



Annual Report 2020

30 April 2021

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OPERATING AND FINANCIAL REVIEW

We are providing this information voluntarily, and the material contained in this report is presented solely for information purposes and is not to be construed as providing investment advice. As such, it has no regard to the specific investment objectives, financial situation or particular needs of any recipient. No representation or warranty, either express or implied, is made as to, and no reliance should be placed on, the fairness, completeness, accuracy, correctness or reliability of the information contained herein or the assumptions upon which the information is based. It should not be regarded by recipients as a substitute for the exercise of their own judgment. Neither Selecta, nor any of its directors, officers, employees, affiliates, direct or indirect shareholders, advisors or agents accepts any liability for any direct, indirect, consequential or other loss or damage suffered by any person as a result of relying on all or any part of this presentation and any liability is expressly disclaimed.

Overview

Headquartered in Switzerland since 1957, Selecta is the leading route-based unattended self-service retailer in Europe, providing coffee and convenience food solutions in the workplace and in public spaces. The excellence of Selecta's operations has been recognised with multiple industry awards. For additional information on our business, please refer to the financial statements included in this annual report (the "Report").

1 FACTORS AFFECTING COMPARABILITY OF OUR FINANCIAL STATEMENTS

Impact of Coronavirus (COVID-19)

Starting in the first quarter of 2020 the global COVID-19 pandemic surfaced in nearly all regions around the world. On 11 March 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic in recognition of its rapid spread across the globe and many governments have taken stringent steps to help contain or delay the spread of the virus. The current crisis had and continues to have a negative impact on our business by severely affecting our operations and causing disruption across all our markets. The effect of the COVID-19 pandemic on our business as well as the subsequent recovery will ultimately depend on a number of factors, including, but not limited to, the duration and severity of the outbreak and the length of time it takes for demand and pricing to return and for normal economic and operating conditions to resume. Accordingly, our financial condition and results of operations differ in respect of these periods, when compared to the historical financial condition and results of operations presented in this discussion.

Change in Accounting Policy

IFRS 16 (Leases) was published on 13 January 2016 and became effective on 1 January 2019. Prior to our change in accounting period, our financial year began on October 1st each year and IFRS 16 would have applied to our financial statements beginning from 1 October 2019. As a result of the change in accounting period described above, we applied IFRS 16 to our financial statements beginning from 1 January 2020. See Note 3.1 to the 2020 Audited Financial Statements for additional information on the impact of IFRS 16.

Change in Accounting Period

In 2019, we changed our accounting period from a fiscal year ending on 30 September to a fiscal year ending on 31 December. We incorporated the additional three-month period after the end of the fiscal year ended 30 September 2018, into the audited financial statements as of and for the fifteen months ended 31 December 2019 (the “2019 Audited Financial Statements”). As a result, the financial information in the 2020 Audited Financial Statements is not comparable to financial information as of and for the twelve months ended 31 December 2019. For these reasons and in order to aid comparability of our results of operations, we have included in this report an operating and financial review of our results as of and for the year ended 31 December 2020, compared to our results as for the twelve months ended 31 December 2019.

2 OUR SEGMENTS AND BUSINESS CHANNELS

Geographic Segments

We report our revenue and certain other financial data by geographic segment. The geographic segments in which we operate correspond to our reporting segments under IFRS and consist of the following:

- South, UK & Ireland includes operating entities in Italy, Spain and the UK/Ireland;
- Central includes operating entities in Austria, France, Germany, Liechtenstein, and Switzerland; and
- North includes operating entities in Belgium, Denmark, Finland, Luxembourg, the Netherlands, Norway, and Sweden.

In addition to the segments identified above, we report separately on our Headquarters (HQ), which includes corporate center functions in Switzerland and certain functions of former Pelican Rouge entities in the Netherlands and in the UK.

Business Channels

We also report our revenue and certain other financial data by business channel. Our business channels consist of the following:

- The *workplace channel*, which includes revenue from (i) private self-service retail, consisting of Point of Sale (PoS) placed and serviced in various private locations, such as large corporate customers, in various businesses and industries and including in corporate offices, manufacturing and logistics sites, and (ii) Office Coffee Service (OCS), which is comprised of table-top coffee machines rented out to corporate customers (mainly small and medium-sized enterprises) for office use along with the provision of technical services and coffee and related supplies for the PoS;
- The *on-the-go channel*, which includes revenue from PoS placed and serviced in semi-public areas, such as hospitals, universities and entertainment venues, or public areas, such as train stations, airports and gas stations, following a successful bidding process with relevant government authorities to place our PoS in a given location; and
- The *trading channel*, which includes revenue from sales of machines and products, including coffee roasted in our roasting facility and the provision of technical and hygienic support to customers.

3 INCOME STATEMENT

€m	Jan - Dec 2020	Jan - Dec 2019	Var %
Revenue	1,141.4	1,632.5	(30.1%)
Vending fees	(133.7)	(185.1)	27.8%
Net sales	1,007.7	1,447.4	(30.4%)
Materials and consumables used	(399.6)	(546.0)	26.8%
Gross profit	608.1	901.4	(32.5%)
Adjusted employee expenses	(362.6)	(448.5)	19.2%
Adjusted other operating expenses	(160.4)	(206.9)	22.5%
Adjusted EBITDA	85.1	246.0	(65.4%)
One-off adjustments	(65.7)	(69.3)	5.2%
EBITDA	19.4	176.7	(89.0%)
Depreciation	(162.4)	(140.5)	(15.6%)
EBITA	(143.0)	36.2	N/A
Amortization	(146.8)	(62.5)	N/A
EBIT	(289.7)	(26.2)	N/A

At Actual Exchange Rates

Revenue

Revenue decreased by 30.1% at actual exchange rates and by 30.3% at constant currency, from € 1,632.5 million for the year ended 31 December 2019 to € 1,141.4 million for the year ended 31 December 2020. This decrease was primarily due to the impact of the COVID pandemic.

Revenue by Region

South, UK and Ireland

Revenue in our South, UK and Ireland region decreased by 38.0% at actual exchange rate, from € 607.9 million for the year ended 31 December 2019 to € 376.7 million for the year ended 31 December 2020. The South, UK and Ireland region saw difficult trading conditions across the UK and Ireland, Spain, and Italy.

Central

Revenue in our Central region decreased by 29.9% at actual exchange rate, from € 596.2 million for the year ended 31 December 2019 to € 418.2 million for the year ended 31 December 2020. The Central region saw resilient revenue in Switzerland as well as in Germany and Austria, while France continued to face the toughest headwinds.

North

Revenue in our North region decreased by 19.1% at actual exchange rate from € 428.4 million for the year ended 31 December 2019 to € 346.6 million for the year ended 31 December 2020. The North region was supported by resilient sales levels in Scandinavia, in the Netherlands and at the Roaster while Belgium showed tougher trading.

Revenue by Channel

Net sales (excluding Trade) were € 803.5 million, down 30.3% at actual exchange rates, with Public and Private the most resilient channels. Semi-Public was less resilient due to the particular impact of the lockdown on universities, schools and hospitals.

By channel, total sales per machine per day showed a reduction of 26.5% from 9.9 to 7.3, with a 25.9% reduction in the private channel from 10.4 to 7.7, -22.8% in public from 23.7 to 18.3, with a sharper drop in semi-public of -38.3% from 6.7 to 4.1.

Net sales

Net sales decreased by 30.4% at actual exchange rates and by 30.5% at constant currency, from € 1,447.4 million for the year ended 31 December 2019, to € 1,007.7 million for the year ended 31 December 2020.

Adjusted EBITDA

Adjusted EBITDA decreased by 65.4% at actual exchange rates and by 65.5% at constant currency, from € 246.0 million for the year ended 31 December 2019 to € 85.1 million (including € 48.9 million IFRS 16 impact) for the year ended 31 December 2020. As a result, our Adjusted EBITDA margin on net sales decreased to 8.4% for the year ended December 31, 2020, compared to 17.0% for the year ended 31 December 2019.

This decrease in Adjusted EBITDA was primarily due to the impact of the COVID pandemic which was partly compensated by very strong savings in employee costs due to strict management of daily operational capacities.

Vending Fee

Vending fee decreased by 27.8% from € 185.1 million for the year ended 31 December 2019, to € 133.7 million for the year ended 31 December 2020. This decrease was primarily driven by successful re-negotiations.

Materials and consumables used

Materials and consumables used decreased by 26.8%, from € 546.0 million for the year ended 31 December 2019 to € 399.6 million for the year ended 31 December 2020. This decrease was less than the decrease in Revenue at 30.1%. As a percentage of Revenue, materials and consumables used increased from 33.4% for the year ended 31 December 2019 to 35.0% for the year ended 31 December 2020, mainly driven by the change in Revenue mix.

Operational Expenses

Adjusted employee expenses decreased by 19.2%, from € 448.5 million for the year ended 31 December 2019 to € 362.6 million for the year ended 31 December 2020. Decrease in employee expenses due to strict management of daily operational capacities.

Adjusted other operating expenses decreased by 22.5%, from € 206.9 million for the year ended 31 December 2019 to € 160.4 million for the year ended 31 December 2020. This decrease was primarily due to the IFRS 16 implementation impact.

4 CASH FLOW STATEMENT

€M	Jan - Dec 2020	Jan - Dec 2019	Var %
EBITDA	19.4	176.7	(89.0%)
(Profit) / loss on disposals	(5.8)	(26.1)	(77.8%)
Changes in working capital, provisions & others	96.8	(87.8)	N/A
Non-cash transactions	(2.4)	0.6	N/A
Net cash generated from operating activities	108.0	63.2	70.9%
Purchases of tangible and intangible assets	(54.0)	(149.2)	(63.8%)
Acquisition of subsidiaries	(3.1)	(25.4)	(87.8%)
Proceeds from sale of subsidiaries and other proceeds	12.9	67.0	(80.7%)
Net cash used in investing activities	(44.2)	(107.5)	(58.9%)
Free cash flow	63.7	(44.3)	N/A
Proceeds / repayments of loans and borrowings	126.1	125.7	0.3%
Interest and other financing costs paid	(63.7)	(106.1)	(40.0%)
Capital element of finance lease liabilities	(63.1)	(14.7)	N/A
Net cash used in financing activities	(0.7)	4.9	N/A
Total net cash flow	63.2	(39.4)	N/A

At Actual Exchange Rates

Net cash generated from operating activities was an inflow of € 108.0 million for the year ended 31 December 2020. This cash inflow was mainly driven by a more conservative approach to working capital, primarily due to the management of account payables and of our supply chain.

Net cash used in investing activities was € 44.2 million for the year ended 31 December 2020, a decrease by 58.9% compared to net cash used in investing activities for the year ended 31 December 2019. This decrease was primarily due to the impact of lockdowns, with a gradual recovery in Q4 versus Q2 and Q3, together with strict capex controls to ensure targeted returns on capital.

Net cash used in financing activities was € 0.7 million for the year ended 31 December 2020, primarily due to the debt restructuring executed in October 2020.

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 € 54.8 million resulting from the implementation of IFRS 16 for the year ended 31 December 2020.

5 BALANCE SHEET

€m	31 Dec 2020	31 Dec 2019
Non-current assets		
Property, plant and equipment	509.5	382.0
Goodwill	978.8	1'048.8
Intangible assets	649.6	717.7
Other non-current assets	120.5	133.8
Total non-current assets	2'258.4	2'282.3
Current assets		
Inventories	99.3	126.4
Trade receivables	64.4	65.9
Other current assets	45.7	82.9
Cash and cash equivalents	127.9	64.4
Total current assets	337.3	339.5
Total assets	2'595.7	2'621.8

€m	31 Dec 2020	31 Dec 2019
Equity and liabilities		
Total equity	721.2	162.5
Non-current liabilities		
Loans due to parent undertaking	-	230.9
Borrowings	975.3	1'496.1
Provisions	11.3	40.8
Other non-current liabilities	202.5	72.6
Deferred income tax liabilities	187.2	200.9
Total non-current liabilities	1'376.3	2'041.3
Current liabilities		
Trade payables	147.4	201.4
Provisions	68.9	5.5
Other current liabilities	281.8	211.2
Total current liabilities	498.1	418.1
Total liabilities	1'874.4	2'459.4
Total equity and liabilities	2'595.7	2'621.8

At Actual Exchange Rates

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 15 months reporting period ended 31 December 2019 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.

The adoption of IFRS 16 increased Total Assets and Total Equity and Liabilities by 192.9m respectively as at 1 January 2020.

6 LIQUIDITY AS OF 31 DECEMBER 2020

€m	Dec 2020 Pre IFRS 16	Dec 2020 IFRS 16	Dec 2020 Post IFRS 16
Cash & cash equivalents	127.9		127.9
Revolving credit facility	40.0		40.0
Senior notes	935.3		935.3
Lease liabilities	31.0	195.6	226.6
Other financial debt ²	32.1		32.1
Total senior debt	1'038.4	195.6	1'234.1
Net senior debt	910.6	195.6	1'106.2
Adjusted EBITDA last 12 months	36.3	48.9	85.1
Leverage ratio	25.1		13.0
Available liquidity ¹	206.8		206.8

At Actual Exchange Rates

¹ Liquidity is defined as Cash at Bank plus available RCF

² Other financial debt is the sum of Recourse Factoring, Reverse Factoring, Accrued Interest plus Local Bank debt

Our principal sources of funds for the year ended 31 December 2020 have been cash generated from our operating activities, borrowings under our Revolving Credit Facility and newly injected equity of € 175 million as part of the debt restructuring executed in October 2020. As of 31 December 2020, we had cash & cash equivalents of € 127.9 million and available liquidity of € 206.8 million, taking into account the undrawn commitments under our Revolving Credit Facility. As of 31 December 2019, we have used our Revolving Credit Facility to borrow loans (€ 40 million) and issue bank guarantees (€ 21.8 million). The continued availability of our Revolving Credit Facility is dependent upon certain conditions, including ongoing compliance with covenants tested quarterly.

Following the debt restructuring, we have first and second lien senior secured notes outstanding maturing in 2026.

Our ability to generate cash depends on our future operating performance, which, in turn, depends to some extent on general economic, financial, industry and other factors, many of which are beyond our control. See "*Risk Factors*." We may from time to time seek to retire or repurchase our outstanding debt through cash purchases, in open market purchases, privately negotiated transactions or otherwise. Such repurchases, if any, will depend on market conditions, our liquidity requirements, contractual restrictions and other factors.

In addition, there continues to be a significant increase in economic uncertainty due to the impact of COVID-19. Due to the uncertainty of the outcome of the current events, the fast-moving nature of the situation and uncertainty around the spread and duration of the virus, we cannot reasonably estimate the impact these events will have on our financial position, results of operations or cash flows in the future.

7 WORKING CAPITAL

€m	Dec 2020	Dec 2019
Account receivables	64.4	65.9
Other receivables (incl. trapped cash*)	47.7	82.8
Inventory	99.3	126.4
Account payables	(147.4)	(201.4)
Other payables	(102.3)	(92.6)
Trade Working Capital	(38.3)	(19.0)

At Actual Exchange Rates

Our trade working capital decreased by € 19.3 million for the year ended 31 December 2020, compared to the year ended 31 December 2019. This decrease was due to a reduction in other receivables (including accrued income) of € 35.1 million, a reduction in inventory of € 27.1 million, partly offset by a € 44.3 million reduction in account and other payables, mostly driven by a strong management of net working capital. Other payables impacted by the timing of cash-outs related to the rightsizing one-offs which will occur mostly in 2021.

8 CAPITAL EXPENDITURES

Our capital expenditures primarily relate to the acquisition of points of sale equipment to be installed on our clients' premises. Our capital expenditures also relate to the purchase of vehicles and other equipment, such as furniture, Points of sales equipment installation costs and IT investments. Net capital expenditures decreased by € 69.4 million at actual exchange rate excluding IFRS 16, or 56%, from € 123.3 million for the year ended 31 December 2019, to € 53.8 million for the year ended 31 December 2020. This decrease was primarily due to the impact of lockdowns, with a gradual recovery in Q4 versus Q2 and Q3, together with strict capex controls to ensure targeted returns on capital.

9 MATERIAL COMMITMENTS AND CRITICAL ACCOUNTING POLICIES

Please refer to the 2020 Audited Financial Statements and the notes thereto for a description of our material commitments and critical accounting policies.

10 ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE (ESG)

In 2018, we launched our group-wide sustainability approach. Developed in collaboration and consultation with our employees, customers and other key stakeholders, we identified areas of impact that are integral to our business. Four strategic pillars were defined that encompass core topics including; respecting our environment, sourcing and offering responsible products, respecting our community and an creating an enjoyable workplace.

The recent achievements in the field of ESG are as follows:

- 3,850 solar panels placed on the roof of the Pelican Rouge Roasting facility
- Drastically reduced carbon footprint as result of fleet downsizing and shift to electric
- Burundi coffee project partnership formalized with the Netherlands Enterprise Agency
- Training Rwanda coffee farmers on cow husbandry, coffee farming practices and business management

Consolidated financial statements

Consolidated statement of profit or loss

		12 months ended 31 December 2020	15 months ended 31 December 2019 ¹
	Notes	€ (000's)	€ (000's)
Revenue	5, 6	1'141'445	2'034'774
Vending fees		(133'707)	(225'638)
Materials and consumables used	8	(399'685)	(680'562)
Employee benefits expense	9	(413'930)	(601'876)
Depreciation, amortisation and impairment expenses	10	(309'147)	(253'714)
Other operating expenses	11	(190'857)	(344'963)
Other operating income	12	16'178	45'382
(Loss) / Gain on disposal of subsidiaries		(47)	(48)
Loss before finance costs net and income tax		(289'750)	(26'645)
Finance costs	13	(169'530)	(179'145)
Finance income	13	23'698	69'615
Loss before income tax		(435'582)	(136'175)
Income taxes	14	15'090	(310)
Loss from continuing operation		(420'492)	(136'485)
Profit / (Loss) from discontinued operation, net of tax		-	(283)
Loss for the period		(420'492)	(136'768)
Loss attributable to:			
Owners of the Company		(420'492)	(136'490)
Non-controlling interests	29.3	-	(278)
		(420'492)	(136'768)
Revenue net of vending fees ²	5, 7	1'007'738	1'809'135

The notes on pages 9 to 59 are an integral part of these consolidated financial statements.

¹ Extended accounting year (15 months ended 31 December 2019, see note 2).

² The Group presents revenue net of vending fees which is a leading internal performance measure but not a defined performance measure in IFRS (refer to note 7). Due to this vending fees are separately disclosed below the revenue line and excluded from the line other operating expenses.

