
Gross profit	**124.1**	**124.1**	**0.0%**
% margin	*68.5%*	*69.8%*	*(1.3) pts*
Employee benefits expense	(56.8)	(60.0)	(5.3)%
Other operating expenses	(43.3)	(43.4)	(0.1)%
EBITDA	**24.0**	**20.7**	**15.5%**
% margin	*13.2%*	*11.7%*	*1.5 pts*
Adjustments	2.0	5.9	(65.6%)
Adjusted EBITDA	**26.0**	**26.7**	**(2.5%)**
% margin	*14.3%*	*15.0%*	*(0.7) pts*
Depreciation & amortisation	(21.4)	(21.0)	1.8%
% revenue	*-11.8%*	*-11.8%*	*0.0 pts*

Revenue

Sales in the three months ended 31 December 2016 were 2.0% ahead of last year.

The following table sets out the revenue development by region in the 3 months ended 31 December 2016 and 2015.

	3 months ended Dec 16 €m	Dec 15 €m	Change %
France	43.3	44.5	(2.8%)
West	26.1	25.6	2.1%
Central	79.5	77.0	3.3%
North	32.4	30.7	5.6%
HQ and inter-company eliminations	(0.0)	(0.0)	
Group	**181.3**	**177.8**	**2.0%**

France

Revenue decreased by 2.8% in the 3 months ended 31 December 2016 to € 43.3 million compared to prior year (2015: € 44.5 million). Private vending was down 6.3% negatively impacted by the low level of commercial gains in 2016. Public vending sales were 2.5% higher than last year as a result of strong performance in rail, driven by the rollout of new machines completed in 2016.

[1] All numbers in the financial review, unless stated otherwise, are at constant foreign currency rates based on 30 September 2016 and exclude companies held for sale as well as the impact of the gain on disposed countries in the prior year (Czech Republic, Slovakia, Hungary)
Companies held for sale are the following country organisations: Lithuania, Latvia, and Estonia.
Constant foreign currency rates applied: CHF/EUR 1.09; SEK/EUR 9.62; GBP/EUR 0.86

West

Revenue of € 26.1 million in the 3 months ended 31 December 2015 was 2.1% higher than last year (2014: € 25.6 million), driven by the Starbucks on the go machines at Shell petrol stations in the Netherlands (162 machines installed as of 31 December 2016 compared to 19 machines last year).

Central

Revenue of € 79.5 million in the 3 months ended 31 December 2016 were 3.3% above last year (2015: € 77.0 million) on the back of strong growth in Germany as a result of Deutsche Bahn and Fraport rollouts in Public. Switzerland remained stable, with high trade machine sales compensating weak developments in private vending.

North

Revenue increased by 5.6% to € 32.4 million in the 3 months ended 31 December 2016 compared to prior year (2015: € 30.7 million), driven by Denmark's success with the Starbucks on the go concept in Q8 petrol stations.

Gross profit

Gross profit remained stable at € 124.1 million in the 3 months ended 31 December 2016 compared to prior year. Gross profit margin decreased by 1.3 percentage points to 68.5% in the 3 months ended 31 December 2016 (2015: 69.8%). This reduction was driven by an understatement by France of € 2.3 million of cost of sales in last year's first quarter which is corrected in the subsequent quarters of the year ended 30 September 2016.

Employee benefits expense

Employee benefits expense of € 56.8 million in the 3 months ended 31 December 2016 was € 3.2 million, or 5.3% lower than prior year (2016: € 60.0 million). At 31 December 2016 and excluding the Baltic countries, the Group had 4'090 FTE's, 242 fewer than in December 2015, with reductions across all functions. Restructuring costs were included in employee benefits expenses for € 0.4 million.

Other operating expenses

Other operating expenses of € 43.3 million in the 3 months ended 31 December 2016 were relatively stable compared to prior year (€ 43.4 million). Higher vending rents by € 2.8 million resulting from Public business growth were compensated by a decrease in overhead costs, mainly consulting costs.

Depreciation, amortisation and impairment expense

Depreciation, amortisation and impairment expense increased by € 0.4 million to € 21.4 million in the 3 months ended 31 December 2015.

Adjustments

Adjustments in respect of one off items were € 2.0 million in the 3 months ended 31 December 2016, € 3.9 million lower than in prior year (2015: € 5.9 million). This mainly relates to costs incurred for transformation projects and cost savings initiatives (€1.4m), as well as redundancy expenses (€0.4m), nearly half of them in France.

Adjusted EBITDA

Adjusted EBITDA decreased by € 0.7 million, or 2.5%, in the 3 months ended 31 December 2016 to € 26 million compared to prior year (2015: € 26.7 million).