Consolidated statement of comprehensive income

	Notes	12 months ended 31 December 2020 € (000's)	15 months ended 31 December 2019 ³ € (000's)
Loss for the period		(420'492)	(136'768)
<u>Items that will not be reclassified to the consolidated statement of profit or loss</u>			
Re-measurement gain / (loss) on post-employment benefit obligations	25	10'363	(2'020)
Income tax relating to re-measurement loss on post-employment benefit obligations	27.2	(1'471)	(124)
		8'892	(2'144)
<u>Items that are or may subsequently be reclassified to the consolidated statement of profit or loss</u>			
Release of hedging reserve through profit and loss	29.2	-	(158)
Foreign exchange translation differences for foreign operations	29.2	(22'920)	(67'033)
Other comprehensive income for the period		(14'028)	(69'335)
Total comprehensive income for the period		(434'520)	(206'103)
Total comprehensive income attributable to			
Owners of the Company		(434'520)	(205'825)
Non-controlling interests	29.3	-	(278)
		(434'520)	(206'103)

The notes on pages 9 to 59 are an integral part of these consolidated financial statements.

³ Extended accounting year (15 months ended 31 December 2019, see note 2).

Consolidated balance sheet

	Notes	31 December 2020 € (000's)	31 December 2019 € (000's)
Non-current assets			
Property, plant and equipment	15	509'507	381'998
Goodwill	16	978'803	1'048'813
Trademarks	17	347'914	351'204
Customer contracts	17	280'843	339'642
Other intangible assets	17	20'795	26'876
Deferred income tax assets	27	25'665	24'555
Non-current financial assets	18	16'341	24'380
Net defined benefit asset	25	78'524	72'288
Derivative financial instruments	31	-	12'583
Total non-current assets		2'258'392	2'282'339
Current assets			
Inventories	19	99'294	126'371
Trade receivables	20	64'410	65'866
Other current assets	21	45'654	82'864
Cash and cash equivalents	22	127'902	64'396
Total current assets		337'260	339'497
Total assets		2'595'652	2'621'836

The notes on pages 9 to 59 are an integral part of these consolidated financial statements.

	Notes	31 December 2020 € (000's)	31 December 2019 € (000's)
Equity and liabilities			
Equity			
Share capital	29	344	187
Share premium	29	2'033'091	1'039'957
Currency translation reserve	29	(223'037)	(200'117)
Accumulated deficit	29	(1'089'154)	(677'554)
Total equity		721'244	162'473
Non-current liabilities			
Loans due to parent undertaking	23	-	230'879
Borrowings	23	975'332	1'496'076
Derivative financial instruments	31	-	13'094
Lease liabilities	24	174'389	22'944
Net defined benefit liability	25	16'779	21'026
Provisions	26	11'253	40'837
Other non-current liabilities		11'284	15'519
Deferred income tax liabilities	27	187'225	200'907
Total non-current liabilities		1'376'262	2'041'282
Current liabilities			
Lease liabilities	31	52'240	16'205
Trade payables		147'413	201'402
Provisions	26	68'901	5'463
Current income tax liabilities		8'863	9'746
Other current liabilities	28	220'729	185'265
Total current liabilities		498'146	418'081
Total liabilities		1'874'408	2'459'363
Total equity and liabilities		2'595'652	2'621'836

The notes on pages 9 to 59 are an integral part of these consolidated financial statements

Statement of changes in consolidated equity

	Attributable to owners of the Company					Total € (000's)	Non-con- trolling interests € (000's)	Total equity € (000's)
	Share capital	Share premium	Currency translation reserve	Hedging reserve	Accumu- lated deficit			
	€ (000's)	€ (000's)	€ (000's)	€ (000's)	€ (000's)			
Balance at 1 October 2018 restated	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)
<i>Total comprehensive income for the period</i>	-	-	(67'033)	(158)	(138'634)	(205'825)	(278)	(206'103)
<i>Equity contribution</i>	29.1	-	143'983	-	-	143'983	-	143'983
<i>Acquisition of NCI without change in control</i>	29.3	-	-	-	(877)	(877)	477	(400)
Balance at 31 December 2019⁴	187	1'039'957	(200'117)	-	(677'554)	162'473	-	162'473
Other comprehensive income	-	-	(22'920)	-	8'892	(14'028)	-	(14'028)
Loss for the period	-	-	-	-	(420'492)	(420'492)	-	(420'492)
<i>Total comprehensive income for the period</i>	-	-	(22'920)	-	(411'600)	(434'520)	-	(434'520)
<i>Equity contribution</i>	29.1	157	993'134	-	-	993'291	-	993'291
Balance at 31 December 2020	344	2'033'091	(223'037)	-	(1'089'154)	721'244	-	721'244

The notes on pages 9 to 59 are an integral part of these consolidated financial statements.

⁴ Extended accounting year (15 months ended 31 December 2019, see note 2)

Consolidated cash flow statement

	Notes	12 months ended 31 December 2020 € (000's)	15 months ended 31 December 2019 ⁵ € (000's)
Cash flows from operating activities			
Loss before income tax		(435'582)	(136'175)
Depreciation, amortisation and impairment expenses	10	309'147	253'714
Gain on disposal of property, plant and equipment, net		(5'768)	(29'031)
Loss / (Gain) on disposal of subsidiaries		47	48
Non-cash transactions		(2'403)	6'064
Finance costs, net		145'832	109'530
Changes in working capital:			
(Increase)/Decrease in inventories		26'385	(24'175)
(Increase)/Decrease in trade receivables		631	(6'728)
(Increase)/Decrease in other current assets		46'399	(15'317)
Increase/(Decrease) in trade payables		(52'752)	(73'824)
Increase/(Decrease) in other current liabilities and provisions		77'883	(27'351)
Income taxes paid		(1'770)	(6'923)
Net cash generated from operating activities		108'049	49'832
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired	32	(3'079)	(26'542)
Purchases of property, plant and equipment	15	(48'272)	(167'247)
Purchases of intangible assets	17	(5'820)	(18'940)
Proceeds from sale of property, plant and equipment	15	13'420	72'058
Interest received and other proceeds paid		(408)	(35)
Net cash used in investing activities		(44'159)	(140'706)
Cash flows from financing activities			
Proceeds from capital increase	23.3	125'000	149'851
Proceeds from cash grant	23.4	50'000	-
Proceeds from interim financing	23.4	50'000	-
Repayment of interim financing	23.4	(50'000)	-
Repayment of borrowings	23.4	(23'537)	(2'530)
Payment of lease liabilities ⁶	23.4	(63'051)	(20'600)
Proceeds from factoring	23.4	5'040	1'631
Interest paid	23.4	(63'750)	(134'501)
Financing costs paid		(30'406)	(2'693)
Acquisition of non-controlling interest	29.3	-	(400)
Net cash used in financing activities	23.4	(704)	(9'242)
Net (decrease)/increase in cash and cash equivalents		63'186	(100'116)
Cash and cash equivalents at the beginning of the period		64'396	163'834
Exchange gains on cash and cash equivalents		320	678
Cash and cash equivalents at the end of the period		127'902	64'396

The notes on pages 9 to 59 are an integral part of these consolidated financial statements.

⁵ Extended accounting year (15 months ended 31 December 2019, see note 2)

⁶ Restatement principal of finance lease previously presented in net cash used in investing activities.

Notes to the consolidated 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 consolidated 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. The business of the Group is significantly impacted by the pandemic and the related decrease in mobility and office presence which has negatively impacted the financial performance of the year. Despite the pandemic the Group continued to operate in all of its market during 2020.

In addition to the downsides in revenue, the pandemic had the following main impacts on the financial performance in 2020:

- The Group received support from the government in most of the countries it operates for employees on short-term work which was used to adapt resources to short term demand changes. The compensation received amounts to € 64.2 million and was offset in the income statement against employee benefit expense. Additional savings were realized in Spain of € 6.1 million, that were paid directly from the government to employees.
- There were decisive and rapid actions implemented in order to partially mitigate the adverse impact on both income statement and liquidity. Amongst other the actions include strict cost saving measures and re-negotiation of contracts with focus on the fixed vending rents.
- A detailed structural review to ensure the Group is positioned for future growth was performed which resulted in a plan to permanently reduce full time employees from roughly 10'000 in 2019 to 7'000 by the end of 2021. The execution of the plan already started in 2020. € 35 million provisions for restructuring were considered as of 31 December 2020 in accordance with IFRS and recognized in employee benefit expenses.
- As the Group expects a sustainable impact from the current pandemic resulting in lower revenues from the existing business, a Goodwill impairment in the amount of € 68.9 million as well as an impairment on customer contracts in the amount of € 13.4 million were recognized in income statement.

There is still uncertainty over the development of the crisis and its impact on the future financial performance of the Group. Provided the solid cash position and the successful re-negotiation of the bondholder agreements the management continues to be convinced to have the adequate resources to continue in operations at least for the next 12 months until the sign-off of the Financial Statements 2021. The going concern assumption remains appropriate accordingly.

The conclusion is supported by the measures already taken by management to mitigate the decline in revenue, especially the adoption of the Group to its new size of revenue.

2. Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

In 2019 Selecta has decided to change its financial year-end from 30 September to 31 December. The 31 December accounting year-end fits better with the Group's trading cycle, simplifies its financial reporting procedures and aligns the accounting period with that of its peer group. Thus, the prior

year financial statements which comprise 15 months are not fully comparable with the current period which comprises 12 months.

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.

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 15 months reporting period ended 31 December 2019 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 at 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 reconciliation of payment obligations from operating leases as at 31 December 2019 for initial recognition as at 1 January 2020 is as follows:

	€ (000's)
Obligations from operating leases as at 31 December 2019	157'521
Lease contracts and options previously not taken into account	35'367
Discounting	-
Carrying amount of finance lease liabilities as at 31 December 2019	39'149
Lease liabilities as at 1 January 2020	232'037

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

	<i>31 December 2019 reported € (000's)</i>	<i>IFRS16 impact € (000's)</i>	<i>1 January 2020 € (000's)</i>
Assets			
Freehold land and buildings	10'092	120'570	130'662
Vending equipment	322'483	22'262	344'745
Other fixtures & fittings	17'621	36	17'657
Vehicles	11'243	49'682	60'925
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
Equity			
Total equity	162'473	-	162'473
Liabilities			
Finance lease liabilities / Lease liabilities	22'944	181'884	204'828
Total non-current liabilities	2'041'282	181'884	2'223'166
Finance lease liabilities / 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 € 48.9 million while the depreciation and amortisation expense as well as the interest expenses included in finance costs were increased by € 52.5 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 € 54.8 million.

The Group enters into contracts to install, operate, supply and maintain self-service retail machines and pays the counterparties a consideration (vending fees) in exchange. The right to re-locate the machines remains with the counterparty and therefore he 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 other new amendments are effective from 1 January 2020, but they do not have a material effect on the Group's financial statements.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted. However, the Group has not early adopted them in preparing these consolidated financial statements.

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

	<i>Impact</i>	<i>Effective date</i>	<i>Planned application by Selecta Group B.V.</i>
<i>New standards or interpretations</i>			
Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	2)	1 January 2021	Reporting year 2021
Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)	2)	1 January 2022	Reporting year 2022
Annual Improvements to IFRS Standards 2018-2020	2)	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)	2)	1 January 2022	Reporting year 2022
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	2)	1 January 2023	Reporting year 2023

1) No significant impacts are expected on the consolidated financial statements of Selecta Group

2) The impact on the consolidated financial statements of Selecta Group cannot yet be determined with sufficient reliability

3.3. Basis of consolidation

Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries), note 36. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated financial statements from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

3.4. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets acquired, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. The acquiree's identifiable assets, liabilities and contingent liabilities are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the consolidated statement of profit or loss.

The non-controlling interest in the acquiree is initially measured at the non-controlling interest's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

3.5. Foreign currencies

Foreign currencies in individual financial statements

The functional currency of each group company is the currency of the primary economic environment in which the entity operates. For the purpose of the consolidated financial statements, the results and financial position of each entity are translated in Euros, which is the presentation currency for the consolidated financial statements. Euro is the currency that management uses when controlling and monitoring the performance and financial position of the Group.

Transactions in currencies other than the group company's functional currency (foreign currency transactions) are recorded at the rates of exchange prevailing at the date on which the transactions were entered into, or a close approximation thereof. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items are maintained at the historical exchange rates and are not retranslated.

Exchange differences are recognised in the statement of profit or loss in the period in which they arise.

Foreign currencies in consolidated financial statements

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Euros using exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as other comprehensive income and transferred to the Group's currency translation reserve. Such exchange differences are reclassified from equity to statement of profit or loss in the period in which the foreign operation is disposed of.

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

		31 December 2020		31 December 2019	
		Balance sheet	Statement of profit or loss	Balance sheet	Statement of profit or loss
Danish Krone	DKK	7.44	7.45	7.47	7.44
Great Britain Pound	GBP	0.90	0.89	0.85	0.88
Norwegian Kroner	NOK	10.47	10.78	9.86	9.82
Swedish Krona	SEK	10.03	10.48	10.45	10.53
Swiss Franc	CHF	1.08	1.07	1.09	1.12

3.6. Property, plant and equipment

Property, plant and equipment are initially recognised at cost and are depreciated using the straight-line method over their estimated useful lives. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Maintenance and repair costs are expensed as incurred.

The useful lives of property, plant and equipment are as follows:

Land	Infinite (no depreciation is applied)
Buildings	40 to 60 years
Vending equipment	6 to 10 years as of 1 st July, 2019 (before 4 to 8 years)
Vehicles	5 years
Machinery & Equipment	8 years
IT Hardware	3 to 5 years

Each significant part of an item of property, plant and equipment with a useful life that is different from that of the asset to which it belongs is depreciated separately. The estimated useful lives,

residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of profit or loss.

3.7. Goodwill and intangible assets

Goodwill

Goodwill arising on the acquisition of a business represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition.

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the combination. These cash-generating units are tested for impairment annually, and whenever there is an indication that a unit may be impaired. If the recoverable amount of a cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the amount attributable to goodwill is included in the determination of the profit or loss on disposal.

Other intangible assets

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their value can be measured reliably.

Trademark

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

Intangible assets resulting from the acquisition by the Group of customer contracts in a business combination have a finite useful life. Customer contracts are amortised over a period of 10-15 years.

Software

Software licences are recognised as intangible assets when it is probable that they will generate future economic benefits. They are amortised using the straight-line method over 3-5 years.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;

- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Other software licences and software development costs are expensed as incurred. No intangible asset arising from research (or from research phase of an internal project) is recognised. Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

3.8. Impairment of non-current assets other than goodwill or trademark

At each balance sheet date, the Group assesses whether there is any indication that its tangible and intangible assets other than goodwill or trademark may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the statement of profit or loss.

3.9. Prepayments and accrued income

Prepayments and accrued income comprise payments made in advance relating to the following year, and income relating to the current year, which will not be received until after the balance sheet date. Prepayments are measured at the nominal amount of the payments. Accrued income is measured at amortised costs.

3.10. Inventories

Inventories are stated at the lower of cost and net realisable value. The net realisable value corresponds to the estimated selling price in the ordinary course of business less point-of-sales costs. A valuation allowance on inventories is recorded, when the cost of inventories is greater than their net realisable value.

3.11. Rebates and other amounts received from suppliers

Rebates and other amounts received from suppliers include agreed discounts from suppliers' list prices, value and volume-related rebates. Income from value and volume-related rebates is recognised based on actual purchases in the period as a proportion of total purchases made or forecast to be made over the rebate period. Agreed discounts relating to inventories are credited to the statement of profit or loss as the goods are sold. Rebates relating to inventories purchased but still held at the balance sheet date are deducted from their carrying values so that the costs of inventories

are recorded net of applicable rebates. Rebates received in respect of property, plant and equipment are deducted from the costs capitalised.

3.12. Trade and other receivables

Trade and other receivables are unconditional rights to consideration in exchange for goods or services that the entity has transferred to the customer. Trade receivables that do not have a significant financing component are measured on initial recognition at their transaction price. Such trade receivables are measured subsequently at amortized cost.

The Group recognises a loss allowance for expected credit losses on trade receivables that are not insured under non-recourse factoring arrangements. The expected credit loss is calculated with a qualitative approach for the major customers and material amounts, while the expected credit losses on the remaining trade receivables are measured by applying a simplified approach at an amount equal to lifetime expected credit losses, using a provision matrix. The entity uses its historical credit loss experience for trade receivables, using country-based groupings, and taking into account forward-looking elements. The Group defines default as bankruptcy of the counterparty or instances where wrong invoices were issued.

3.13. Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. Cash and cash equivalents comprise cash at bank and the change floats in vending machines' cash change boxes.

Due to the Group's business model, significant cash balances are held at year-end in cash collection boxes inside vending machines (trapped cash) and on behalf of the Group by external cash collecting firms, or en route to or from such cash counting firms. These amounts are included in other current assets.

Bank overdrafts are included within current liabilities on the balance sheet.

3.14. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

When some or all of the expenditure required to settle a provision is expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

3.15. Loans due to parent undertaking / borrowings

Loans due to parent undertaking or borrowings are recognised initially at fair value. Borrowings are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of profit or loss over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

3.16. Derivative financial instruments

The Group uses derivative financial instruments to manage its exposure to interest rate and/or foreign exchange risk.

Such derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance sheet date, with changes therein generally recognised in profit or loss (finance income or finance costs).

3.17. Accruals and deferred income

Accruals and deferred income comprise expenses relating to the current year, which will not be paid until after the balance sheet date and cash received in advance, relating to the following year. Deferred income is measured at the consideration received less amounts already recognised in revenue. Accruals are measured at amortised cost.

3.18. Taxation

The credit or charge for current income tax is based on the results for the year as adjusted for items which are non-assessable or disallowed. It is calculated using tax rates of the countries where the Group has operations.

Deferred income taxes are accounted for using the balance sheet liability method in respect of temporary differences arising between the carrying amount of assets and liabilities in the balance sheet and the corresponding tax basis used in the computation of taxable profit.

Deferred income tax liabilities are generally recognised for all taxable temporary differences. Deferred income tax assets are recognised to the extent that it can be reasonably expected that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities, which affects neither taxable nor accounting income.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Current income tax and deferred income tax is recognised in the statement of profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income, in which case it is also recognised directly in equity or other comprehensive income.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

3.19. Employee benefits

The Group maintains various defined contribution and defined benefit pension plans.

Defined benefit obligations are largely covered through pension plan assets of pension funds that are legally separated and independent from the Group. These are managed by a board of trustees consisting of representatives of the employees and the employer. The organisation, management and financing of the pension plans comply with the applicable pension regulations. Employees and pensioners or their survivors receive statutorily determined benefits upon leaving the company or retiring as well as in the event of death or disability. These benefits are financed through employer and employee contributions.

Defined benefit plans

In the case of defined benefits pension plans, the pension expenses and obligations are valued according to the projected unit credit method. The corresponding calculations are carried out yearly by independent qualified actuaries.

Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

All re-measurement gains and losses on the net defined benefit liability are charged or credited in other comprehensive income in the period in which they occur.

When the benefits of a plan are changed or when a plan is curtailed, the resulting past service cost is generally recognised in profit or loss when the plan amendment or curtailment occurs. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Defined contribution plans

In the case of defined contribution pension plans, the Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an expense when the employees render the corresponding service to the Group, which normally occurs in the same year in which the contributions are paid. Payments made to state-managed plans are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution pension plan.

3.20. Revenue recognition

Revenue represents the consideration received or receivable for goods and services provided in the normal course of business, excluding trade discounts, value added tax and similar sales taxes.

Sale of goods

Revenue from the sale of goods such as ingredients, consumables, retail goods and vending machines (points of sale) is recognised at a point in time when the goods are delivered to the client site or the goods are purchased from a point of sale by a customer, depending on the contract terms.

Revenue may be received directly in the form of cash from the consumer or may be invoiced to a client periodically. In general, the timing of payment and the satisfaction of Selecta's performance obligations are very close to each other. Customers mainly pay the goods at the points of sale and customers that are invoiced usually pay within 30 days from the delivery of the products.

Where revenue is received in the form of cash, the amount recognised as revenue is the amount of cash received until the last date on which the cash was collected from the machine, plus an estimate of the sales between this date and the period end calculated based on historical trends.

Where the sale of goods is invoiced to the client, the amount recognised is based either on the amounts delivered to the client or based on the consumption in the machines, depending on the specific contractual terms. Where revenue is recognised based on consumption in the machines, the amount recognised is based on the last recorded consumption from the machine plus an estimate of the sales between this date and the period end calculated based on historical trends. In all other cases, revenue is recognised at the point in time at which the goods are obtained by the counterparty from the points of sale.

The contracts of the Group generally include a standard warranty clause to guarantee that the goods comply with agreed specifications.

Rendering of services

Selecta also provides services to clients in the form of machine rentals, technical services and hygiene services. Where the income is a fixed amount for the specified service period revenue recognised is recognised on a straight-line basis over the service period whereas time and material agreements are recorded as they incur.

3.21. Leases

Lease accounting from 1 January 2020

The Group leases certain property, plant and equipment. At inception of a contract, it is assessed whether the contract is, or contains, a lease.

All leases, except for low-value and short-term leases, are capitalised on the balance sheet. Leases are capitalised at the lease's commencement. Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in (non-) current liabilities. The interest element of the finance cost and depreciation of the right-of-use assets are charged to the Statement of profit or loss over the lease period. The property, plant and equipment acquired is depreciated over the shorter of the useful life of the asset or the lease term.

Lease accounting until 31 December 2019

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between repayment of the outstanding liability and finance charges. The corresponding rental obligations, net of finance charges, are included in non-current liabilities or current liabilities as appropriate. The interest element of the finance cost is charged to the statement of profit or loss over the lease period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

Other lease agreements are classified as operating leases. Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

3.22. Financial result

Finance costs

Finance costs comprise interest expense on borrowings, loans and leases calculated using the effective interest method, fair value losses on derivatives not subject to hedge accounting and foreign exchange losses. Foreign exchange gains and losses are reported on a net basis as either finance income or finance expense depending on whether the total foreign currency movements represent a gain or a loss accordingly. Net interest expense on the net defined benefit obligation is included in the finance costs.

Finance income

Finance income mainly consists of foreign exchange gains.

4. Use of estimates and key sources 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. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities in the next financial year are discussed below.

Goodwill and intangible assets with indefinite useful lives

The carrying amounts of cash-generating units to which goodwill has been allocated and which include other intangible assets with indefinite useful lives are tested for impairment annually, and whenever there is an indication that they may be impaired. The recoverable amounts of cash-generating units are determined based on their values in use. These calculations require the use of estimates and assumptions consistent with the most up-to-date business plans that have been formally approved by management. The amounts and key assumptions used for the value in use calculations are set out in notes 16 and 17 to the consolidated financial statements.

Customer contracts

Intangible assets resulting from the acquisition by the Group of customer contracts in a business combination have a finite useful life. The Selecta and Pelican Rouge customer contracts are amortised over the useful life over 10-15 years. The other customer contracts are amortised over a useful life of 10 years.

The Group actively monitors retention rates on customer contracts and considers other relevant factors which may provide an indication of impairment. The amounts are described in note 17 to the consolidated financial statements.

Sales estimations

Where sales are based on consumption in the machines, there may be a timing difference between the date on which the cash was last collected from the machines or the date on which the sales readings were taken. In this case an estimate of the sales between the date of the last cash collection or the last machine reading and the end of the period is made. The estimate is based on historical sales trends in respect of the specific client sites and machines. The estimated amount of sales which have been neither collected in cash nor invoiced to customers are recorded as Accrued income and uncollected cash in points-of-sale, as disclosed in note 21.

Inventories

Inventories include perishable products which requires the Group to make estimates regarding the amount of goods whose shelf life will expire before they are sold in order to determine the appropriate level of allowances to be recorded. Such allowances are therefore calculated with reference to the level of inventories held, average sales, and expiry dates.

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 activity 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-vend⁷, mixed channel 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-vend⁸, 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 loss before finance costs, net and income taxes, depreciation, amortisation and impairment 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.

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

The Group initially applied IFRS 16 at 1 January 2020, which requires the recognition of right-of-use assets and lease liabilities for lease contracts that were previously classified as operating leases (see Note 3). As a result, the Group recognised € 195.7 million of right-of-use assets and € 192.9 million of liabilities from those lease contracts. The assets and liabilities are included in the in all three reportable segments as well as in HQ as at 31 December 2020. The Group has applied IFRS 16 using the modified retrospective approach, under which comparative information is not restated (see Note 3).

⁷ Paid vend means that consumer pays (e.g. at the coffee machines in the offices)

⁸ Free vend is defined by consumer not paying but the employer is paying (e.g. coffee consumption)

Result for the 12 months ended 31 December 2020

	<i>South, UK & Ireland</i>	<i>Central</i>	<i>North</i>	<i>Total reportable segments</i>	<i>HQ and Interco</i>	<i>Total Group</i>
	€ (000's)	€ (000's)	€ (000's)	€ (000's)	€ (000's)	€ (000's)
Revenue	376'661	418'366	360'190	1'155'217	(13'772)	1'141'445
Revenue net of vending fees	332'473	346'833	342'204	1'021'510	(13'772)	1'007'738
Profit/(loss) before finance costs, net and income taxes, depreciation, amortisation and impairment expense	10'471	15'949	39'938	66'358	(46'961)	19'397
Depreciation, amortisation and impairment expense	(61'313)	(68'001)	(42'136)	(171'450)	(137'697)	(309'147)
Loss before finance costs, net and income tax						(289'750)
Finance costs, net						(145'832)
Loss before income tax						(435'582)

Result for the 15 months ended 31 December 2019

	<i>South, UK & Ireland</i>	<i>Central</i>	<i>North</i>	<i>Total reportable segments</i>	<i>HQ and Interco</i>	<i>Total Group</i>
	€ (000's)	€ (000's)	€ (000's)	€ (000's)	€ (000's)	€ (000's)
Revenue	755'751	745'334	565'797	2'066'882	(32'108)	2'034'774
Revenue net of vending fees	684'186	617'845	539'212	1'841'243	(32'108)	1'809'135
Profit/(loss) before finance costs, net and income taxes, depreciation and amortisation expense	99'608	74'361	106'283	280'252	(53'183)	227'069
Depreciation and amortisation expense	(66'132)	(70'984)	(49'501)	(186'617)	(67'097)	(253'714)
Loss before finance costs, net and income tax						(26'645)
Finance costs, net						(109'530)
Loss before income tax						(136'175)

Non-current assets excluding deferred income tax assets, non-current financial assets, derivative financial instruments and net defined benefit assets

	<i>31 December 2020</i>	<i>31 December 2019</i>
	<i>€ (000's)</i>	<i>€ (000's)</i>
Switzerland	116'717	66'121
France	86'014	76'240
Italy	95'023	91'290
Sweden	30'129	26'458
UK	45'852	38'785
Netherlands	59'985	38'210
All other countries	131'668	104'245
HQ	1'572'474	1'707'185
Total	2'137'862	2'148'534

6. Revenue by channel

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

Result for the 12 months ended 31 December 2020

	<i>South, UK & Ireland</i>	<i>Central</i>	<i>North</i>	<i>Total reportable segments</i>	<i>HQ and Interco</i>	<i>Total Group</i>
	<i>€ (000's)</i>	<i>€ (000's)</i>	<i>€ (000's)</i>	<i>€ (000's)</i>	<i>€ (000's)</i>	<i>€ (000's)</i>
Revenue from contracts with customers	376'661	418'366	347'921	1'142'948	(13'772)	1'129'176
Rental revenue	-	-	12'269	12'269	-	12'269
Total revenue	376'661	418'366	360'190	1'155'217	(13'772)	1'141'445
Revenue from On-the-Go channel	135'212	207'701	58'212	401'125		401'125
Intersegment revenue from On-the-Go channel	-	138	-	138	(138)	-
Third party revenue from Workplace channel	187'937	172'809	163'109	523'855	-	523'855
Intersegment revenue from Workplace channel	-	51	-	51	(51)	-
Third party revenue from Trading channel	53'512	37'651	113'033	204'196	-	204'196
Intersegment revenue from Trading channel	-	16	13'567	13'583	(13'583)	-
Total revenue from contracts with customers	376'661	418'366	347'921	1'142'948	(13'772)	1'129'176

Result for the 15 months ended 31 December 2019

	South, UK & Ireland € (000's)	Central € (000's)	North € (000's)	Total reportable segments € (000's)	HQ and Interco € (000's)	Total Group € (000's)
Revenue from contracts with customers	755'751	745'334	546'080	2'047'165	(32'108)	2'015'057
Rental revenue	-	-	19'717	19'717	-	19'717
Total revenue	755'751	745'334	565'797	2'066'882	(32'108)	2'034'774
Revenue from On-the-Go channel	275'844	377'120	86'622	739'586	-	739'586
Third party revenue from Workplace channel	351'606	304'618	260'165	916'389	-	916'389
Intersegment revenue from Workplace channel	-	88	-	88	(88)	-
Third party revenue from Trading channel	128'261	63'446	167'375	359'082	-	359'082
Intersegment revenue from Trading channel	40	62	31'918	32'020	(32'020)	-
Total revenue from contracts with customers	755'751	745'334	546'080	2'047'165	(32'108)	2'015'057

Revenue by channel:

On-the-Go (Public & semi-public):

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

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

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

Workplace (private):

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

Trading:

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

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

No information is provided about remaining performance obligations at 31 December 2020 that have an original expected duration of one year or less, as allowed by IFRS 15.

7. Vending fees and revenue net of vending fees

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 fees 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 fees 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. Materials and consumables used

	<i>12 months ended 31 December 2020 € (000's)</i>	<i>15 months ended 31 December 2019 € (000's)</i>
Cost of materials	(413'004)	(723'545)
Rebates and discounts	14'312	40'277
Other	(993)	2'706
Total materials and consumables used	(399'685)	(680'562)

9. Employee benefits expense

	<i>12 months ended 31 December 2020 € (000's)</i>	<i>15 months ended 31 December 2019 € (000's)</i>
Wages and salaries	(402'119)	(491'458)
Social security	(65'884)	(100'780)
Compensation for short-term work	64'120	-
Post-employment benefits		
Defined contribution plans	(7'389)	(8'902)
Defined benefit plans	(2'658)	(736)
Total employee benefits expense	(413'930)	(601'876)

Further information with respect to the Group's post-employment benefit obligations are presented in note 25.

10. Depreciation, amortisation and impairment expenses

	<i>12 months ended 31 December 2020 € (000's)</i>	<i>15 months ended 31 December 2019 € (000's)</i>
Depreciation ⁹	(162'354)	(175'091)
Impairment recognized on customer contracts and others	(16'557)	-
Impairment on Goodwill	(68'900)	-
Amortisation customer relationship contracts and trademark	(48'353)	(60'901)
Amortisation other intangibles	(12'983)	(17'722)
Total depreciation, amortisation and impairment expenses	(309'147)	(253'714)

⁹ With the application of IFRS 16 as per 1 January 2020 additional depreciation in 12 months ended 31 December 2020 of € 45.8 m.

11. Other operating expenses

	12 months ended 31 December 2020 € (000's)	15 months ended 31 December 2019 € (000's)
Maintenance	(84'260)	(164'904)
Administration expenses	(76'472)	(105'756)
Travel and representation	(5'431)	(13'205)
Rent	(9'652)	(40'180)
Loss on disposal of tangible assets	(5'232)	(17'014)
Other operating expenses	(9'810)	(3'904)
Total other operating expenses	(190'857)	(344'963)

12. Other operating income

	12 months ended 31 December 2020 € (000's)	15 months ended 31 December 2019 € (000's)
Suppliers marketing contributions	1'036	3'051
Gain on disposal of tangible assets	6'125	29'170
Other operating income	9'017	13'161
Total other operating income	16'178	45'382

13. Finance costs and finance income

	12 months ended 31 December 2020 € (000's)	15 months ended 31 December 2019 € (000's)
Interest on loan due to parent undertaking	(8'154)	(46'651)
Interest on other loans	(88'055)	(103'581)
Refinancing costs	(65'941)	(10'538)
Lease interest expense	(6'948)	(1'666)
Other interest and finance expense	(432)	(7'647)
Change in fair value of derivative financial instruments	-	(9'062)
Total finance costs	(169'530)	(179'145)
Change in fair value of derivative financial instruments	512	-
Foreign exchange gain	20'698	69'459
Other Interest and finance income	2'718	156
Total finance income	23'698	69'615

14. Income Taxes

Income tax (expense)/benefit comprises:

	12 months ended 31 December 2020 € (000's)	15 months ended 31 December 2019 € (000's)
Current income tax expense	(845)	(14'777)
Deferred income tax benefit	15'935	14'467
Total income tax (expenses) / benefit	15'090	(310)

The total tax charge for the periods can be reconciled to the accounting profit as follows:

	12 months ended 31 December 2020 € (000's)	15 months ended 31 December 2019 € (000's)
Loss before income tax	(435'482)	(136'175)
Applicable tax rate	23.2%	21.3%
Expected tax credit	100'982	28'983
Effect of expenses not deductible for tax purposes	(37'891)	(5'479)
Effect of taxable losses for the period not recognised as deferred tax assets	(62'579)	(31'710)
Effect of non-taxable income for tax purposes	13'503	12'293
Income tax expense of previous years	1'075	(4'397)
Income tax benefit / (expense) recognised in statement of profit or loss	15'090	(310)

The applicable tax rate used above in the tax reconciliation is based on the weighted average tax rates applicable in the countries in which the Group operates. This is derived from a summation of the individual tax rates and pre-tax profits and losses in each country and is not the same as the medium to long term effective tax rate of the Group.

15. Property, plant and equipment

<i>Cost</i>	<i>Freehold land and buildings € (000's)</i>	<i>Vending equipment € (000's)</i>	<i>Vehicles € (000's)</i>	<i>Other equipment € (000's)</i>	<i>Total € (000's)</i>
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	10'155
Balance at 31 December 2019	14'172	819'176	25'926	84'891	944'165
Application of IFRS 16 ¹⁰	120'570	22'262	49'682	3'186	195'700
Additions	25'480	50'601	13'938	6'344	96'363
Disposals	(5'262)	(54'514)	(15'725)	(9'804)	(85'305)
Modifications IFRS 16	6'921	(410)	1'290	-	7'801
Reclassifications*	(91)	(5'996)	(1'274)	2'220	(5'141)
Effects of foreign currency exchange differences	(208)	(1'291)	132	(683)	(2'050)
Balance at 31 December 2020	161'582	829'828	73'969	86'154	1'151'533
Accumulated depreciation and impairment					
Balance at 1 October 2018	(3'521)	(466'579)	(12'210)	(41'678)	(523'990)
Depreciation expense	(1'551)	(153'716)	(5'421)	(14'403)	(175'091)
Disposals	1'264	68'007	2'763	(884)	71'149
Reclassifications*	(232)	63'848	136	8'748	72'500
Effects of foreign currency exchange differences	(39)	(6'184)	50	(563)	(6'736)
Balance at 31 December 2019	(4'080)	(494'624)	(14'683)	(48'780)	(562'167)
Depreciation expense	(18'241)	(106'658)	(24'571)	(12'884)	(162'354)
Disposals	1'809	54'935	14'733	9'575	81'052
Reclassifications*	152	1'888	828	(2'554)	314
Effects of foreign currency exchange differences	20	864	(89)	334	1'129
Balance at 31 December 2020	(20'340)	(543'595)	(23'782)	(54'309)	(642'026)
Net Book Value					
At 31 December 2019	10'092	322'483	11'243	38'180	381'998
At 31 December 2020	141'242	286'233	50'187	31'845	509'507

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

As at 31 December 2020 commitments in respect of capital expenditure amounted to € 3.3 million (31 December 2019: € 14.2 million).

The above table includes right of use assets in the amount € 194.7 million as at 31 December 2020 which were newly capitalized as a first time application of IFRS 16 "Leases". The leases overview is presented in note 24.

Acquisitions through business combinations in the 15 months ended 31 December 2019 relate to minor acquisitions recorded at fair value (note 32).

¹⁰ Refer to note 3.1

16. Goodwill

	12 months ended 31 December 2020 € (000's)	15 months ended 31 December 2019 € (000's)
Balance gross and net carrying amount opening	1'048'813	1'035'048
Impairment	(68'900)	-
Other minor changes	(1'110)	13'765
Balance gross and net carrying amount closing	978'803	1'048'813

The goodwill for the year ending 31 December 2020 has been adjusted by a net amount of EUR -1.1 million.

The acquisition accounting adjustments are presented in note 32.

16.1. Impairment testing

During the financial year the carrying values including goodwill of the cash-generating units were compared to their recoverable amount.

The test was conducted on the basis of the carrying values and the recoverable amounts of the Selecta Group's cash generating units. The carrying amount of the cash generating unit South, UK & Ireland was determined to be higher than its recoverable amount of € 35.1 million, and € 33.8 million for cash generating unit North. An impairment in the amount of € 68.9 million was considered and presented in the line item "Depreciation, amortisation and impairment" accordingly and fully allocated to goodwill. The trigger for the impairment was the current COVID-19 pandemic which leads to the expectation that the Group will not recover to the level of revenues before the pandemic in full.

The goodwill tested as at 31 December 2020 was € 1'049 million, composed of the legacy Selecta, Pelican Rouge and Argenta and several minor acquisitions goodwill.