The following table sets out the adjusted EBITDA by region in the 3 months ended and year to date 31 December 2016 and 2015:

	3 months ended		
	Dec 16 €m	**Dec 15 €m**	**Change %**
France	1.0	2.4	(57.8%)
West	2.0	1.8	10.4%
Central	20.2	19.4	3.9%
North	6.2	6.6	(6.3%)
HQ	(3.4)	(3.5)	(5.0%)
Group	**26.0**	**26.7**	**(2.5%)**

France

Adjusted EBITDA of € 1.0 million in the 3 months ended 31 December 2016 was € 1.4 million, or 57.8%, below last year (2015: € 2.4 million). The decrease is due to a phasing error in the 3 months ended 31 December 2015, which led to an understatement by € 0.9 million of costs in this period, balanced over the rest of the year ended 30 September 2016. This phasing error was neutral over the year ended 30 September 2016.

West

Adjusted EBITDA of € 2.0 million in the 3 months ended 31 December 2016 was € 0.2 million, or 10.4% above prior year (2015: € 1.8 million), driven by the effect of sales growth from the Starbucks on the go machines at Shell petrol stations in the Netherlands, more than compensating for declining Private sales in the UK.

Central

Adjusted EBITDA of € 20.2 million in the 3 months ended 31 December 2016 was € 0.8 million, or 3.9%, higher than prior year (2015: € 19.4 million). This was the result of sales growth in Germany driven by the effects of the Deutsche Bahn and Fraport rollouts in Public.

North

Adjusted EBITDA of € 6.2 million in the 3 months ended 31 December 2016 was € 0.4 million, or 6.3%, below prior year (2015: € 6.6 million) due to the increased use of customer owned machines that come with lower turnover but no capital expenditure.

HQ

Adjusted EBITDA in the 3 months ended 31 December 2016 was € 0.1 million better than prior year.

Cash flow [1]

	3 months ended		
	Dec 16 €m	Dec 15 €m	Change %
Net cash generated from operating activities	(3.9)	(20.0)	-80.6%
Net cash used in investing activities	(16.2)	(15.4)	4.9%
Free cash flow	**(20.1)**	**(35.4)**	**-41.5%**
Proceeds from capital increase	-	16.7	
Proceeds from borrowings	23.0	48.9	
Interest paid and other financing cost	(20.4)	(24.3)	
Other	(0.2)	-	
Net cash used in financing activities	**2.4**	**41.2**	
Net change in cash and cash equivalents	**(17.6)**	**5.8**	

Net cash generated from operating activities of € -3.9 million in the 3 months ended 31 December 2016 was 16.1 million, higher than last year (2015: € -20.0 million). This was driven by a reduction of adjustments in respect to one off cost items by € 4.0 and a working capital change which was better than in prior year by € 12.1 million.

Accounts payables decreased by € 31.7m in the 3 months ended 31 December 2016 compared to € 40.4 million in the previous year. Further improvements came from receivables collection and inventories.

Net cash used in investing activities increased by € 0.8 million, or 4.9%, to € 16.2 million in the 3 months ended 31 December 2016 (2015: € 15.4 million), driven by IT investments.

Therefore free cash flow in the 3 months ended 31 December 2016 was € -20.1 million, € 15.3 million or 41.5%, above last year (2015: € -35.4 million).

Last year, in the 3 months ended 31 December 2015, proceeds from capital increase related to a cash injection from KKR as part of the closing of share acquisition from ACP.

Proceeds from borrowings of € 22.9 million in the 3 months ended 31 December 2016 consist of € 20.8 million drawings made on the Group's revolving credit facility and € 2.1 million of factoring drawings.

Interest paid and other financing cost of € 20.2 million in the 3 months ended 31 December 2016 includes a € 18.8 million interest payment primarily on the senior secured notes made in December 2016.

[1] At actual foreign currency rates (rates applied are listed in note 3.3 of the condensed consolidated interim financial statements), and including the companies held for sale in Lithuania, Latvia, and Estonia.

Net debt [1]

The following table sets out the group's net debt at 30 December 2016.

	Dec 16 €m	Sep 16 €m	Change €m
Cash at bank	**45.3**	**62.6**	**(17.3)**
Factoring facility	2.1		2.1
Revolving credit facility	49.8	29.0	20.8
Senior notes	578.1	575.3	2.9
PIK loan	300.9	284.0	16.9
Accrued interest	1.8	19.5	(17.8)
Finance leases	30.1	28.1	2.0
Total debt	**962.8**	**935.9**	**26.8**
Net debt	**917.5**	**873.4**	**44.1**

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

Cash at bank decreased by € 17.3 million to € 45.3 million at 31 December 2016 (30 September 2016: € 62.6 million).