16.2. Allocation to cash-generating units

Cash-generating units considered in this financial year's impairment test

In alignment with Group's segmental reporting, the three CGUs considered for the purposes of impairment testing are as follows:

- Segment South, UK & Ireland which includes Italy, Spain and the UK (including Express Vending and Ireland)
- Segment Central which includes Switzerland, Germany, Austria and France
- Segment North which includes Sweden, Norway, Finland, Denmark, Belgium, Netherlands and the Pelican Rouge Roaster in the Netherlands

The amount of goodwill allocated to each cash generating unit at 31 December 2020 and 31 December 2019 were as follows:

	<i>31 December 2020 € (000's)</i>
<u>Selecta goodwill</u>	
Region South, UK & Ireland	416'781
Region Central	188'343
Region North	373'679
Total Goodwill	978'803

	<i>31 December 2019 € (000's)</i>
<u>Selecta goodwill</u>	
Region South, UK & Ireland	454'708
Region Central	188'163
Region North	405'942
Total Goodwill	1'048'813

16.3. Summary of assumptions used in goodwill impairment testing

In undertaking the impairment test of the Selecta goodwill, the Group has used post-tax cash flow projections for the computation of value in use based on the 2021 - 2023 business plan of the Group, covering a three-year period. In years four to seven the Group assumes further growth of 1.5% (2019: 1.3%).

Cash flows beyond the seven-year period are extrapolated using estimated growth rates as disclosed in the table below. For the 12 months period ended 31 December 2020, the growth rates were as follows:

	<i>2020</i>
Region South, UK & Ireland	1.5%
Region Central	1.5%
Region North	1.5%

For the 15 months period ended 31 December 2019, the growth rates were as follows:

	<i>2019</i>
Region South, UK & Ireland	1.3%
Region Central	1.4%
Region North	1.6%

The cash flows are discounted using a post-tax weighted average cost of capital (WACC) for each region. The post-tax WACC applied for each region at 31 December 2020 and 31 December 2019 were as follows:

	<i>31 December 2020</i>	
	Post-tax WACC	Equivalent to a pre-tax WACC of:
Region South, UK & Ireland	7.8%	9.9%
Region Central	7.4%	9.5%
Region North	7.3%	9.0%

	<i>31 December 2019</i>	
	Post-tax WACC	Equivalent to a pre-tax WACC of:
Region South, UK & Ireland	7.0%	9.0%
Region Central	6.2%	8.0%
Region North	6.2%	8.2%

16.4. Headroom/Impairment and sensitivity to change in assumptions

The headroom arising from the goodwill impairment testing by region at *31 December 2020 and 31 December 2019* were as follows:

	<i>31 December 2020 € millions</i>
Region Central	233.0
	<i>31 December 2019 € millions</i>
Region South, UK & Ireland	54.3
Region Central	710.0
Region North	424.1

Following the impairment loss recognised in the two Cash Generating Units South, UK & Ireland and North, the recoverable amount was equal to the carrying amount. Therefore, any adverse movement in a key assumption would lead to further impairment. After the impairment the headroom of the CGU's South, UK & Ireland and North is zero and was calculated on a value in use basis.

The following table shows the level to which the WACC would need to increase to assuming achievement of the future cash flows, or the level to which long term growth rates would need to fall assuming use of the Group's post tax WACC, to eliminate all of the headroom in the region.

31 December 2020

	<i>Level to which Post-tax WACC would need to increase to eliminate all of the headroom in the region</i>	<i>Level to which growth rates would need to fall to eliminate all of the headroom in the region</i>
Region Central	10.3%	-3.1%

31 December 2019

	<i>Level to which Post-tax WACC would need to increase to eliminate all of the headroom in the region</i>	<i>Level to which growth rates would need to fall to eliminate all of the headroom in the region</i>
Region South, UK & Ireland	7.5%	0.4%
Region Central	13.3%	-16.1%
Region North	8.8%	-2.6%

17. Intangible assets

Intangible assets consist primarily of trademarks and customer contracts.

The trademarks “Selecta” and “Pelican Rouge” recognised by the Group represent the brand names and have an indefinite useful life. Therefore, these trademarks are tested for impairment annually.

<i>Cost</i>	<i>Software/ other € (000's)</i>	<i>Trademarks € (000's)</i>	<i>Customer Contracts € (000's)</i>	<i>Total € (000's)</i>
Balance at 1 October 2018 Restated	59'503	357'051	655'891	1'072'445
Additions	13'719	-	3'941	17'660
Disposals	(408)	-	(3'787)	(4'195)
Reclassifications	4'585	-	1'527	6'112
Acquisitions through business combinations	7	-	11'132	11'139
Effects of foreign currency exchange differences	1'739	-	352	2'091
Balance at 31 December 2019	79'145	357'051	669'057	1'105'252
Additions	5'829	-	1'054	6'883
Disposals	(4'997)	-	(182)	(5'179)
Reclassifications	2'137	-	2'457	4'594
Effects of foreign currency exchange differences	(290)	-	(465)	(755)
Balance at 31 December 2020	81'824	357'051	671'921	1'110'796

<i>Accumulated amortisation</i>	<i>Software/ other € (000's)</i>	<i>Trademarks € (000's)</i>	<i>Customer Contracts € (000's)</i>	<i>Total € (000's)</i>
Balance at 1 October 2018 Restated	(36'598)	(1'733)	(272'147)	(310'478)
Amortisation expenses	(17'722)	(4'113)	(56'788)	(78'623)
Disposals	3'606	-	-	3'606
Reclassifications	(329)	-	(277)	(606)
Effects of foreign currency exchange differences	(1'225)	-	(204)	(1'429)
Balance at 31 December 2019	(52'268)	(5'846)	(329'415)	(387'530)
Amortisation expenses	(9'693)	(3'291)	(48'353)	(61'337)
Disposals	3'850	-	182	4'032
Reclassifications	(90)	-	(324)	(414)
Impairment	(3'114)	-	(13'443)	(16'557)
Effects of foreign currency exchange differences	287	-	274	561
Balance at 31 December 2020	(61'028)	(9'137)	(391'079)	(461'244)
At 31 December 2019	26'876	351'204	339'642	717'722
At 31 December 2020	20'796	347'914	280'842	649'552

There were no acquisitions in the 12 months ended 31 December 2020; acquisitions through business combinations in the 15 months ended 31 December 2019 related to several minor acquisitions and are recorded at fair value.

Provided the current pandemic, the annual valuation testing of customer contracts resulted in an impairment of € 13.4 million allocated to the cash generating unit Central. The remaining amount of impairment for intangible assets is mainly related to capitalized IT costs. The impairment calculation is based on the Value in Use assumption. The recoverable amount of the underlying customer contracts is € 7 million.

At 31 December 2020 and 31 December 2019, the trademark has been allocated as follows:

	<i>31 December 2020 € (000's)</i>	<i>31 December 2019 € (000's)</i>
Region South, UK & Ireland	54'412	57'702
Region Central	203'475	203'475
Region North	90'027	90'027
Trademark allocated to cash generating units	347'914	351'204

18. Non-current financial assets

	31 December 2020 € (000's)	31 December 2019 € (000's)
Non-current financial assets comprise the following:		
Investments	43	153
Trade and other receivables	16'298	24'227
Total non-current financial assets	16'341	24'380

The maturity of the non-current financial assets is as follows:

After one year but not more than five years	16'341	24'380
More than five years	-	-
Total more than one year	16'341	24'380
Total non-current financial assets	16'341	24'380

19. Inventories

	31 December 2020 € (000's)	31 December 2019 € (000's)
Food and beverages	60'341	78'580
Vending equipment and spare parts	30'677	39'268
Goods in transit	1'927	1'321
Raw materials	6'349	7'202
Total inventories	99'294	126'371

In the 12 months ended 31 December 2020, inventories of € 413 million (15 months ended 31 December 2019: € 724 million) were recognised as an expense during the year and included in materials and consumables used.

There are no inventories expected to be recovered after more than 12 months.

In addition, for inventories an amount of € 7.0 million (2019: € 4.5 million) have been recorded for allowances.

20. Trade receivables

	31 December 2020 € (000's)	31 December 2019 € (000's)
Trade receivables - not overdue	55'386	43'835
Trade receivables - overdue 0 - 90 days	9'665	20'875
Trade receivables - overdue 90 - 360 days	4'145	3'686
Trade receivables - overdue > 360 days	825	660
Total trade receivables, gross	70'021	69'056
Allowance for doubtful accounts	(5'611)	(3'190)
Total trade receivables, net	64'410	65'866

The average credit period on sales of goods is 30 days. No interest is charged on the trade receivables until the end of the credit period, thereafter the charging of interest is at the discretion of local management depending on the amounts and customers involved. Where interest is charged in respect of an overdue receivable the interest rate applied is between 3% and 15% per annum depending on the country and the customer contract.

Depending on the size of a potential new customer and the volume of trading expected, prior to accepting new credit customers, the Group uses a credit scoring system to assess the potential customer's credit quality and defines a suitable credit limit for the customer.

21. Other current assets

	31 December 2020 € (000's)	31 December 2019 € (000's)
Accrued income	22'281	49'801
Pre-payments	10'563	16'366
Sales tax recoverable	5'256	4'417
Other	7'554	12'280
Total other current assets	45'654	82'864

22. Cash and cash equivalents

	31 December 2020 € (000's)	31 December 2019 € (000's)
Cash at bank	118'590	55'305
Cash in point-of-sale	9'312	9'091
Cash and cash equivalents	127'902	64'396

23. Borrowings

	31 December 2020 € (000's)	31 December 2019 € (000's)
Loans due to parent undertaking at amortised cost	-	230'879
Borrowings at amortised cost (incl. revolving credit facility)	975'332	1'496'076
Total borrowings	975'332	1'726'955

23.1. Borrowings

	31 December 2020			31 December 2019		
	€ (000's)	in %	Interest rate	€ (000's)	in %	Interest rate
EUR	953'313	97.7%	8.2%	1'533'949	86.9%	6.6%
CHF	22'019	2.3%	8.6%	230'330	13.1%	5.9%
Total	975'332	100%	8.2%	1'764'279	100%	6.5%

The amounts shown above reflect the nominal value and original currency of the borrowings. Prior year amounts reflect the nominal value and original currency of the borrowing and include accrued interest for the PIK proceeds loan without the deduction of net capitalized transaction costs. The nominal interest rate is disclosed. The PIK loan to the Group's parent, Selecta Group Midco S.à r.l., was converted into equity against the issue price of one new share (see note 23.3.)

23.2. Rate structure of borrowings

	31 December 2020	31 December 2019
	€ (000's)	€ (000's)
Total borrowings at variable rates	40'042	427'651
Total borrowings at fixed rates	935'290	1'299'304
Total borrowings at amortised cost	975'332	1'726'955

The total includes the reduction of net capitalized transaction costs.

23.3. Details of borrowing facilities

In March 2020, certain funds and accounts managed or advised by KKR Credit Advisors (US) LLC provided to the Group a super senior liquidity facility of € 50 million with a term of 1 year (maturity April 2021). This facility was discharged in full on October 29th, 2020, as part of the debt restructuring described below. The liquidity facility was fully drawn from April 2020 until October 29th. The senior secured notes issued in 2018, the revolving credit facility (provided in 2018) and the liquidity facility were 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.

In April 2020, the Group completed a corporate reorganization. As part of this, the existing PIK loan to the Group's parent, Selecta Group Midco S.à r.l., was converted into equity against the issue price of one new share. Following the completion of the reorganization, the Company was directly held (100%) by Selecta Group AG, resident in Switzerland, and Selecta Group AG was directly owned (100%) by Selecta Group Midco S.à r.l. (from April 16th, 2020, to October 29th, 2020). Following the completion of the debt restructuring described below, Selecta Group AG is directly owned (100%) by Selecta Group FinCo S.A., a wholly owned subsidiary of Selecta Group Midco S.à r.l.

On October 29th, 2020, Selecta completed a comprehensive debt recapitalization, effected in part by an English law scheme of arrangement under the Companies Act 2006. The transaction involved the exchange of all outstanding senior secured notes issued in 2018, plus accrued and unpaid interest on the senior secured notes, for a combination of first lien and second lien notes issued by the Company and preference shares issued by Selecta Group FinCo S.A., a newly incorporated subsidiary of Selecta Group Midco S.à r.l. The recapitalization resulted in (i) a significant reduction of the Company's outstanding third-party debt, (ii) an extension of debt maturities through 2026 and (iii) material cash interest reduction in the near-term. In addition, Selecta's shareholders provided € 175 million of new capital by way of a cash funding of € 125 million and the settlement of the € 50 million super senior liquidity facility, in consideration for the issuance of € 175 million of preference shares by Selecta Group FinCo S.A. The Company's super senior revolving credit facility ("RCF") was also amended to, among other things, amend the maturity to January 1st, 2026 and replace the existing financial covenant draw stop with new financial maintenance covenants.

The amended super senior revolving credit facility, the first lien notes and the second lien notes rank pari passu as to right of payment. The RCF ranks senior to the first lien notes, and the first lien notes rank senior to the second lien notes as to proceeds of enforcement of security. The RCF and the first lien notes are guaranteed on a senior secured basis by the Guarantors and Selecta Finance UK Limited, and benefit from first priority liens over certain assets of the Group. The second lien notes are also guaranteed by the Guarantors and Selecta Finance UK Limited, and benefit from second-priority liens over the assets of the Group securing the RCF and the first lien notes.

As of December 2020, the first lien and second lien notes outstanding are:

First Lien Notes	EUR	678'552'457	8.0%	2026
First Lien Notes	CHF	17'672'303	8.0%	2026
Second Lien Notes	EUR	234'717'662	10.0%	2026
Second Lien Notes	CHF	6'112'983	10.0%	2026

Interest Rate

- First Lien Notes: Until (but excluding) January 2nd, 2023: 3.500% per annum, payable in cash, plus 4.500% per annum, payable in kind. From (and including) January 2nd, 2023: 8.000% per annum, payable in cash.
- Second Lien Notes: Until (but excluding) January 2nd, 2023: 10.000% per annum, payable in kind. From (and including) January 2nd, 2023: at the Company's discretion, 9.250% per annum, payable in cash or 10.000% per annum payable in kind. Interest can be paid entirely in cash, entirely in kind or in a combination of both.

Maturity

- First Lien Notes: April 1st, 2026.
- Second Lien Notes: July 1st, 2026.

	<i>Interest rate</i>	<i>31 December 2020</i>
	%	€ (000's)
First Lien Notes (EUR)	8.0	678'552
First Lien Notes (CHF)	8.0	16'361
Second Lien Notes (EUR)	10.0	234'718
Second Lien Notes (EUR)	10.0	5'659
Senior revolving credit facility (Euribor + 3.5%)	3.5	40'042
Total borrowings at nominal values		975'332

	<i>Interest rate</i>	<i>31 December 2019</i>
	%	€ (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 (Euribor + 3.5%)	3.5	63'070
Total borrowings and loans due to parent undertaking at nominal values		1'764'279

23.4. Reconciliation of movements of liabilities to cash flows arising from financing activities

	<i>Total borrowings before refinancing costs</i> € (000's)	<i>Amortised refinancing costs</i> € (000's)	<i>Interest accrual on bonds</i> € (000's)	<i>Other loans, financing facilities</i> € (000's)	<i>Other (assets)/ liabilities</i> € (000's)	<i>Total</i> € (000's)
Balance at 31 December 2019	1'764'278	(37'324)	21'168	57'396	(8'292)	1'797'226
Changes from financing cash flows						
Proceeds from cash grant	50'000	-	-	-	-	50'000
Proceeds from interim financing	-	-	-	50'000	-	50'000
Repayment of interim financing	-	-	-	(50'000)	-	(50'000)
Repayment of borrowings	(23'537)	-	-	-	-	(23'537)
Payments processed from factoring	-	-	-	5'040	-	5'040
Refinancing costs paid	-	-	-	(5'001)	-	(5'001)
Interest paid	(3'243)	-	(47'198)	(13'821)	512	(63'750)
Payment of lease liabilities	-	-	-	(63'051)	-	(63'051)
Total changes from financing cash flows	23'220	-	(47'198)	(76'833)	512	(100'299)
Changes in fair value	-	-	-	-	(511)	(511)
Capitalized interest old bonds	43'797	-	(43'797)	-	-	-
Interest expense	11'397	-	83'541	13'822	(512)	108'248
Refinancing costs incurred to P&L	-	37'443	-	-	-	37'443
Refinancing of senior secured note	(870'861)	-	-	-	-	(870'861)
First time recognition IFRS 16 lease liability	-	-	-	192'888	-	192'888
Additions and modification	-	-	-	48'083	-	48'083
Other movement	-	-	-	10'121	-	10'121
Total other changes	(815'667)	37'443	39'744	264'914	(1'023)	(474'589)
The effect of changes in foreign exchange rates	3'501	(119)	392	(448)	-	3'326
Balance at 31 December 2020	975'332	-	14'106	245'029	(8'803)	1'225'664

	<i>Total borrowings before refinancing costs</i> € (000's)	<i>Amortised refinancing costs</i> € (000's)	<i>Interest accrual on bonds</i> € (000's)	<i>Other loans, financing facilities</i> € (000's)	<i>Other (assets)/ liabilities</i> € (000's)	<i>Total</i> € (000's)
Balance at 1 October 2018	1'695'463	(44'817)	42'810	63'736	(17'561)	1'739'630
Changes from financing cash flows						
Proceeds from issuance of loans and borrowings	149'851	-	-	-	-	149'851
Repayment of loans and borrowings	4'226	-	-	(6'756)	-	(2'530)
Payment of lease liabilities	-	-	-	(20'600)	-	(20'600)
Proceeds from factoring	-	-	-	1'631	-	1'631
Interest paid	(4'097)	-	(117'125)	(3'323)	(9'956)	(134'501)
Financing costs paid	-	(2'693)	-	-	-	(2'693)
Acquisition of non-controlling interest	-	-	-	-	(400)	(400)
Total changes from financing cash flows	149'980	(2'693)	(117'125)	(29'048)	(10'356)	(9'242)
Finance lease additions	-	-	-	18'105	-	18'105
Changes in fair value	-	-	-	-	9'062	9'062
Interest expense	50'748	-	95'483	3'713	9'956	159'900
Refinancing costs amortised to P&L	-	10'538	-	-	-	10'538
Debt-to-equity swap	(143'980)	-	-	-	-	(143'980)
Other movement	-	-	-	1'153	597	1'750
Total other changes	(93'232)	10'538	95'483	22'971	19'615	55'375
The effect of changes in foreign exchange rates	12'067	(352)	-	(263)	10	11'463
Balance at 31 December 2019	1'764'278	(37'324)	21'168	57'396	(8'292)	1'797'226

24. Leases

Selecta applied IFRS 16 “Leases” as at 1 January 2020 and elected to apply the modified retroactive approach for the first-time application. With this approach, right-of-use assets and lease liabilities were recognised in the same amount in the balance sheet. For further information, see Note 3.1, accounting policies.