The amounts outstanding under the Group's revolving credit facility increased by € 20.8 million to € 49.8 million at 31 December 2016 (30 September 2016: € 29.0 million) as a result of drawings made under the facility to finance the Group's working capital timing differences.

The amounts outstanding on the senior notes increased by € 2.9 million to € 578.1 million at 31 December 2016 (30 September 2016: € 575.3 million) due entirely to currency translation effects. CHF 245 million of the Group's senior notes have been issued in Swiss Francs.

The amounts outstanding on the PIK loan increased by € 16.9 million to € 300.9 million at 31 December 2016 (30 September 2016: € 284.0 million) due to the capitalisation of the PIK interest for € 16.9 million.

Accrued interest decreased by € 17.8 million to € 1.8 million at 31 December 2016 (30 September 2016: € 19.5 million) subsequent to the payment of the interest on the senior secured notes and the capitalisation of the interest on the PIK loan on 15 December 2016.

As a result net debt increased by € 44.1 million to € 917.5 million at 31 December 2016 (30 September 2015: € 873.4 million).

[1] At actual foreign currency rates (rates applied are listed in note 3.3 of the condensed consolidated interim financial statements), and including the companies held for sale in Lithuania, Latvia, and Estonia.

Other material developments

Following the announcement of their disposal on January 6, 2017, the three Baltic countries (Lithuania, Latvia, Estonia) are reported as disposal group held for sale in the interim financial statements for the three months ended 31 December 2016.

The net profit for the period from the three Baltic countries amounted to € 0.3 million in the 3 months ended 31 December 2016 (2015: € 0.3 million), and is presented as net profit from discontinued operations in the consolidated statement of profit or loss.

The effective date of the divestment is expected in March 2017.

There have been no other material developments in respect of the Group in the 3 months ended 31 December 2016 or since this date and up to the date of approval of these condensed consolidated interim financial statements.

Condensed consolidated interim financial statements

Consolidated statement of profit or loss

	Notes	*3 months ended 31 December 2016 € (000's)*	*3 months ended 31 December 2015 € (000's)*
Revenue	6	181'356	182'143
Materials and consumables used		(57'164)	(55'191)
Employee benefits expense		(56'869)	(61'276)
Depreciation, amortisation and impairment expense		(21'438)	(21'457)
Other operating expenses		(47'092)	(47'925)
Gain on disposal of a subsidiary		-	6'551
Other operating income		3'767	3'431
Profit before interest and income tax		**2'560**	**6'276**
Finance costs	7	(18'015)	(23'569)
Finance income		8	88
Loss before income tax excluding discontinued operations		**(15'447)**	**(17'205)**
Net profit from discontinued operations net of tax		**305**	**317**
Income taxes		733	278
Net profit/(loss) for the period attributable to equity holders of the parent		**(14'409)**	**(16'610)**

Consolidated statement of comprehensive income

	3 months ended 31 December 2016 € (000's)	*3 months ended 31 December 2015 € (000's)*
Net profit (loss) for the period	**(14'409)**	**(16'610)**
Items that are or may subsequently be reclassified to the consolidated statement of profit or loss		
Release of hedging reserve though profit and loss	229	-
Effective portion of changes in fair value of cash flow hedges	-	1'950
Income tax relating to effective portion of changes in fair value of cash flow hedges	-	(517)
Foreign exchange translation differences for foreign operations	(6'117)	(4'316)
Other comprehensive income net of tax	**(5'888)**	**(2'883)**
Total comprehensive income attributable to equity holders of the parent	**(20'296)**	**(19'493)**

Consolidated balance sheet

	Notes	*31 December 2016 € (000's)*	*30 September 2016 € (000's)*
Assets			
Non-current assets			
Property, plant and equipment	8	185'540	187'708
Goodwill	9	482'562	482'562
Trademarks	10	286'301	286'301
Customer contracts	10	130'088	135'750
Other intangible assets	10	21'485	17'884
Deferred income tax assets		20'837	21'032
Non-current financial assets		2'926	2'766
Derivative financial instruments	13	5'753	6'218
Total non-current assets		**1'135'493**	**1'140'221**
Current assets			
Inventories		39'980	38'702
Trade receivables		38'353	40'939
Other current assets		29'878	33'699
Cash and cash equivalents		48'602	66'871
Assets held for sale		4'955	-
Total current assets		**161'768**	**180'210**
Total assets		**1'297'261**	**1'320'431**
Equity and liabilities			
Equity			
Share capital	12	187	187
Share premium	12	279'566	279'566
Additional paid-in capital	12	236'829	236'829
Currency translation reserve	12	(134'014)	(127'897)
Hedging reserve	12	(1'307)	(1'536)
Retained earnings	12	(354'286)	(339'877)
Equity attributable to equity holders of the parent		**26'976**	**47'272**
Non-current liabilities			
Borrowings	11	908'941	873'741
Derivative financial instruments	13	11'409	10'316
Finance lease liabilities		22'064	20'040
Post-employment benefit obligations		24'098	23'464
Provisions		5'815	6'220
Deferred income tax liabilities		130'156	131'261
Total non-current liabilities		**1'102'482**	**1'065'042**
Current liabilities			
Derivative financial instruments	13	1'446	1'428
Finance lease liabilities		7'667	8'076
Trade payables		76'344	107'710
Provisions		4'414	4'975
Current income tax liabilities		2'503	2'934
Other current liabilities		73'975	82'996
Liability held for sale		1'453	-
Total current liabilities		**167'801**	**208'118**
Total liabilities		**1'270'283**	**1'273'160**
Total equity and liabilities		**1'297'261**	**1'320'431**

Statement of changes in consolidated equity

	Share capital € (000's)	*Share premium € (000's)*	*Additional paid-in capital € (000's)*	*Currency translation reserve € (000's)*	*Hedging reserve € (000's)*	*Retained earnings € (000's)*	*Equity attribut-able to equity holders of the parent € (000's)*
Balance at 1 October 2015	**187**	**279'191**	**220'529**	**(126'600)**	**(2'526)**	**(262'306)**	**108'475**
Other comprehensive income	-	-	-	(1'297)	990	196	(111)
Net loss	-	-	-	-	-	(77'767)	(77'767)
Total comprehensive income	-	-	-	*(1'297)*	*990*	*(77'571)*	*(77'787)*
Capital contribution	-	*375*	*16'300*	**-**	**-**	**-**	*16'675*
Balance at 1 October 2016	**187**	**279'566**	**236'829**	**(127'897)**	**(1'536)**	**(339'877)**	**47'272**
Other comprehensive income	-	-	-	(6'117)	229	**-**	(5'888)
Net loss	-	-	-	-	-	(14'409)	(14'409)
Total comprehensive income	-	-	-	*(6'117)*	*229*	*(14'409)*	*(20'296)*
Balance at 31 December 2016	**187**	**279'566**	**236'829**	**(134'014)**	**(1'307)**	**(354'286)**	**26'976**

Consolidated cash flow statement

	Notes	*3 months ended 31 December 2016 € (000's)*	*3 months ended 31 December 2015 € (000's)*
Cash flows from operating activities			
Net loss before income tax *		(15'142)	(16'839)
Depreciation, amortization and impairment expense		21'693	21'689
Gain on disposal of property, plant and equipment, net		(969)	(897)
Gain on disposal of subsidiaries	14	-	(6'551)
Net finance costs		18'139	23'674
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):			
(Increase)/Decrease in inventories		(1'762)	(3'644)
(Increase)/Decrease in trade receivables		2'008	(1'019)
(Increase)/Decrease in other current assets		3'991	2'228
Increase/(Decrease) in trade payables		(31'239)	(43'632)
Increase/(Decrease) in other liabilities		(66)	6'869
Income taxes (paid)/received		(553)	(1'891)
Net cash generated from/(used in) operating activities		**(3'900)**	**(20'013)**
Cash flows from investing activities			
Purchases of property, plant and equipment		(13'767)	(16'956)
Proceeds from sale of property, plant and equipment		1'861	2'574
Purchases of intangible assets		(4'298)	(1'104)
Interest received		7	49
Net cash used in investing activities		**(16'196)**	**(15'437)**
Cash flows from financing activities			
Proceeds from capital increase		-	16'675
Proceeds from issuance of loans and borrowings	11	23'012	48'880
Interest paid		(20'386)	(24'311)
Other non-cash items		(178)	-
Net cash generated from/(used in) financing activities		**2'448**	**41'244**
Net increase/(decrease) in cash and cash equivalents		**(17'649)**	**5'794**
Cash and cash equivalents at the beginning of the period		66'871	36'177
Exchange gains/(losses) on cash and cash equivalents		437	(474)
Cash and cash equivalents at the end of the period **		**49'659**	**41'497**

* Including € 0.3 million of profit before tax from discontinued operations.

**Including € 1.1 million of cash and cash equivalents which have been reclassified in the balance sheet to Disposal group held for sale at 31 December 2016 (see note 14).

Notes to the condensed consolidated interim financial statements

1. General Information

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

2. Basis of preparation

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all information required for a complete set of IFRS financial statements and should therefore be read in conjunction with the financial statements for the year ended 30 September 2016.

Selected explanatory notes have been included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 30 September 2016.

3. Summary of significant accounting policies

3.1. Accounting policies

The accounting policies adopted in the interim period are consistent with those in the previous financial year as disclosed in the financial statements for the year ended 30 September 2016, except for those accounting policies which have changed as a result of the issuance of new or revised standards and interpretations as disclosed in note 3.2 below.