The leases of Selecta comprise, in particular, to freehold land and building, vehicles and vending equipment, see table below.

	<i>31 December 2020</i> € (000's)
Property, plant and equipment owned	314'768
Right-of-use assets	194'739
Total property, plant and equipment	509'507

Right-of-use assets € (000's)	Land and Buildings	Vending equipment	Vehicles	Other equip- ment	Total
Balance at 1 January 2020	120'570	22'262	49'681	3'187	195'700
Depreciation charge for the year	(17'205)	(6'750)	(20'586)	(1'428)	(45'969)
Additions to right-of-use assets	24'707	2'470	12'104	1'001	40'282
Disposals of right-of-use assets	(2'389)	-	(686)	-	(3'075)
Modifications IFRS 16	6'921	(410)	1'290	-	7'801
Balance at 31 December 2020	132'604	17'572	41'803	2'760	194'739

Lease liabilities	31 December 2020 € (000's)
Current lease liabilities	174'389
Non-current lease liabilities	52'240
Total lease liabilities	226'629

Amounts recognised in profit or loss	12 months ended 31 December 2020 € (000's)
Interest on lease liabilities	6'702
Variable lease payments not included in the measurement of lease liabilities	1'572
Income from sub-leasing right-of-use assets	(385)
Expenses related to short term leases	1'424
Expenses related to leases of low-value assets, excluding short-term leases of low-value assets	2'235

Amounts recognised in statement of cash flows	12 months ended 31 December 2020 € (000's)
Total cash outflow for leases	63'051

Some property leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at the lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control. The Group has estimated that the potential future lease payments, should it exercise the extension option, would result in an insignificant increase in lease liability.

25. Post-employment benefits

25.1. Defined contribution plans

The Group operates defined contribution plans for qualifying employees in a number of its countries of operation. The assets of the plans are held separately from those of the Group under the control of unrelated parties.

25.2. Defined benefit plans

Description of plans

The Group offers defined benefit plans in Switzerland, Germany, UK, Belgium, Spain and Italy as well as retirement indemnity plans in France.

The two main significant plans are in Switzerland and UK, which represent a net asset position of € 78.5 million, the remainder of the countries recorded a net liability position of € 16.8 million.

Switzerland

The pension scheme is part of the Valora Pension Fund, domiciled in Muttenz, Switzerland and is governed by the rules of the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG), which specifies the minimum benefits that are to be provided by pension plans. The scheme covers multiple employers, including Selecta, with the scheme assets allocated between Selecta and the other companies in the scheme in proportion to the mathematical reserve and savings capital as at 31 December 2020. One employee of Selecta AG in Switzerland is at the foundation board of the Valora Pension Fund to ensure representation of Selecta in the wider scheme.

The designated purpose of the scheme is to protect the employees, including the employees' dependents and survivors, of the Valora Group of companies of Switzerland and the companies with which the scheme has concluded an affiliation agreement against the economic consequences of old age, death and disability.

The benefits are defined in the pension plan regulations that are far above the minimum requirements stipulated by the BVG. Retirement benefits are based on the accumulated retirement savings capital and can either be drawn as a life-long pension or as a lump sum payment. The pension is calculated upon retirement by multiplying the balance of the retirement savings capital with the applicable conversion rate. The retirement savings capital results from the yearly savings contributions by both employer and employee until retirement and carries interest thereon. The savings contributions are defined in the pension plan regulations. Minimum contributions and minimum interest are defined by the BVG and the Federal Council respectively.

The scheme provides for a basic and supplementary plan. Under the basic plan, the wage portions above the entry level for admission (equal to three quarters of the maximum retirement pension benefit prescribed by law) are pensionable. The supplementary plan additionally offers coverage of wage portions that exceed the 5-fold value of the maximum retirement pension benefit by more than CHF 5'000.

The scheme is subdivided into a risk pre-insurance and a primary insurance. The risk pre-insurance coverage is a pure risk insurance that covers the risks of death and disability up to the age of 25. The primary insurance begins at age 25 and is comprised of a savings facility run by the scheme and insurance covering the death and disability risks.

The scheme participates in compulsory coverage and is entered in the register for occupational pension providers as provided for by art. 48 of the Federal Occupational Retirement, Survivors' and Disability Pension Plans Act (BVG/LPP). At minimum it provides for the benefits pursuant to BVG/LPP. The scheme is under the regulatory supervision of the Canton of Basel Land.

UK

The Group operates a defined benefit pension scheme in the United Kingdom, which is identified as the Selecta (UK) Pension Plan (the "Plan", formerly known as the Autobar Group Retirement Benefits Plan). The scheme is managed by an independent trustee (ITS) and the ultimate authority is with the UK Pension Regulator in case of disputes between the trustee and the Group. The Group accounted for this plan as defined benefit plan because it is exposed to risks as mentioned in the paragraph 'sensitivity analysis'.

Amounts included in the consolidated financial statements

The amounts recognised in the consolidated statement of profit or loss in respect of defined benefit plans are as follows:

	<i>For the 12 months ended 31 December 2020 € (000's)</i>	<i>For the 15 months ended 31 December 2019 € (000's)</i>
Current employer service cost	(5'975)	(6'899)
Past service credit on plan amendment	3'317	4'048
Net interest income/(cost)	1'228	2'115
Defined benefit income/(cost) recognised in statement of profit or loss	(1'430)	(736)

Past service credit for the 12 months ended 31 December 2020 relates to a French plan amendment due to restructuring and large drop in the headcount as well as Swiss plan amendments due to special benefit payments to the savings capital of actives to compensate partially for the impact of the conversion rate reduction in 2020. Past service credit for the 15 months ended 31 December 2019 relates to a Swiss plan amendment of the benefits payable under the Group's pension scheme in Switzerland. In 2019 the Valora Pensionskasse VPK has communicated two separate reductions of the conversion rates. The conversion rate at the normal retirement age (men 65 and women 64) will decrease to 5.50% until 1 January 2021. In addition, there will be a savings contribution rate increase of 50 basepoints.

The amount included in the balance sheet arising from the entity's obligation in respect of its defined benefit obligation is as follows:

	<i>31 December 2020 € (000's)</i>	<i>31 December 2019 € (000's)</i>
Fair value of plan assets	543'153	522'565
Present value of defined benefit obligation	(459'863)	(442'998)
Status of plan	83'290	79'567
Effect of asset ceiling	(21'545)	(28'305)
Net asset/(liability) in the balance sheet	61'745	51'262
Net defined asset	78'524	72'288
Net defined liability	(16'779)	(21'026)

Defined benefit obligation

The movement in the present value of the defined benefit obligation in the current period was as follows:

	<i>For the 12 months ended 31 December 2020 € (000's)</i>	<i>For the 15 months ended 31 December 2019 € (000's)</i>
Present value of obligation at beginning of period	(442'998)	(397'149)
Current employer service cost	(5'219)	(6'899)
Employees' contributions	(3'839)	(4'426)
Interest cost	(4'873)	(9'369)
Past service cost, curtailments, settlements, plan amendments	3'317	4'048
Benefits paid	24'068	25'246
Decrease / (increase) through business combination	138	(979)
Actuarial gain / (loss) on defined benefit obligation	(40'836)	(37'747)
Currency gain / (loss)	10'379	(15'723)
Present value of obligation at end of period	(459'863)	(442'998)

Plan assets

The movement in the fair value of plan assets in the current period was as follows:

	<i>For the 12 months ended 31 December 2020 € (000's)</i>	<i>For the 15 months ended 31 December 2019 € (000's)</i>
Fair value of plan assets at beginning of period	522'565	458'841
Interest income on plan assets	6'172	11'484
Employees' contributions	3'083	4'031
Employer's contributions	5'566	8'465
Benefits paid	(23'164)	(24'205)
Return on plan assets excl. interest income	44'169	43'212
Currency gain / (loss)	(15'238)	20'737
Fair value of plan assets at end of period	543'153	522'565

Employer's contributions expected for the next year amount to € 5.4 million.

The fair value of the total plan assets at the balance sheet date comprises the following major categories of assets:

	<i>31 December 2020</i>	<i>31 December 2020</i>	<i>31 December 2019</i>	<i>31 December 2019</i>
	<i>Quoted market prices in active markets</i>	<i>Prices in non- active markets</i>	<i>Quoted market prices in active markets</i>	<i>Prices in non- active markets</i>
Cash	4.7%	0.0%	4.5%	0.0%
Bonds	18.6%	0.0%	20.4%	0.0%
Equities	12.6%	0.0%	11.8%	0.0%
Property	0.0%	12.6%	0.0%	12.8%
Other	50.5%	1.0%	49.6%	0.9%
Total	86.4%	13.6%	86.3%	13.7%

The funded pension plan assets are invested in accordance with local laws. They include neither the Group's own financial instrument nor property occupied by, or other assets used by, the Group.

Actuarial assumptions

The principal actuarial assumptions are based on local economic conditions and are as follows (weighted average):

	<i>31 December 2020</i>	<i>31 December 2019</i>
Discount rate	0.05%	0.25%
Expected salary increase	1.00%	1.00%
Expected pension increase	0.00%	1.00%

The estimated duration of the plan liabilities is 12.9 years (31 December 2019: 12.9 years).

The following table shows the re-measurement gains and losses on post-employment benefit obligations recognised in other comprehensive income:

	12 months ended 31 December 2020 € (000's)	15 months ended 31 December 2019 € (000's)
Return on plan assets excl. interest income	44'169	43'212
Experience gains/(losses) on defined benefit obligation	(7'911)	(2'412)
Actuarial gains/(losses) arising from change in demographic assumptions	91	10'101
Actuarial gains/(losses) arising from change in financial assumptions	(33'016)	(45'436)
Change in asset ceiling	7'030	(7'485)
Total amount of remeasurement gain/(loss) on post-employment benefit obligations recognised in other comprehensive income	10'363	(2'020)

The following table shows the change in asset ceiling:

	12 months ended 31 December 2020 € (000's)	15 months ended 31 December 2019 € (000's)
Asset ceiling at end of prior year	(28'305)	(19'557)
Interest income	(71)	(218)
Remeasurements	7'030	(7'485)
Effect of changes in foreign exchange rates	(199)	(1'045)
Asset ceiling at end of year	(21'545)	(28'305)

Sensitivity analysis

The valuation of the pension benefit obligations is particularly sensitive with regard to changes to the discount rate and the assumptions of pension rises and the expected mortality rate. The following table shows the change of defined benefit obligation on the basis of a reasonably possible change to these actuarial assumptions at 31 December 2020 and 31 December 2019:

	31 December 2020 € (000's)	31 December 2019 € (000's)
Discount rate (+0.50%)	32'627	7'173
Discount rate (-0.50%)	(36'951)	(10'488)
Increase in future pension (+0.25%)	(436)	(4'420)
Decrease in future pension (-0.25%)	626	3'967
Mortality assumption -1 year	14'840	14'566
Mortality assumption +1 year	(14'572)	(13'904)
Salary increase rate (-25 basis points)	4'235	3'786
Salary increase rate (+25 basis points)	(14'994)	(9'268)

Every sensitivity analysis considers the change of one assumption, while all other assumptions remain the same. This approach shows the isolating effect if an individual assumption is changed but does not consider that some assumptions are mutually dependent.

26. Provisions

	Warranty € (000's)	Litigation & tax € (000's)	Restruc- turing € (000's)	Other € (000's)	Total € (000's)
Balance at 31 December 2019	(1'306)	(2'094)	(3'285)	(39'615)	(46'300)
Charged to the statement of profit or loss	2	(725)	(34'999)	(15'639)	(51'361)
Expenditure in the period	434	707	5'656	1'553	8'350
Reversed against the statement of profit or loss without cost incurred	458	764	416	7'856	9'494
Effect of foreign exchange differences	-	-	29	(363)	(334)
Reclassification between categories	-	(70)	(390)	457	(3)
Balance at 31 December 2020	(412)	(1'418)	(32'573)	(45'751)	(80'154)

The above provisions are presented in the Group's balance sheet as follows:

	31 December 2020 € (000's)	31 December 2019 € (000's)
Non-current liabilities	(11'253)	(40'837)
Current liabilities	(68'901)	(5'463)
Total	(80'154)	(46'300)

The warranty provision represents management's best estimate of the future outflow of economic benefits that will be required in respect of warranties on machine sales and has been based on historical trends observed.

The provisions in respect of litigations and tax represent management's best estimate of the future outflow of economic benefits required to settle legal claims and tax claims made against the Group, and has been based on advice from and discussion with the Group's lawyers.

The restructuring provision represents amounts due to be paid in respect of certain restructuring activities which have been initiated. The amounts provided include the costs of employee severance payments, as well as other costs associated with closing facilities or offices.

The 'Other' provision includes a deferred consideration of € 27 million as well as a significant portion of long service awards (jubilee benefits) to which all employees of Selecta Switzerland are entitled based on their years of service. The calculation requires an actuarial valuation to be performed as it is based on assumptions of expected service lengths, current service length, date of entry, monthly salary, gender, and long service awards paid in last financial year.

27. Deferred income taxes

27.1. Deferred tax balances

Deferred income tax balances are presented in the balance sheet as follows:

	31 December 2020 € (000's)	31 December 2019 € (000's)
Deferred income tax assets	25'665	24'555
Deferred income tax liabilities	(187'225)	(200'907)
Total deferred tax liabilities, net	(161'560)	(176'352)

27.2. Movement in deferred tax balances during the year

The movement in the deferred tax balances during the year was as follows:

	31 December 2019 € (000's)	(Charged)/ credited to income statement € (000's)	(Charged/ credited to OCI € (000's)	Exchange differences € (000's)	31 December 2020 € (000's)
Intangible assets	(176'844)	13'203		(10)	(163'651)
Property, plant and equipment	(17'621)	5'536		(1'014)	(13'099)
Other non-current assets	(10'094)	71	(1'471)	505	(10'989)
Non-current financial assets	(3'146)	3'146		-	-
Inventories	(2'162)	1'209		(10)	(963)
Trade receivables	1'851	(1'884)		-	(33)
Current liabilities	3'062	(757)		15	2'320
Provisions	620	(552)		(2)	66
Other non-current liabilities	6'682	(2'841)		844	4'685
Total deferred tax asset/(liability)	(197'652)	17'131	(1'471)	328	(181'664)
Tax losses					
Unused tax losses	21'300	(1'196)			20'104
Total deferred tax asset/(liability)	(176'352)	15'935	(1'471)	328	(161'560)

The movement in the deferred tax balances during the year was as follows:

	1 October 2018 € (000's)	(Charged)/ credited to income statement € (000's)	(Charge/ credited to OCI € (000's)	Change in Consolidation Scope € (000's)	Exchange differences € (000's)	31 December 2019 € (000's)
Intangible assets	(187'166)	10'993		(632)	(39)	(176'844)
Property, plant and equipment	(10'640)	6'725		(13'451)	(255)	(17'621)
Other non-current assets	(7'761)	2'013	(124)	(3'903)	(319)	(10'094)
Non-current financial assets	72	3'217		(6'435)	-	(3'146)
Inventories	(1'393)	732		(1'465)	(36)	(2'162)
Trade receivables	(1'648)	(3'490)		6'980	9	1'851
Current liabilities	1'431	(1'695)		3'389	(63)	3'062
Provisions	89	(531)		1'063	(1)	620
Other non-current liabilities	171	(3'497)		9'994	14	6'682
Total deferred tax asset/(liability)	(206'845)	14'467	(124)	(4'460)	(690)	(197'652)
Tax losses						
Unused tax losses	17'734	-	-	3'566	-	21'300
Total deferred tax asset/(liability)	(189'111)	14'467	(124)	(894)	(690)	(176'352)

27.3. Detail of deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

31 December 2020	Assets € (000's)	Liabilities € (000's)	Net € (000's)
Intangible assets	489	(164'140)	(163'651)
Property, plant and equipment	3'015	(16'114)	(13'099)
Other non-current assets	-	(10'989)	(10'989)
Inventories	214	(1'177)	(963)
Trade receivables	31	(64)	(33)
Current liabilities	3'310	(990)	2'320
Provisions	109	(44)	65
Other non-current liabilities	4'686	-	4'686
Total deferred tax assets/(liabilities) arising on temporary differences	11'854	(193'518)	(181'664)
Tax losses			
Unused tax losses	20'104	-	20'104
Offset deferred tax assets and deferred tax liabilities	(6'293)	6'293	-
Total deferred tax asset/(liability)	25'665	(187'225)	(161'560)

31 December 2019	Assets € (000's)	Liabilities € (000's)	Net € (000's) restated
Intangible assets	748	(177'592)	(176'844)
Property, plant and equipment	2'161	(19'782)	(17'621)
Other non-current assets	-	(10'094)	(10'094)
Non-current financial assets	-	(3'146)	(3'146)
Inventories	466	(2'628)	(2'162)
Trade receivables	1'886	(35)	1'851
Current liabilities	6'160	(3'098)	3'062
Provisions	663	(43)	620
Other non-current liabilities	9'840	(3'158)	6'682
Total deferred tax assets/(liabilities) arising on temporary differences	21'924	(219'576)	(197'652)
Tax losses			
Unused tax losses	21'300	-	21'300
Offset deferred tax assets and deferred tax liabilities	(18'669)	18'669	-
Total deferred tax asset/(liability)	24'555	(200'907)	(176'352)

27.4. Unrecognised deferred tax assets/liabilities

These deferred income tax assets have not been recognised as it is not probable that future taxable profits will be available to utilise the losses.

Deferred income tax liabilities have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain foreign subsidiaries, as such amounts are currently regarded as permanently reinvested. The parent is not only able to control the distribution of dividends but has also no plan for any such distribution.

The value of unused tax losses carried forward which have not been capitalised as deferred tax assets, with their expiration dates is as follows:

	<i>31 December 2020</i>	<i>31 December 2019</i>
	€ (000's)	€ (000's)
One year	52'379	35'024
Two years	58'805	64'782
Three years	214'693	76'005
Four years	88'212	217'700
Five years	1'175	117'232
More than five years	176'905	88'763
Unlimited	688'439	484'005
Total unused tax losses carried forward	1'280'608	1'083'511

28. Other current liabilities

	<i>31 December 2020</i>	<i>31 December 2019</i>
	€ (000's)	€ (000's)
Deferred revenue	7'949	8'925
Other payables	52'290	46'304
Accrued expenses	94'378	83'670
Interest payable	13'714	21'852
Tax and social security costs	37'071	17'399
Factoring liabilities	1'842	419
Reverse factoring liabilities	13'485	6'696
Total other current liabilities	220'729	185'265

The balance of other payables represents the sum of payments on account of customers (deferred revenue), pension contribution payable (employer and employee portions), personnel accruals (overtime, vacations, wages and salaries, bonus/incentives) and other remaining current liabilities.