3.2. New and revised/amended standards and interpretations

International Financial Reporting Standards and Interpretations, whose application is not yet mandatory and that have not been adopted early

The following new or amended Standards and Interpretations have been issued, but are not yet effective. They have not been applied early in these consolidated financial statements.

	Effective date	***Planned application by Selecta Group B.V.***
New Standards or Interpretations		
IFRS 14 *Regulatory Deferral Accounts*	1 January 2016	Reporting year 2016/17
IFRS 9 *Financial Instruments*	1 January 2018	Reporting year 2018/19
IFRS 15 *Revenue from Contracts with Customers*	1 January 2018	Reporting year 2018/19
IFRS 16 *Leases*	1 January 2019	Reporting year 2019/20
Revisions and amendments of Standards and Interpretations		
Accounting for Acquisitions of Interests in Joint Operations(Amendments to IFRS 11)	1 January 2016	Reporting year 2016/17
Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38)	1 January 2016	Reporting year 2016/17
Disclosure Initiative (Amendments to IAS 1)	1 January 2016	Reporting year 2016/17
Annual Improvements to IFRSs 2012-2014 Cycle	1 January 2016	Reporting year 2016/17

Disclosure Initiative (Amendments to IAS 7)	1 January 2017	Reporting year 2017/18
Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)	1 January 2017	Reporting year 2017/18
Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)	1 January 2017	Reporting year 2017/18

No other new or amended standards or interpretations which have been published and become effective on or after 1 October 2016 that are relevant to the Group's operations.

The Group will review its financial reporting for the new and amended standards which take effect on or after 1 October 2016 and which the Group did not voluntarily adopt early. At present the Group does not anticipate a material impact on the results or financial position of the Group.

3.3. Foreign exchange rates

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

		31 December 2016	
		Balance sheet	*Income statement*
Danish Krone	DKK	7.43	7.44
Great Britain Pound	GBP	0.86	0.87
Norwegian Kroner	NOK	9.08	9.05
Swedish Krona	SEK	9.55	9.73
Swiss Franc	CHF	1.07	1.08

3.4. Statement of seasonality of operations

Whilst the business of Selecta fluctuates from month to month, the impact is limited, except for working capital which is traditionally more negative at year end than during the rest of the year. Seasonal fluctuations across the months offset each other to a certain degree at group level.

4. Use of estimates and key sources of estimation uncertainties

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 September 2016.

5. Segmental reporting

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

Region France: includes operating entities in France.

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

Region Central: included operating entities in Switzerland, Germany, Spain, Austria , Czech Republic, Slovakia and Hungary until 30 September 2015. As of October 1, 2015 operating entities in Czech Republic, Slovakia and Hungary were sold.

Region North: includes operating entities in Sweden, Finland, Estonia, Latvia, Lithuania, Denmark and Norway. As of October 1, 2016, Estonia, Latvia, Lithuania are reported as disposal group held for sale.

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

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

The below tables set out the segmental reporting of the operating results excluding Estonia, Latvia and Lithuania.

Result for the 3 months ended 31 December 2016

	France *€ (000's)*	**West** *€ (000's)*	**Central** *€ (000's)*	**North** *€ (000's)*	**Total segments** *€ (000's)*	**HQ** *€ (000's)*	**IC elimin-ations** *€ (000's)*	**Total Group** *€ (000's)*
External revenue	43'301	25'952	80'012	32'107	**181'372**	-	(16)	**181'356**
Profit before interest, tax, depreciation and amortisation (EBITDA)	**246**	**1'537**	**20'160**	**6'072**	**28'016**	**(4'094)**	**75**	**23'997**
Depreciation and amortisation	(4'007)	(1'856)	(6'079)	(3'105)	**(15'048)**	(6'193)	-	**(21'241)**
Impairment expense	-	(55)	(142)	-	**-**	-	-	**(197)**
Profit before interest and income tax								**2'560**
Finance costs and finance income, net								**(18'006)**
Loss before income tax								**(15'447)**

Result for the 3 months ended 31 December 2015

	France *€ (000's)*	**West** *€ (000's)*	**Central** *€ (000's)*	**North** *€ (000's)*	**Total segments** *€ (000's)*	**HQ** *€ (000's)*	**IC elimin-ations** *€ (000's)*	**Total Group** *€ (000's)*
External revenue	44'534	29'071	76'818	31'494	**181'917**	20	206	**182'143**
Profit before interest, tax, depreciation and amortisation (EBITDA)*	**(327)**	**1'648**	**20'417**	**6'238**	**27'975**	**(283)**	**40**	**27'733**
Depreciation and amortisation	(3'282)	(2'613)	(6'201)	(3'130)	**(15'227)**	(6'230)	-	**(21'457)**
Impairment expense	-	-	-	-	**-**	-	-	**-**
Profit before interest and income tax								**6'276**
Finance costs and finance income, net								**(23'481)**
Loss before income tax								**(17'205)**

In the three months ended 31 December 2015, the Group's EBITDA included the accounting gain from the disposal of the Eastern subsidiaries (Czech Republic, Slovakia, Hungary) amounting to € 6.6 million.

There is no material revenue earned between the operating segments.

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

	Net revenue		*Non-current assets excluding deferred tax assets*	
	3 months ended 31 December 2016 € (000's)	*3 months ended 31 December 2015 € (000's)*	*31 December 2016 € (000's)*	*30 September 2016 € (000's)*
Switzerland	57'432	57'489	708'526	700'423
France	43'301	44'534	58'470	59'693
Sweden	24'965	25'827	31'367	31'297
UK	16'390	21'455	12'126	12'658
Germany	13'518	11'041	14'623	11'883
Netherlands	8'569	6'585	6'857	7'219
All other countries	17'182	15'211	23'807	29'524
Not allocated			253'100	260'274
Total	**181'356**	**182'143**	**1'108'877**	**1'112'971**

6. Revenue

	3 months ended 31 December 2016 € (000's)	*3 months ended 31 December 2015 € (000's)*
Revenue from publicly accessible points of sale	46'881	40'828
Revenue from privately placed points of sale	115'734	122'592
Revenue from trade sales of machines and products	11'678	11'707
Other revenue	7'063	7'015
Total revenue	**181'356**	**182'143**

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

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

7. Finance costs

	3 months ended 31 December 2016 € (000's)	*3 months ended 31 December 2015 € (000's)*
Interest on loans	(20'139)	(17'648)
Finance lease interest expense	(225)	(194)
Other interest and finance expense	(30)	(4'981)
Change in fair value of derivative financial instruments (net)	(1'712)	(4'324)
Foreign exchange gain/(loss) (net)	4'092	3'578
Total finance costs	**(18'015)**	**(23'569)**

Other finance expense in the prior year relates to expenses incurred with the change of ownership of the group.

8. Property, plant and equipment

Property, plant and equipment consists primarily of vending equipment.

Additions of property, plant and equipment in the 3 months ended 31 December 2015 amount to € 15.6 million.

Net book values of disposals of property, plant and equipment in the 3 months ended 31 December 2015 amount to € 0.9 million.

9. Goodwill

	31 December 2016 € (000's)	*30 September 2016 € (000's)*
Goodwill	**482'562**	**482'562**

During the financial year ended 30 September 2016 the carrying value of the Group, including goodwill, has been compared to its recoverable amount. It has been concluded that the recoverable amount exceeds the carrying amounts and therefore no impairment is required to be booked.

A decrease of goodwill of € 0.6 million relating to the goodwill allocation to the Eastern countries disposed was recorded during the financial year ended 30 September 2016.

In respect of the 3 months ended 31 December 2016 management has reviewed whether there are any indications of impairment which would trigger the requirement to perform an impairment test at 31 December 2016 and concluded that there are no such indications of impairment.

10. Other intangible assets

Other intangible assets consist primarily of trademarks and customer contracts.

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

During the financial year ended 30 September 2016 the carrying value of the trademark has been compared to its recoverable amount. It has been concluded that the recoverable amount exceeds the carrying amounts and therefore no impairment is required to be booked.

In respect of the 3 months ended 31 December 2016 management has reviewed whether there are any indications of impairment which would trigger the requirement to perform an impairment test at 31 December 2016 and concluded that there are no such indications of impairment.

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

11. Borrowings

	31 December 2016 € (000's)	30 September 2016 € (000's)
Borrowings at amortised cost	618'021	591'565
Loans due to parent undertaking at amortised cost	290'920	282'176
Total borrowings	**908'941**	**873'741**

The maturity of borrowings is as follows:

	31 December 2016 € (000's)	30 September 2016 € (000's)
Less than one year	2'106	-
After one year but not more than five years	906'835	873'741
Total borrowings	**908'941**	**873'741**

11.1. Total borrowings by currency

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

	31 December 2016			*30 September 2016*		
	€ million	*in %*	*Interest rate*	*€ million*	*in %*	*Interest rate*
EUR	698.0	75.1%	8.6%	671.5	74.9%	8.7%
CHF	230.9	24.9%	6.5%	225.3	25.1%	6.5%
Total	**928.9**	**100%**	**8.1%**	**896.8**	**100%**	**8.1%**

The amounts shown above reflect the nominal value of the borrowings.