Selecta Group subsidiaries in Switzerland, UK, Benelux, Switzerland and Sweden sell part of their receivables into a non-recourse receivable factoring program with ABNAMRO Commercial Finance BV. In Norway and Finland, the local subsidiaries have an equally structured program with IKANO Bank AB. Selecta France sells its invoiced receivables mostly on a non-recourse basis to FactoFrance S.A.S. Selecta Spain uses local banks for non-recourse factoring. In accordance with those agreements, the relevant Selecta's subsidiaries assign eligible receivables to the Factor at an agreed market rate in return for funding. The agreement is subject to terms and conditions customary for such transactions. The Group's non-recourse facilities are not capitalized and amount to a total € 25.6 million at 31 December 2020 (€ 51.6 million at 31 December 2019).

29. Equity

29.1. Share capital, share premium

As of 31 December 2019, the Company's share capital consisted of 187'003 fully paid ordinary shares with a nominal value of € 1 per share.

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

On 16 April 2020, Selecta Group performed a reorganisation of the entities above Selecta Group B.V. Selecta Group B.V. issued one new ordinary share with a nominal value of € 1 per share to Selecta Group Midco S.a.r.L., the shareholder of Selecta Group B.V resulting in a total issued share capital of 187'004 fully paid ordinary shares. The new share was issued at an issue price of in total € 239'032'467.31. 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 B.V. and Selecta Group Midco S.a.r.L., dated 2 February 2018 and amended and restated as of 4 December 2018.

Due to the capital contribution in Selecta Holding AG from Selecta Group BV emission fee of € 2'248k was levied.

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

On 29 October 2020, Selecta Group performed a further reorganisation of its existing indebtedness pursuant to an English law scheme of arrangement. As part of this reorganization, Selecta Group MidCo S.a.r.L contributed all issued and outstanding shares of Selecta Group AG into a newly formed direct subsidiary of Selecta Group MidCo S.a.r.L, Selecta Group FinCo SA. Selecta Group BV also issued 156'620 shares with a nominal value of € 1 per share to Selecta Group FinCo SA resulting in a total issued share capital of 343'624 fully paid ordinary shares with a nominal value of € 1 per share. The new shares were issued at a total issue price of € 756'506'647.58. The amount above the nominal value increased the share premium of Selecta Group B.V. This share issuance was in exchange for a cash payment of € 125 million and a set off against € 631'506'647.58 of receivables owing under a liquidity facility dated 25 March 2020 and several senior secured notes originally dated 2 February 2018, as amended from time to time. On 29 October 2020 these 156'620 shares issued to Selecta Group FinCo SA were then contributed by Selecta Group FinCo SA to Selecta Group AG. As of 29 October 2020, Selecta Group BV is therefore fully owned by Selecta Group AG, which is fully owned by Selecta Group FinCo SA, which is fully owned by Selecta Group MidCo S.a.r.L.

29.2. Reserves

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

<i>For 12 months ended 31 December 2020</i>	<i>Currency translation reserve € (000's)</i>	<i>Retained earnings € (000's)</i>	<i>Total € (000's)</i>
Foreign currency translation differences for foreign operations	(22'920)	-	(22'920)
Re-measurement gain / (loss) on post-employment benefit obligations, net of tax	-	8'892	8'892
Total other comprehensive income, net of tax	(22'920)	8'892	(14'028)

<i>For 15 months ended 31 December 2019</i>	<i>Attributable to owners of the Company</i>			<i>Total € (000's)</i>
	<i>Currency translation reserve € (000's)</i>	<i>Retained earnings € (000's)</i>	<i>Hedging reserve € (000's)</i>	
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 re-measurement gains and losses on post-employment benefit obligations, net of any related income taxes.

29.3. Acquisition of NCI in Tramezzino by Argenta

In May 2019, Argenta acquired an additional 49.2% interest in Tramezzino, increasing its ownership from 50.8% to 100%. The carrying amount of Tramezzino's net assets in the Group's consolidated financial statements on the date of the acquisition was € -404 thousand.

The following table summarises the effect of changes in the Company's ownership interest in Tramezzino.

	<i>14 May 2019</i>
	<i>€ (000's)</i>
Carrying amount of NCI acquired (€ -404k x 49.2%)	(199)
Loss from 1 October 2018 to 30 April 2019 (€ -565k x 49.2 %)	(278)
Consideration paid to NCI in cash	(400)
A decrease in equity attributable to owners of the Company	(877)

30. Financial Risk Management

30.1. Risk management framework

Financial risk management is an integral part of the way the Group is managed. The Management Board of the Group has overall responsibility for the establishment and oversight of the Group's financial policies. Group's management reports on a monthly basis to the Supervisory Board on the Group's performance. The Chief Financial Officer (CFO) is responsible for setting financial strategies, which are executed by Group Treasury and by the Group's subsidiaries. The activities of Group Treasury and of the various subsidiaries are regularly reviewed and monitored by the CFO thus verifying the compliance of operations within the approved guidelines and limits.

The Group Treasury function is responsible for ensuring adequate funds are available to the Group's subsidiaries as necessary to the subsidiaries' operations and development. To this end a cash pool has been established in several countries in which the Group operates, with funds being reallocated as appropriate across the Group. The Group's Treasury function is further responsible for drawing on and repaying amounts under the Group's revolving credit facilities. All drawings must be approved by the Group CFO and the outstanding borrowings under each facility are reported to the Supervisory Board on a monthly basis.

30.2. Market risk management

Financial market risk is essentially caused by exposures to foreign currencies, interest rates and coffee price. For further details on interest rate risk management see section 30.6 and foreign currency risk management see section 30.7.

The Group is also exposed to commodity price risk because of coffee price fluctuations. Some of these fluctuations can be passed on to clients through price increases in line with contractual conditions.

Coffee volumes are committed with suppliers between 1 and 6 months in advance depending on current green bean coffee prices and expectations of future price development.

In the past the coffee contracts were predominantly denominated in USD and the Group used USD forward contracts to hedge the foreign exchange risk.

As most of the current contracted coffee volumes are in EUR the Group is no longer hedging its USD exposure for new coffee contracts as it considers the hedging-cost as too high to make hedging a commercially attractive measure.

30.3. Credit risk management

Credit risk arises because a counterparty may fail to perform its obligations as prescribed, resulting in a financial loss to the Group. The Group is exposed to credit risk on its trade receivables, its non-current other financial assets, accrued income and its cash and cash equivalents.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	Note	Carrying amount	
		31 December 2020 € (000's)	31 December 2019 € (000's)
Trade receivables	20	64'410	65'866
Non-current financial assets	18	16'341	24'380
Derivative financial instruments	31	-	12'583
Accrued income (excl. uncollected cash in POS and Cash with Accounting Company)	21	16'724	35'815
Cash and cash equivalents	22	127'902	64'396
Total exposure to credit risk		225'377	203'040

Trade receivables are subject to credit limits and ongoing credit evaluation in all the subsidiaries. Due to its large geographic base and number of customers, the Group is not exposed to material concentrations of credit risk on its trade receivables, and there were no counterparties where credit risk exceeded 5% of gross monetary assets at any time during the year. In addition, due to the nature of the Group's operations, a significant portion of its revenues are received in cash.

For details on how the Group manages its credit risk arising from trade receivables see note 20.

The Group is not exposed to significant credit risk on its cash and cash equivalents of € 127.9 million at 31 December 2020 (31 December 2019: € 64.4 million) as these are spread over several institutions which are rated A+ to BB, based on S&P ratings.

Settlement risk results from the fact that the Group may not receive financial instruments from its counterparties at the expected time. This risk is managed by monitoring counterparty activity and settlement limits.

30.4. Liquidity risk management

Liquidity risk arises when a company encounters difficulties to meet commitments associated with financial instruments. Such risk may result from inadequate market depth or disruption or refinancing problems. This risk is managed by limiting exposures in instruments that may be affected by liquidity problems and by actively matching the funding horizon of debt with incoming cash flows. The Group manages liquidity risk by ensuring adequate reserves are available, and through its banking facilities, in particular the Group's revolving credit facilities. In addition, the Group continuously monitors cash flows to ensure that adequate funds exist to settle its liabilities.

The Group has several benchmarks and approval requirements for borrowing and investing as well as for using derivative financial instruments. In general, subsidiaries may not borrow in their respective local currency without the approval of the CFO. The subsidiaries may also not hedge their exposures without the approval of the CFO. Wherever possible, the Group requires that subsidiaries repatriate all their excess cash and bank balances to Group finance companies to allow the Group to ensure that adequate funds are made available across the Group as necessary.

Liquidity available through financing facilities

As part of the debt restructuring, the senior revolving credit facility was extended to January 2026, while the total amount available and the main conditions are unchanged. The amounts drawn under this facility were € 40.0 million on 31 December 2020 (31 December 2019: € 63.1 million). The interest rate on this senior revolving credit facility is based on the relevant rate of the currency drawn EURIBOR plus 3.5%.

Liquidity tables

The following table details the Group's remaining contractual maturity for its financial liabilities with agreed repayment periods. The table includes both principal and interest payments and has been prepared using undiscounted cash flows.

	Carrying amount € (000's)	Less than 3 months € (000's)	3 months to 1 year € (000's)	1-5 years € (000's)	More than 5 years € (000's)	Total € (000's)
<i>At 31 December 2020</i>						
Revolving credit facility	40'042	-	-	-	40'151	40'151
Bank credit facility	3'072	316	1'044	1'712	-	3'072
Secured loan notes	935'289	-	28'799	209'018	1'210'992	1'448'809
Lease liabilities	226'629	-	64'210	157'876	148'997	371'083
Reverse factoring liability & credit facilities	15'327	13'396	1'931	-	-	15'327
Trade payables	147'413	147'413	-	-	-	147'413
Accrued expenses	94'378	94'378	-	-	-	94'378
Total non-derivative financial liabilities	1'462'150	253'503	95'984	368'606	1'400'140	2'120'233

	Carrying amount € (000's)	Less than 3 months € (000's)	3 months to 1 year € (000's)	1-5 years € (000's)	More than 5 years € (000's)	Total € (000's)
<i>At 31 December 2019</i>						
Revolving credit facility	63'070	63'171	-	-	-	63'171
Bank credit facility	13'004	1'479	3'445	8'444	-	13'368
Secured loan notes	1'470'330	37'214	47'293	1'736'292	-	1'820'799
Loans due to parent undertaking	230'879	-	-	397'035	-	397'035
Finance lease liabilities	39'149	-	12'282	24'661	180	37'123
Reverse factoring liability & credit facilities	6'696	5'256	1'440	-	-	6'696
Trade payables	201'402	201'402	-	-	-	201'402
Accrued expenses	83'670	83'670	-	-	-	83'670
Total non-derivative financial liabilities	2'108'200	392'192	64'460	2'166'432	180	2'623'264

<i>Cross currency swaps</i>						
Outflows	13'094	13'157	13'157	424'480	-	450'794
Inflows	(12'583)	(11'868)	(11'868)	(422'461)	-	(446'197)
Total derivative financial liabilities	511	1'289	1'289	2'019	-	4'597

30.5. Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of net debt (borrowings as disclosed in note 23 offset by cash and bank balances) and equity of the Group (comprising share capital, share premium, currency translation reserves, hedging reserves and retained earnings).

30.6. Interest rate risk management

The group's senior secured notes have a fixed interest rate until 2026, when these instruments mature. These notes form the majority of Selecta's financial debt.

The Revolving Credit Facility has a flexible interest rate (pre-agreed margin above Euribor) and matures in 2026. Given the large weighting of the senior secured notes vs. the Revolving Credit Facility, the group's exposure to interest rate changes is limited.

The interest rate profile of the Group's interest-bearing financial instruments are as follows:

	31 December 2020 € (000's)	31 December 2019 € (000's)
Financial assets	-	-
Financial liabilities	(1'161'919)	(1'338'453)
Total fixed-rate instruments	(1'161'919)	(1'338'453)
Financial assets	118'590	55'304
Financial liabilities	(40'042)	(464'975)
Total variable-rate instruments	(78'548)	(409'671)

Interest rate risk sensitivity

The sensitivity is based on the Group's total variable rate instruments at 31 December, assuming the amount of the liabilities outstanding and the financial assets held at the end of the reporting period was outstanding for the whole year.

At 31 December 2020 if interest rates had been 100 basis points higher/lower, with all other assumptions held constant and the outstanding liabilities as well as held assets assumed constant for the whole year, profit after taxation would decrease/increase by € 0.6 million (€ 3.1 million respectively in 15 months ended 31 December 2019).

A 100 basis points change is used for the purposes of the sensitivity analysis as it represents management's assessment of a reasonably possible change in interest rates.

30.7. Foreign currency risk management

Foreign currency transaction risk arises because subsidiaries may undertake transactions in foreign currencies such as the import of machines and the acquisition of services and the related borrowings. Translation exposure arises from the consolidation of the Group accounts into EUR and is not hedged but managed primarily through borrowings denominated in the relevant foreign currencies.

From time to time, in order to minimise the Group's exposure to foreign exchange risk, the Group enter into cross currency swaps. 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. 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.

Exposure to currency risk

Since each of the Group's subsidiaries invoices its customers in its functional currency and since the largest part of its cost base is also denominated in its functional currency, the exposure to currency risk within the trading subsidiaries of the Group is not significant.

31. Financial instruments

31.1. Accounting classifications and fair values

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

31 December 2020	<i>Financial assets at amortised cost</i> € (000's)	<i>Other financial liabilities</i> € (000's)	Total € (000's)	<i>Level 1</i> € (000's)	<i>Level 2</i> € (000's)	<i>Level 3</i> € (000's)	Total € (000's)
Financial assets not measured at fair value							
Trade receivables	64'410	-	64'410				
Non-current financial assets	16'341	-	16'341				
Cash and cash equivalents	127'902	-	127'902				
Accrued income	22'281	-	22'281				
	230'934	-	230'934				
Financial liabilities not measured at fair value							
Revolving credit facility	-	(40'042)	(40'042)		(40'042)		(40'042)
Bank credit facility	-	(3'072)	(3'072)		(3'072)		(3'072)
Secured loan notes	-	(935'290)	(935'290)		(1'165'366)		(1'165'366)
Lease liabilities	-	(226'629)	(226'629)		(226'629)	-	(226'629)
Factoring liabilities	-	(1'842)	(1'842)		(1'842)	-	(1'842)
Reverse factoring liability & credit facilities	-	(13'485)	(13'485)		(13'485)	-	(13'485)
Accrued Expenses	-	(94'378)	(94'378)				
Trade payables	-	(147'413)	(147'413)				
	-	(1'462'151)	(1'462'151)				

31 December 2019	Carrying amount			Total € (000's)	Fair value			Total € (000's)
	Mandato- rily at FVTPL - others € (000's)	Financial assets at amor- tised cost € (000's)	Other financial liabilities € (000's)		Level 1 € (000's)	Level 2 € (000's)	Level 3 € (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 as- sets	-	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)
Accrued Expenses			(83'670)	(83'670)				
Trade payables	-	-	(201'402)	(201'402)				
	-	-	(2'108'619)	(2'108'619)				

Factoring receivables have reduced since 31 December 2019 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 € 25.6 million at 31 December 2020 (€ 51.8 million at 31 December 2019) and improve its net working capital as well as cash flow from operating activities.

31.2. Measurement of fair values

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

Financial instruments measured at fair value

	<i>Valuation technique</i>	<i>Significant unobservable inputs</i>
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

	<i>Valuation technique</i>	<i>Significant unobservable inputs</i>
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

31.3. Derivative financial instruments

On 2 February 2018, the Group entered into new cross currency swaps in the value of € 404 million with a maturity date of 1 October 2021 and conditions set out below. No hedge accounting was applied to these cross currency swaps. The net fair value of the swaps at 31 December 2019 was recognized at a value of € -0.5 million, resulting in a loss of € 9 million for the 15 months period ended 31 December 2019.

This cross currency swaps were closed in Mid of August 2020, Selecta Group received a payment of € 3.0 million.

<i>31 December 2019</i>	<i>Beginning EUR Notional (000's)</i>	<i>Beginning Notional in Currency (000's)</i>
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
UR/SEK Fixed-Fixed Principal Final Exchange Cross Currency Swap	173'000	1'695'400

32. Business combinations

The Group did not have any acquisition in 2020.

32.1. Several minor acquisitions

The major classes of assets acquired and liabilities assumed at the acquisition date are:

	<i>15 months ended 31 December 2019 € (000's)</i>
Total consideration	26'542
<i>Amounts of assets acquired and liabilities assumed at the date of acquisition:</i>	
Property, plant and equipment	5'991
Other non-current assets acquired	343
Inventories	1'972
Trade receivables	1'971
Cash and cash equivalents	503
Trade payables	(6'030)
Other current liabilities	(1'540)
Other non-current liabilities	(564)
Total identifiable net assets acquired	2'646
Customer contracts	11'132
Deferred tax liability on intangible assets recognized	(1'001)
Preliminary Goodwill allocated	13'765
Restatement to fair value	(1'110)
Goodwill allocated	12'665

The acquisition goodwill was adjusted by a net amount of € 1.1 million resulting from fair value adjustments. These included various estimation and accounting alignments or adjustments such as the final alignment to Selecta Group accounting policies on fair values of intangible assets and other measurement period adjustments.

33. 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.

34. Related parties

34.1. Parent undertaking

Since 11 December 2015, the ultimate controlling party of the Group are funds and accounts managed or advised by affiliates of KKR & Co. Inc., which is publicly traded on the New York Stock Exchange (NYSE: KKR).

34.2. Compensation of key management personnel

No remuneration is paid by the Group to any of the Members of the Board of Directors of Selecta Group B.V. in their capacity as Members of the Board of Directors of Selecta Group B.V. for the 12 months period ended 31 December 2020 (for the 15 months period ended 31 December 2019: nil).

Selecta AG is the main operating entity of the Group. Selecta AG is managed by its board of directors and executive committee.

No remuneration is paid by the Group to any of the Directors of Selecta AG by the Group in their capacity as Members of the Board of Directors for the 12 months period ended 31 December 2020 (for the 15 months period ended 31 December 2019: nil).

The remuneration of the Executive Committee during the periods was as follows:

	<i>12 months ended 31 December 2020 € (000's)</i>	<i>15 months ended 31 December 2019 € (000's)</i>
Short term benefits	4'880	7'007

There were no other material transactions or outstanding balances between the Group and its key management personnel or members of their close family for the 12 months period ended 31 December 2020 (for the 15 months period ended 31 December 2019: nil).