11.2. Rate structure of borrowings

	31 December 2016 € million	30 September 2016 € million
Total borrowings at variable rates	51.9	29.0
Total borrowings at fixed rates	857.0	844.7
Total	**908.9**	**873.7**

11.3. Details of borrowing facilities

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

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

In December 2015 Selecta Group S.a.r.L. granted an additional PIK loan with the same conditions to the Group of € 5'625'000.

As part of the refinancing package the Group entered into a € 50 million super senior revolving credit facility. The amount drawn under this facility at 31 December 2016 is € 49.8 million (30 September 2016: € 29.0 million). The interest rate on the super senior revolving credit facility is based on LIBOR plus 3.5%.

The proceeds of the new financing were used to repay in full Selecta's existing borrowings except the outstanding liabilities under finance lease agreements.

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

Under the terms of the Group's super senior revolving credit facility, where more than 99% of the facility has been drawn, a minimum net leverage ratio must be met before further drawings may be made under the facility. The net leverage ratio represents the ratio of Consolidated Adjusted EBITDA of the last twelve months to Consolidated Senior Secured Net Debt.

Selecta Group B.V. announced on 23 December 2016 that certain of its subsidiaries in France and Switzerland have entered into and begun performing under an accounts receivable factoring programme under a pan-European factoring agreement with Factofrance S.A.S. (the Factor) dated December 22, 2016. Under this agreement, Selecta's subsidiaries may assign eligible receivables to the Factor at an agreed market rate in order to advance funding at any given time, of over € 2 million initially and up to € 15 million once the programme ramp up is complete. The agreement is subject to terms, conditions and undertakings customary for such transactions, and the Group will provide cash collateral for a specified portion of the accounts receivable so assigned.

At 31 December 2016, the Group's borrowings included € 2.1 million of factoring facility.

The Group has complied with the covenant obligation in the current quarter and the previous year.

12. Equity

12.1. Share capital and share premium

The Group's share capital consists of 187'000 fully paid ordinary shares (30 September 2016: 187'000) with a nominal value of € 1 per share.

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

12.2. Reserves

31 December 2016	*Currency translation reserve € (000's)*	*Retained earnings € (000's)*	*Hedging reserve € (000's)*	***Total*** *€ (000's)*
	Attributed to equity holders of the parent			
Foreign currency translation differences for foreign operations	(6'117)	-	-	**(6'117)**
Effective portion of change in fair value of cash flow hedges, net of tax	-	-	229	**229**
Total other comprehensive income, net of tax	**(6'117)**	-	**229**	**(5'888)**

30 September 2016	*Currency translation reserve € (000's)*	*Retained earnings € (000's)*	*Hedging reserve € (000's)*	***Total*** *€ (000's)*
	Attributed to equity holders of the parent			
Foreign currency translation differences for foreign operations	(1'297)	-	-	**(1'297)**
Remeasurement gain/(loss) on post-employment benefit obligations, net of tax	-	(196)	-	**(196)**
Effective portion of change in fair value of cash flow hedges, net of tax	-	-	(990)	**(990)**
Total other comprehensive income, net of tax	**(1'297)**	**(196)**	**(990)**	**(111)**

Reserves arising from foreign currency translation adjustments comprise the differences from the foreign currency translation of the financial statements of subsidiaries from the 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 remeasurement gains and losses on post-employment benefit obligations, including any related income taxes.

The hedging reserves comprise the effective portion of cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss as the hedged cash flows affect profit or loss, included any related income taxes.

13. Financial instruments

13.1. 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.

At 31 December 2016

	Carrying amount				*Fair value*			
	Cash flow hedging instrument € (000's)	*Loans and receivables € (000's)*	*Other financial liabilities € (000's)*	***Total € (000's)***	*Level 1 € (000's)*	*Level 2 € (000's)*	*Level 3 € (000's)*	***Total € (000's)***
Financial assets measured at fair value								
Cross currency swaps used for hedging	5'753	-	-	**5'753**	-	5'753	-	**5'753**
	5'753	**-**	**-**	**5'753**				
Financial assets not measured at fair value								
Trade receivables	-	38'353	-	**38'353**				
Non-current other financial assets	-	2'926	-	**2'926**				
Cash and cash equivalents	-	48'602	-	**48'602**				
Accrued income	-	17'713	-	**17'713**				
	-	**107'594**	**-**	**107'594**				
Financial liabilities measured at fair value								
Cross currency swaps used for hedging	(12'855)	-	-	**(12'855)**	-	(12'855)	-	**(12'855)**
	(12'855)	**-**	**-**	**(12'855)**				
Financial liabilities not measured at fair value								
Revolver credit facility	-	-	(49'794)	**(49'794)**	-	(49'794)	-	**(49'794)**
Secured loan notes	-	-	(566'120)	**(566'120)**	(533'775)	-	-	**(533'775)**
Loans due to parent undertaking	-	-	(290'920)	**(290'920)**	-	(290'920)	-	**(290'920)**
Finance lease liabilities	-	-	(29'731)	**(29'731)**	-	(29'731)	-	**(29'731)**
Trade payables	-	-	(76'344)	**(76'344)**				
	-	**-**	**(1'012'909)**	**(1'012'909)**				

At 30 September 2016

	Carrying amount				Fair value			
	Cash flow hedging instrument € (000's)	*Loans and receivables € (000's)*	*Other financial liabilities € (000's)*	***Total € (000's)***	*Level 1 € (000's)*	*Level 2 € (000's)*	*Level 3 € (000's)*	***Total € (000's)***
Financial assets measured at fair value								
Cross currency swaps	6'218	-	-	**6'218**	-	6'218	-	**6'218**
	6'218	**-**	**-**	**6'218**				
Financial assets not measured at fair value								
Trade receivables	-	40'939	-	**40'939**				
Non-current other financial assets	-	2'765	-	**2'765**				
Cash and cash equivalents	-	66'871	-	**66'871**				
Accrued income	-	20'193	-	**20'193**				
	-	**130'768**	**-**	**130'768**				
Financial liabilities measured at fair value								
Cross currency swaps	(11'744)	-	-	**(11'744)**	-	(11'744)	-	**(11'744)**
	(11'744)	**-**	**-**	**(11'744)**				
Financial liabilities not measured at fair value								
Revolving credit facility	-	-	(29'001)	**(29'001)**	-	(29'001)	-	**(29'001)**
Secured loan notes	-	-	(562'563)	**(562'563)**	(493'109)	-	-	**(493'109)**
Loans due to parent undertaking	-	-	(282'176)	**(282'176)**	-	(282'176)	-	**(282'176)**
Finance lease liabilities	-	-	(28'116)	**(28'116)**	-	(28'116)	-	**(28'116)**
Trade payables	-	-	(107'710)	**(107'710)**				
	-	**-**	**(1'009'566)**	**(1'009'566)**				

13.2. Measurement of fair values

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

Financial instruments measured at fair value

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

Financial instruments not measured at fair value

	Valuation technique	*Significant unobservable*

		inputs
Debt securities	Amortized cost	Not applicable
Other financial liabilities	Amortized cost	Not applicable

13.3. Derivative financial instruments

The Group holds certain cross currency swaps in order to hedge against the impact of exchange rate fluctuations on the Group's interest payments and borrowings. Part of the cross currency swaps entered into in June 2014 had been designated as cash flow hedges to the extent that they represent an effective accounting hedge.

Effective from October 1, 2016, hedge accounting is discontinued prospectively until the maturity of the hedging instruments, June 15, 2018.

The remaining hedge reserve of the terminated hedging instruments will be fully reclassified from equity to profit and loss until the maturity of the cross currency swaps.

At 31 December 2016 the derivative financial instruments had a negative fair value of € 7.3 million (30 September 2016: negative fair value of € 5.8 million).

In the 3 months ended 31 December 2016 the negative change in fair value of the derivative financial instruments which was recorded in in the statement of profit and loss was € 1.5 million. The amortization of the hedging reserve amounted to € 0.2 million.

13.4. Master netting or similar agreements

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

14. Acquisition and disposal of subsidiaries

As announced on January 6, 2017, the three Baltic entities of the Group, including all assets, liabilities, contracts and commercial relationships, have entered a binding sale agreement with Baltcap.

The disposal of the group will be recorded at the effective date of the sale, expected in March 2017. In the three months ended 31 December 2016, the three Baltic entities are reported as disposal group held for sale.

The disposal group held for sale was part of the region North and consists of the following companies:

- Selecta Eesti OU (Estonia)
- SIA Selecta (Latvia)
- SIA Baltic Payment (Latvia)
- UAB Selecta (Lithuania)

In the three months ended 31 December 2015, an accounting gain of € 6.6 million was recorded on the disposal three Eastern subsidiaries (Czech Republic, Slovakia, Hungary).

15. Events after the balance sheet date

To the best of management's knowledge, no other events have occurred between 31 December 2016 and the date of these consolidated financial statements that could have a material impact on the consolidated financial statements.

Approval of the condensed consolidated interim financial statements

The condensed consolidated interim financial statements for the 3 months ended 31 December 2016 have been authorised by the Board of Directors on 17 February 2017.

Mark Brown
President of the Supervisory Board

Markus Hunold
Vice President of the Supervisory Board

David Flochel
Member of the Management Board

Hugues Rougier
Member of the Management Board