34.3. Transactions and balances with related parties

The ultimate controlling parties of the Group are funds and accounts managed or advised by affiliates of KKR & Co. Inc., which is publicly traded on the New York Stock Exchange (NYSE: KKR). The direct parent company of Selecta Group BV is Selecta Group AG. KKR & Co. Inc. is a leading global investment firm that manages investments across multiple asset classes including private equity, energy, infrastructure, real estate and credit strategies and has \$ 252 billion assets under management (as of 31 December 2020).

During the 12 months period ended at 31 December 2020 the Group was charged by KKR Capstone America LLC ("KKR Capstone") as disclosed below for the support in the execution of the restructuring plan, and in the 15 months period ended 31 December 2019 by KKR Capital Markets Limited for travel expenses and for mark-up for services in 2020 by Selecta Group AG.

The Group entered into a contractual relationship with KKR Capstone regarding the provision of consulting services as disclosed below. On 1 January 2020, KKR Capstone became an affiliate of KKR & Co Inc. Furthermore and for the avoidance of doubt, the provision of consulting services provided by KKR Capstone have been entered into on arm's length basis.

Transactions between the Group and other related parties prior to the change of ownership were as follows:

<i>Related party</i>	<i>Nature of the transaction</i>	<i>Amount of transaction € (000's)</i>	<i>Outstanding balance € (000's)</i>
12 Months ended at 31 December 2020			
KKR Capstone America LLC	Support in the execution of restructuring plan	1'058	606
Selecta Group AG	Mark-up for services	2'080	2'080
15 Months ended at 31 December 2019			
KKR Capital Markets Limited	Travel expenses	50	-

Refer to note 23.3 for related party transactions for the 12 months period ended 31 December 2020 with respect to restructuring of refinancing. There were no other material transactions or outstanding balances between the Group and other related parties for the 12 months period ended 31 December 2020 (15 months period ended 31 December 2019: nil).

35. Events after the balance sheet date

No events have occurred between 31 December 2020 and the date of authorisation of the issue of these consolidated financial statements by the Board of Directors of the Company on 8 April 2021 that could have a material impact on the consolidated financial statements.

36. Subsidiaries

The company's subsidiaries at 31 December 2020 and 31 December 2019 were as follows:

Legal Name of Subsidiary	Place of Incorporation (or registration)	Ownership % 31 Dec 2020	Ownership % 31 Dec 2019	Principal Activities	Change	New legal name
Selecta Betriebsverpflegungs GmbH	Austria	100	100	Vending	-	
Ambassador Vending SPRL	Belgium	0	100	Vending	M	Selecta Belgium N.V.
Selecta Belgium N.V.	Belgium	100	100	Vending	-	
Selecta NV	Belgium	100	100	Dormant	-	
Selecta A/S	Denmark	100	100	Vending	-	
Pelican Rouge Coffee Solutions Oy	Finland	100	100	Vending	-	
Pelican Rouge Holding SAS	France	100	100	Holding	-	
Selecta Holding SAS	France	100	100	Holding	-	
Selecta SAS	France	100	100	Vending	-	
Selecta Deutschland GmbH	Germany	100	100	Vending	-	
Selecta Ireland Vending Solutions Ltd	Ireland	100	100	Vending	-	
Selecta Refreshments LTD	Ireland	100	100	Vending	-	
Gruppo Argenta S.P.A.	Italy	100	100	Vending	-	
HGSC 3 S.A.	Luxembourg	100	100	Holding	-	
Selecta Luxembourg SARL	Luxembourg	100	100	Vending	-	
Pelican Rouge B.V.	Netherlands	100	100	Holding	-	
Pelican Rouge Coffee Roasters B.V.	Netherlands	100	100	Vending	-	
Pelican Rouge Group B.V.	Netherlands	100	100	Holding	-	
Selecta AF B.V.	Netherlands	100	100	SPE	-	
Selecta Financing B.V.	Netherlands	100	100	Holding	-	
Selecta Netherlands B.V.	Netherlands	100	100	Vending	-	
Selecta Norway AS	Norway	100	100	Vending	-	
AB Servicios Selecta Espana SLU	Spain	100	100	Vending	-	
Acorn Spain 1 SLU	Spain	100	100	Holding	-	
Nordis Social Coffee SLU	Spain	100	100	Vending	-	
Servecave SLU	Spain	100	100	Holding	-	
Selecta AB	Sweden	100	100	Vending	-	
Selecta Nordic Holding AB	Sweden	100	100	Holding	-	
Selecta AG	Switzerland	100	100	Vending	-	
Selecta TMP AG	Switzerland	100	100	Holding	-	
Allen Vending Services Limited	United Kingdom	100	100	Vending	-	
Express Vending Group Limited	United Kingdom	100	100	Vending	-	
Express Vending Limited	United Kingdom	100	100	Vending	-	
GEM Vending Limited	United Kingdom	100	100	Vending	-	
Select Drinks Limited	United Kingdom	100	100	Vending	-	
Selecta Holding Limited	United Kingdom	100	100	Holding	-	
Selecta Refreshments LTD	United Kingdom	100	100	Vending	-	
Selecta U.K. Limited	United Kingdom	100	100	Vending	-	
Selecta UK Holding Ltd	United Kingdom	100	100	Holding	-	

Legend

N	Newly acquired
S	Sold
M	Merged
R	Renamed
-	No change

In 2019 the following wholly owned subsidiaries of the Company are covered by a guarantee provided by Selecta Group BV and are consequently entitled to an exemption under s479A from the requirement of the Act relating to the audit of individual accounts. Under this guarantee, the Group will guarantee all outstanding liabilities of these entities. No liability is expected to arise under the guarantee. The entities covered by this guarantee are disclosed below.

- Selecta UK Limited
- Selecta UK Holding Ltd
- Selecta Refreshments Ltd

The guarantees were issued for the duration of one year and therefore are not relevant for the financial statements 2020.

37. Approval of the consolidated financial statements

The consolidated financial statements for the 12 months period ended 31 December 2020 have been authorised by the Board of Directors on 8 April 2021.

Amsterdam, 8 April 2021

Christian Schmitz
Director of the Selecta Group B.V.

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.

Selecta Group B.V., Amsterdam

Independent Auditor's Report
to the Board of Directors on the Audit of
the Consolidated Financial Statements

2020

Opinion

We have audited the consolidated financial statements of Selecta Group B.V. and its subsidiaries (the group), which comprise the consolidated balance sheet as at 31 December 2020 and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

This set of consolidated financial statements has voluntarily been prepared by the Board of Directors. Our report thereon has been prepared at the request of the Board of Directors and does not represent a statutory auditor's report required in accordance with the laws and regulations in the Netherlands.

Responsibility of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG AG

Reto Benz
Licensed Audit Expert
Auditor in Charge

Andreas Stadelmann
Licensed Audit Expert

Zurich, 8 April 2020

RISK FACTORS

The risks and uncertainties that we describe below are not the only ones we face. Additional risks and uncertainties that we are not aware of or that we currently believe are immaterial could also have a material adverse effect on our business, results of operations or financial condition. If any of the possible events described below occurs, our business, financial condition or results of operations could be materially and adversely affected. If that happens, we may not be able to pay interest or principal on the Notes when due and you could lose all or part of your investment.

This Report contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including the risks described below and elsewhere in this Report. See “Forward-Looking Statements.”

Risks Related to Our Business

The impact of the COVID-19 outbreak remains to be uncertain and its effect on employees spending time at work and on travel hubs such as airports and train stations will continue to impact our business and results of operations accordingly.

In late 2019, a novel strain of coronavirus, COVID-19, was first detected in Wuhan, China. In March 2020, the World Health Organization declared COVID-19 a global pandemic, and governmental authorities around the world have implemented measures to reduce the spread of COVID-19, including mandatory business closures. These measures have adversely affected workforces, consumer sentiment, economies, and financial markets, and, along with decreased consumer spending, have led to an economic downturn in many of our markets. The effectiveness of economic stabilization efforts, including proposed government payments to affected citizens and industries remains to be uncertain.

Demand for snacks, hot and cold beverages and in-between meals correlates with consumer confidence and employment levels. Our business continues to be negatively impacted by the adverse changes in the perceived or actual economic climate, including higher unemployment rates, reduced travel, international tourism, declines in income levels and loss of personal wealth resulting from the impact of COVID-19. The current outbreak and continued spread of COVID-19 could cause a global recession, which would have a further adverse impact on our financial condition and operations. We cannot predict the degree to, or the time period over, which our sales and operations will be affected by this outbreak, and the effects could be material.

In addition, our main source of revenue directly correlates with employees spending time at work or at their workplace and footfall in travel hubs such as airports and train stations, and repeated lock-downs implemented in most European markets in which we operate have materially impacted our revenues since the beginning of March 2020. These impacts include but are not limited to:

- temporary closure of businesses in which we operate vending machines due to reduced workforces or government measures;
- failure of third parties on which we rely, including our suppliers, contract manufacturers, contractors, commercial banks, joint venture partners and external business partners to meet their obligations to us, or significant disruptions in their ability to do so which may be caused by their own financial or operational difficulties and may adversely impact our operations;
- supply chain risks such as scrutiny or embargoing of goods produced in infected areas;
- reduced workforces which may be caused by, but not limited to, the temporary inability of employees to work due to illness, quarantine, or government mandates;
- reduced consumer traffic and purchasing which may be caused by, but not limited to, the temporary inability of consumers to travel or commute to work due to illness, quarantine or other travel restrictions, or financial hardship; and
- reduction in consumers' discretionary spending.

Any of the foregoing factors, or other cascading effects of the COVID-19 pandemic that are not currently foreseeable, could materially increase our costs, negatively impact our sales and damage our financial condition, results of operations, cash flows and its liquidity position, possibly to a significant degree.

The effect of the global COVID-19 pandemic on our business will ultimately depend on a number of factors, including, but not limited to, the duration and severity of the outbreak and the length of time it takes for demand and pricing to return and for normal economic and operating conditions to resume. There are no comparable recent events that provide us with guidance, and so we cannot currently estimate this with any certainty nor can we provide any assurance that COVID-19 will not continue to have a material adverse effect on our business and results of operations. To the extent COVID-19 continues to adversely affect our business, operations, financial condition and operating results, it may also have the effect of heightening other risks related to our business, such as those relating to our high level of indebtedness.

Changes in general economic conditions, consumer confidence and consumer spending could have an adverse effect on the Group's business.

Demand for snacks, hot and cold beverages and in-between meals correlates with consumer confidence and employment levels. Changes in general economic conditions directly impact consumer confidence and consumer spending, as well as the general business climate. Therefore, the Group's results of operations and financial performance are subject to changes in the general economic conditions of the markets in which the Group sells its products. In particular, changes in consumer confidence and consumer spending as a consequence of changes to general economic conditions could have a material adverse impact on the Group's business. Moreover, consumer confidence, consumer spending and general economic conditions may deteriorate significantly and remain depressed for an extended period. A negative development in general economic conditions or consumer confidence and consumer spending could have a negative effect on the Group's business, financial condition and results of operations.

Downturns in general economic conditions and uncertainties regarding future economic prospects, which affect consumers' disposable income, pose a risk to the Group's business because consumers and businesses may adjust their spending in response to tighter credit markets, unemployment, negative financial news or declines in income or asset values, which could have a material adverse effect on demand for the Group's products. Many factors affect discretionary spending, including general business conditions, inflation, interest rates, consumer debt levels, unemployment rates, foreign currency exchange rates and availability of consumer credit. These and other such macroeconomic factors are outside the Group's control.

Recessionary conditions and uncertainty in the macroeconomic environment may also adversely influence the Group's customers' decision to contract for a self-service PoS on their premises as well as consumers' discretionary consumption patterns. A majority of the Group's PoS are located in office environments or other private self-service retail locations. Consequently, the majority of the Group's sales from such PoS occur during the working week. There is therefore a correlation between the total number of items sold through the Group's PoS and work force levels and the total number of hours worked which tend to suffer during recessionary periods. Additionally, general strikes by employees, particularly temporary halts in public transport as well as natural disasters, would reduce the exposure of the Group's PoS to consumers and decrease its sales volume. Employee retrenchment, strikes or uncertain economic prospects may lead customers to decide against investing in PoS and may lead customers to make fewer beverage, snack and impulse purchases from the Group's PoS, which could have a material adverse effect on the Group's business, financial condition and results of operations.

The success of the Group's business depends on consumer preferences, technological innovations and the consumer's experience with the self-service PoS the Group operates.

The Group is a route-based self-service coffee and convenience food provider operating in the highly competitive segments of the food and beverage market serving hot and cold beverages, in-between meals, snacks, and confectionary products. Changes in consumer preferences could affect both the demand for new PoS and the volume of products the Group sells from its PoS. Any significant changes in consumer preferences or the Group's inability to anticipate or react to such changes could result in reduced demand for its products and erosion of its competitive and financial position. The Group's success depends on its ability to respond to consumer trends, including changing tastes, food fads and concerns of consumers regarding health and wellness, obesity, and product attributes and ingredients, as well as its ability to address special dietary requirements or preferences. In addition, changes in product category consumption or consumer demographics could result in reduced demand for the Group's products. Consumer preferences may shift due to a variety of factors, including a pref-

erence for healthy eating, sustainable packaging, the aging of the general population, changes in social trends, changes in travel, workplace, vacation or leisure activity patterns, weather, or negative publicity arising from environmental concerns, or resulting from regulatory action or litigation against companies in the snack food and beverage industries. Furthermore, as millennials begin to form larger portions of the consumer pool, adapting the Group's sales and marketing strategies to complement their purchasing habits will become increasingly important to its business. Any of these or other changes may reduce consumers' willingness to purchase the products the Group sells and may require the Group to incur unplanned costs to respond to these changes, which could have a material adverse effect on its business, financial condition and results of operations.

In addition, existing technologies may develop further in the fields where the Group operates, which could impact its business and require significant investments. For example, wireless technology has developed as a practical medium through which cashless payments can be made. Furthermore, the ability to transmit sales and stock data remotely (telemetry) has led to significant developments in the industry. Other technological advances are also likely to become more widespread, including payments via mobile phone, PoS equipped with internet browsers, PoS that speak to the visually impaired as well as environmentally friendly PoS, which use less energy. If the Group is unable to adopt such advances in technology, its growth prospects, financial condition and results of operations may be adversely affected. Moreover, the Group's continued success is also dependent on product innovation, both in terms of sourcing more technologically advanced PoS as well as new food and beverage products from suppliers. Responding to technological changes regularly requires capital expenditures, which could be above the Group's management's expectations or strain its cash flow position and may not be fully recoverable from revenue streams created by such expenditures. Additionally, the Group is organized on a decentralized geographic basis, which can delay or prevent successful implementation of group-wide roll-outs of the above projects. There can be no assurance that the Group can acquire or successfully implement new models or variants of existing PoS models or that it will be successful in stocking such PoS with the products that will be most appealing to consumers.

Furthermore, the Group's success is dependent on the consumer's experience with the PoS it operate. To generate revenue and profits, the Group must stock food and beverage products that appeal to consumer preferences in PoS that consistently and reliably dispense the products it offers. If consumers encounter PoS that contain undesirable products, have been vandalized, or malfunction, the Group's reputation may suffer and consumers may no longer seek to patronize its PoS, leading to a decline in revenue, which in turn could have a material adverse effect on its business, financial condition and results of operations.

The Group's business is exposed to fluctuations in costs related to fuel, coffee and other commodity prices.

The Group's business operations rely on frequent restocking and maintenance of PoS at numerous locations. As a result, the Group is exposed to fluctuations in costs related to fuel and other transportation inputs. In addition, the Group sources significant amounts of coffee for the operation of its coffee machines and roaster facilities, including its own Pelican Rouge and Miofino brands of coffee blends. Supply and price of coffee beans can be affected by multiple factors, such as weather, pest damage, politics, competitive pressures and economies of the producing countries. The price of green bean coffee has fluctuated significantly in recent years. The Group manages the risk of fluctuation in commodity prices by partly hedging the price of coffee beans. While the Group's hedging strategy enables it to partly mitigate adverse effects of coffee beans price fluctuations over a certain period, it does not allow the Group to mitigate the risks associated with the valuation of hedging instruments, which may become too expensive due to commodity prices fluctuations, and the creditworthiness of its counterparties. The Group also procures food and beverage products from suppliers, the costs of which are indirectly linked to fluctuations in the prices of certain commodities such as cocoa and sugar. There can be no assurance that the Group will be successful in passing on cost increases to customers or consumers without losses in revenue or gross margin. As a consequence, sudden and significant changes in the prices of coffee and other commodities could have a material adverse effect on the Group's business, financial condition and results of operations.

Changes in governmental regulations and legislation may subject the Group to new and onerous obligations.

The food and beverage industry is regulated by various European and national legislation and regulations covering food safety and hygiene, packaging, nutritional information, broader public health and diet concerns, and public tenders for placement of self-service PoS on public premises. For example,

EU Regulation 852/2004 sets out general rules for food business operators on the hygiene of food-stuffs and EU Regulation 853/2004 regulates, among other things, the temperature settings of PoS that stock products made from or containing animal products, such as meats and cheeses. The Group may also be subject to new or additional UK regulations following Brexit. Moreover, as governments target lowering obesity rates and obesity-related illnesses, sales of certain snack foods will become discouraged. In the UK, for example, in order to qualify for government funding, National Health Services premises, including hospital must comply with certain standards, including a ban on the price promotion, advertisement, and sale of food and drinks that are high in fat, salt, sugar, and saturates, and provision of healthy food and drinks options to patients and staff at all times. Although regulations such as the above do not directly regulate the Group's business, the Group's customers will require it to provide them with a product mix that ensures their compliance with such regulations and will not consider suppliers who cannot provide the appropriate products. Moreover, as government standards for food quality increase, the Group's suppliers' production costs of such items, including organic products, also increase; these increases are passed up the chain to the consumers, which could lead to lower sale volumes.

In April 2016, the United Kingdom government announced the introduction of a National Living Wage, which replaced the national minimum wage for people aged 25 and over in the United Kingdom. The National Minimum Wage remained in place for all working people under the age of 25 who are at least school leaving age in the United Kingdom. In April 2019, the National Minimum Wage for people from school leaving age in the United Kingdom to 18 was increased to £4.35 per hour. At the same time, the National Minimum Wage for people aged 18 to 20 and for people aged 21 to 24 increased to £6.15 per hour and £7.70 per hour respectively, while the National Living Wage for people aged 25 and over was increased to £8.21 per hour. As the Group employs some of its staff at the National Minimum Wage or the National Living Wage, any further increase in the National Minimum Wage or the National Living Wage, or their scope, could increase the Group's operating costs. In addition, individuals may be subject to criminal prosecution for deliberately not complying with the legislation and anyone found guilty may be disqualified from being a company director for up to 15 years. Additionally, in order to remain competitive, the Group strives to pay its workers at slightly higher rates than the National Minimum Wage and the National Living Wage. As minimum wage rates increase, the Group may increase the wages of its higher paid employees in line with increases granted to its minimum wage employees. These higher labour costs could have a material adverse effect on the Group's profitability. While the Group cannot be certain how this will affect its business, an increase in the minimum wage rate paid to certain workers will increase the Group's labour costs, which, in turn, could have a material adverse effect on its operating results, financial condition and prospects.

In addition, stricter requirements regarding energy consumption of the Group's PoS and the use of recyclable or biodegradable containers in connection with its coffee machines could adversely affect the Group's business operations. Compliance with such laws and regulations could require the Group to make additional investments in new PoS and equipment, and failure to comply could result in the imposition of fines and other remedial measures. For example, the Group's PoS in Germany must be accompanied with a space for consumers to recycle their used coffee cups; the failure to provide recycling facilities can result in fines from the German regulator. In addition, the UK has indicated it intends to add new levies in regards to plastic packaging, which could include a tax on the use of plastic cups in the Group's PoS. Moreover, on June 5, 2019, the European Parliament and the European Council adopted Directive (EU) 2019/904 on the reduction of certain plastic products on the environment, to be implemented by the Member States by July 3, 2021, which introduces certain measures to prevent and reduce the impact of certain plastic products and promote the transition to a circular economy, such as a prohibition of the use of certain single-use plastics ("**SUP**") in cups and containers used for immediate food consumption. The prohibition of the use of SUP in the Member States and the potential taxation of the use of plastic cups in the UK or other jurisdictions could result in significant additional costs and may decrease the profitability of the Group's products. Any such changes in regulations or costs incurred to comply with stricter regulations could materially adversely affect the Group's business, financial condition and results of operations.

The Group is also required to obtain and comply with numerous permits, approvals, licenses and certificates from the respective government authorities of each jurisdiction in which it operates, in relation to health, safety (including the security of the Group's facilities) and environmental regulations. The process of obtaining and renewing necessary permits can be lengthy and complex. In addition, such permits or approvals may be subject to denial, revocation or modification under various circumstances. Failure to obtain or comply with the conditions of permits or approvals, or failure to comply with applicable laws or regulations, may result in the delay or temporary suspension of the Group's operations and sales and may subject it to penalties and other sanctions. For example, the Group operates a

14,000 square meter coffee roasting facility in Dordrecht, the Netherlands. Given its potential impact on the environment, this facility qualifies as a type B facility under Dutch environmental laws. This qualification does not require the Group to obtain an environmental operating permit (*omgevingsvergunning milieu*) to carry out its activities but requires the Group to do an annual assessment to confirm this type B status. If the Group is unable to confirm this status and is required to obtain an operating permit, and if the Group is unable to obtain this permit this could have a material adverse effect on its business, financial condition and results of operations.

In addition, complying with new legislation or regulations, or changed interpretations of existing legislations or regulations, may require the Group to incur significant expense. For example, a recent preliminary court judgment in California concluded that companies are required to give consumers clear and reasonable warning about the presence of high levels of acrylamide in coffee products, that is considered toxic and carcinogenic and that it can impact the consumer's health. Should similar judgments or regulatory requirements become applicable in the jurisdictions in which the Group operates, it could result in an increase in its operating costs to comply with such regulations as well as negatively affect the public perception of the consumption of coffee, potentially having a material adverse effect on the Group's business, results of operations and financial condition. See "*—Any negative impact on the reputation of the brand names of certain of the key products the Group sells may adversely affect its competitive position.*" The Group cannot predict the amounts of any increases in capital expenditures or operating costs that it may incur to comply with applicable regulatory requirements, or whether it will be able to pass on these costs to its consumers through price increases. Additionally, any tightening of regulations applicable to certain materials and processes that the Group uses could force it to use more expensive processes and decrease the profitability of its products. Any failure to obtain or comply with required permits and approvals for the Group's operations, or the possible imposition of fines or undertaking of capital investments in the aforementioned cases, could have a materially adverse effect on its business, financial condition and results of operations.

The Group operates in a highly competitive market, and if it does not compete effectively, it may lose market share or be unable to maintain or increase prices for its products and services.

The market in which the Group operates is highly competitive. Depending on location, the Group's self-service PoS compete, in terms of product selection and price with a combination of cafés, kiosks, fast-food restaurants, delicatessens, sandwich shops, gas stations, convenience stores, and supermarkets, among others. In office locations the Group also competes with coffee machine manufacturers who offer office coffee services and may seek to expand in that market segment. As a result of this competitive environment, the Group's suppliers will have multiple channels through which they can sell and distribute products, which gives them significant bargaining advantages. Furthermore, an increase in the number of alternative locations in close proximity to the Group's PoS that sell the same or similar products that it sells through its PoS, or the extension of the opening hours of such locations, would increase the competitive environment and could result in consumers purchasing similar food and beverage products through other channels. These alternative outlets can also reduce the Group's coffee sales in offices, as consumers can instead buy their coffee on the commute to work. In addition, if the train or metro platforms on which the Group has public contracts to operate are under construction for extended periods of time, consumers may become accustomed to purchasing coffee from one of the Group's competitors.

In general, the self-service retail operator sector is characterized by extensive logistics, distribution, and maintenance service requirements. Although the unattended self-service retail market in Europe is currently fragmented, future consolidation in the industry among existing operators could adversely affect the Group's business, financial condition and results of operations.

Certain competitors, such as Nespresso, may have greater capital and other resources and superior brand recognition relative to us and may be able to provide more sophisticated PoS or adopt more aggressive pricing policies. In addition, certain competitors may enter into partnership agreements with producers of well-known coffee brands that may further increase competition with the Group's products. For example, in August 2018 Nestlé, which owns Nespresso, entered into a global licensing arrangement with Starbucks that would give Nespresso the right to market Starbucks' coffee in retail outlets globally outside the café chain. Moreover certain competitors such as Coca-Cola, develop, own, and operate their own PoS, which may have superior functionality to the Group's PoS at a lower cost to the Group's customers. Also, in January 2019 Coca-Cola completed the acquisition of Costa coffee chain from Whitbread, and in December 2018 Lavazza bought an arm of Mars Drinks including the single-serve Flavia machine and the Klix freestanding machine business. These competitors may be

able to undertake more extensive marketing campaigns, secure the most advantageous locations for their PoS or otherwise make more attractive offers to customers and consumers. New market entrants in a particular market segment, such as Café Royal in the coffee procurement, roasting, and packaging segment, could also increase competition in procurement for and sale of coffee from the Group's coffee roasting segment. New market entrants in a particular country or region could also lead to over-saturation in the market, limiting the Group's growth potential in that area. There can be no assurance that the Group will be able to compete successfully in its market and a loss in market share or other factors described above may have a material adverse effect on its business, financial condition and results of operations.

Further, the Group partners from time to time with caterers and facility management companies to place its PoS in facilities where they operate. Facility management companies are appointed to manage the catering and other food and beverage suppliers of large offices and companies. If a caterer or facility management company establishes a formal partnership with another self-service retail operator or decides to operate the PoS business themselves, the Group's sales could be negatively affected. For example, the Group's business in the UK may suffer if one of its facility management customers, Compass, successfully creates its own self-service retail services. Furthermore, facility management companies generally have a strong impact on the Group's pricing in the private sector due to their function as the intermediary between the Group and the customer. They typically demand lower prices in order to retain the flexibility of adding their own margins to the final price, and to ensure the provision of the lowest price to their customers. If their price reduction requirements are not met, they may grant the business to other caterers and machine manufacturers. In addition, these contracts require a combination of business development and international customer management. The Group's business operates on an internationally decentralized basis and the Group's teams may not be able to coordinate efficiently to address the needs of its customers. Any failure to maintain the Group's contracts with such catering or facility management companies could have a materially adverse effect on its business, financial condition, and results of operations.

The Group's ability to maintain or increase prices in response to competitive pressures may also be limited. Additionally, increasing operating costs, including vending fees with certain customers, may offset increases in margins that rising prices might otherwise produce. As a result, the Group cannot assure you that competitive dynamics will not require it to make investments in its PoS park, or that it will be able to increase prices with sufficient flexibility and speed to preserve or increase its margins, any of which could have a material adverse effect on its business, financial condition and results of operations.

An increase in vending fee rates could negatively affect the Group's business.

The Group is generally required to pay vending fees to place its PoS in public locations, such as airports and train and subway stations and, in certain cases, corporate locations. The Group's customers may increase the vending fees the Group pays to place its PoS on their premises in the future. If these vending fees increase or the Group is unable to respond effectively, including if the Group is unable to pass on the full extent of the increases to its customers, its profitability could suffer and it may fail to retain or win new customers. The Group's vending fee arrangements include fixed and variable rent agreements or combinations thereof, and are based on certain factors including, among others, public tender specifications, expected revenue, contract length, competitors' offers and the demographics of the relevant location. An increase in vending fee payable to the Group's customers could significantly increase its operating expenses in future periods and, as a result, have a material adverse effect on its business, financial condition and results of operations.

The Group's success is dependent, in part, upon the integrity of its management and employees, and its risk management and internal controls may not prevent or detect violations of law, including mishandling of cash.

The Group's business operations involve risks associated with fraud, bribery and corruption, or allegations thereof, including with respect to its own employees as well as its customers and the award of public tenders by public authorities to offer self-service retail services. In particular, the Group's business operations involve the transfer of large volumes of cash between locations, which exposes it to the risk of loss or theft. The Group is subject to various legal and regulatory requirements and risks in the countries in which it has facilities or operations, involving compliance with the UK Bribery Act 2010, European Anti-Bribery Conventions and other similar laws, generally prohibit companies and their intermediaries from making improper payments to foreign officials for the purposes of obtaining or retaining business. The Group's existing compliance processes and controls may not be sufficient in

order to prevent or detect inadequate practices, fraud and violations of law by its management, employees, agents or contractors. For example, the cash collection process is performed by employees or by third party service providers, with either centralized or decentralized cash control supervisory teams, depending on the country, whose methods may lack adequacy in detecting mishandling of cash. Compliance and controls systems of certain countries may be incomplete, unreliable, or inaccurately transmit data due either to technical shortcomings which may or not be in the Group's control, or malicious efforts of internal staff and third parties. Such malicious efforts include manual input of cash data in systems and are exacerbated by poor or inconsistent control execution from branch to branch within a country. Therefore, the Group may be unable to detect or prevent every instance of theft, fraud, bribery and corruption involving its employees, management, directors, agents, contractors or other third parties in the future. To the extent the Group is not successful in protecting itself from such activities, it may be subject to civil and criminal penalties and to reputational damage as a result of such occurrences. Allegations, proceedings and convictions of certain crimes including, among others, fraud, bribery and corruption may make it more difficult for the Group to obtain or acquire new customers or render it ineligible to participate in public tenders. The involvement or association of the Group's employees, management, directors, agents or contractors with theft, fraud, bribery or corruption and other crimes committed in relation to its activities, or allegations or rumours relating thereto, could have a material adverse effect on its business, results of operations and financial condition.

A failure of the Group's key information technology, accounting software, cyber security and inventory management systems or processes could have a material adverse effect on its ability to conduct its business.

The Group relies extensively on information technology, external logistics providers, and other processes for its day-to-day operations. These systems and processes include, but are not limited to, route-planning, ordering and managing stock from suppliers, coordinating the logistics of restocking the Group's PoS, distributing products to various locations, processing transactions, summarizing and reporting results of operations, complying with regulatory, legal or tax requirements, and other processes necessary to manage the business. If such systems are damaged or cease to function properly, the Group may suffer interruptions in its ability to manage operations, which could negatively affect its revenue and results of operations by impeding its ability to distribute products and restock its PoS. These interruptions could be caused by any number of events, including catastrophic events, power outages, security breaches, disruptions at the Group's data maintenance suppliers, or its experienced IT employees being unavailable or ceasing to work for it. Moreover, because consumer decisions to purchase snack food and beverages are contextually specific and can change on a day-to-day basis (or even during the course of a day), a lost vend due to a PoS malfunction or a lack of stock cannot typically be recouped once the malfunction has been addressed or the PoS has been restocked. Additionally, if the Group is found to not be in compliance with the license requirements of its software providers or other third parties, they may bring claims against the Group and terminate its licensing agreements with them. Failures in the Group's systems could therefore reduce its revenue, adversely affect its reputation among its customers and consumers generally, compromise its competitive position or otherwise have a material adverse effect on its business, financial condition and results of operations.

The Group's ability to equip its PoS with telemetry in the near future is integral to its success. The Group expects many of its largest customers will require real-time sales data in order to improve their consumer understanding and to test the Group's ability to provide effective 24/7 customer service. Therefore, the Group's successful roll-out of telemetry equipped PoS will be crucial to maintaining some of its largest customers.

Additionally, the Group's exposure to the risk of cyber security breaches, internal security breaches or other unauthorized or accidental access to the servers, other information systems or databases which it controls or has access to is heightened when the Group transmits information over the internet or introduces new, or makes changes or upgrades to existing products and services or servers, other information systems, or databases.

Furthermore, a significant number of the Group's existing IT systems are nearing the end of their economic life and some of the Group's IT systems lack the technology and automation which is becoming standard across the Group's industry. For example, the Group's internal IT systems do not interface among each other, the Group is missing certain system controls at a central level and it regularly experiences control deficiencies throughout its business, which it has currently addressed through manual controls. Manual controls, as opposed to IT based controls, are costly and inefficient as they do not provide an appropriate level of risk mitigation in regards to fraudulent behaviour. Additionally,

some of the Group's outdated custom made applications are no longer supported and cannot be developed further internally. Because of outdated IT systems, many of the Group's internal reports have been prepared based on data extracted from systems and processed manually. In order to address these issues, the Group decided to upgrade, simplify and standardize its IT systems. The Group is currently developing an IT strategy for the next three years to enhance and streamline IT infrastructure and to strengthen the Group's cyber security. This IT upgrade initiative provides for specific measures such as rolling-out of the modern workplace software, upgrading end of life servers, migrating part of the infrastructure to a cloud-based approach and integrating the network and perimeter security. In addition, the Group has completed an extensive review of its application landscape and has developed an application roadmap including detailed functional requirements to fully address its IT issues. In 2020, the COVID-19 outbreak has had an impact on the Group's activities, including the IT upgrade initiative, which is currently being re-assessed and adapted to the changing business demands.

Inappropriate handling of spreadsheets containing calculations may result in misstatements and the Group's existing IT may not provide management with data in an adequate and consistent form, which could have a material adverse effect on its ability to conduct its business, financial condition and results of operations.

The Group may not successfully implement its business strategies.

The Group may not be able to fully implement its business strategies or realize, in whole or in part within the expected timeframe, the anticipated benefits of its various growth or other initiatives. The Group's various business strategies and initiatives, including further increasing its market leadership with customers and consumers as well as delivering efficient high quality service, are subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the Group's control.

In addition, the Group expects to incur certain costs to achieve efficiency improvements in its business and it may exceed the expected costs or timeframes, which would adversely affect its ability to realize anticipated synergies or efficiencies. In addition, an inability to achieve such improvements could adversely impact the Group's customer retention or its operations. Also, the Group's business strategies may change from time to time in light of its ability to implement its new business initiatives, competitive pressures, economic uncertainties or developments, or other factors.

The Group may incur civil and criminal liability due to infringements of the European General Data Protection Regulation.

The General Data Protection Regulation (EU) 2016/679 (or "GDPR") came into effect on May 25, 2018, and includes various requirements for data protection, in particular (without limitation) for international data transfers, data mapping and accountability, processor (service provider) obligations, and the requirement to designate a data protection officer. Due to its extraterritorial scope of application, it also applies to entities outside the EU (e.g. to the Group's Swiss business), when processing personal data from data subjects in the EU.

The implementation of these requirements of the GDPR put a significant burden on the Group's legal and compliance functions. The task to meet all the GDPR requirements on an ongoing basis is relatively complex. While the Group's operating companies are all currently located in the EU (except the UK), the EEA or in a country that has an adequate level of data protection pursuant to an EU Commission decision, and the Group does not face the implications associated with the intra-group data transfer to the so-called "third countries" (according to art. 44 et seqq. GDPR), the Group can, nevertheless, not guarantee that its operations are at all times in compliance with all the requirements of the GDPR (and its implementing ordinances by Member States). To the extent that the Group violates the requirements set out in the GDPR, sanctions may be imposed. These sanctions depend on the nature of the infringed provision and may consist in civil liabilities and criminal sanctions. Criminal sanctions can include fines of up to EUR 20 million or up to 4% of the total worldwide annual turnover of the preceding financial year, whichever is higher, for each infraction. Additional penalties may apply, such as the deprivation of profits. Group's failure to implement the GDPR (including the implementing rules of the EU Member States) could significantly affect its reputation and relationships with its customers, and civil and criminal liabilities for the infringement of data protection rules could have a material adverse effect on its business, financial condition and results of operations.

The Group may incur civil and criminal liability due to infringements of the Swiss Data Protection Act and other applicable data protection laws relating to theft, loss, or misuse of data relating to its employees, customers or other third parties.

The theft, loss or misuse of data collected, used, stored or transferred by the Group to run its business could result in significantly increased security costs or costs related to defending legal claims. Swiss and other applicable data protection legislation, enforcement, and policy activity in this area are rapidly expanding and creating a complex compliance regulatory environment. Costs to comply with and implement these privacy-related and data protection measures could be significant. In addition, even an inadvertent failure to comply with privacy-related or data protection laws and regulations could result in proceedings against the Group by governmental entities or others, including its employees or customers, which could negatively affect the Group's reputation, customer relationships, as well as have a material adverse effect on its business, financial condition and results of operations.

In addition, the Group does not have data security insurance coverage and its liability insurance does not grant any coverage for claims arising out of, based upon or in connection with a breach of its data security system. Should one or more of these risks materialize, it could have a material adverse effect on the Group's business, financial condition and results of operation.

Defects, failures or security breaches in and inadequate upgrades of, or changes to, the Group's PoS and the accompanying software could harm its business.

The operation of the Group's business depends on sophisticated software, hardware, computer networking and communication services that may contain undetected errors or may be subject to failures or complications. These errors, failures or complications may arise particularly when new, changed or enhanced products or services are added. Future upgrades, improvements or changes that may be necessary to expand and maintain the Group's business may not be timely or appropriately implemented. The security of the Group's customer and consumer data depends on the Group's machines and the accompanying software adequately functioning. Even if the Group is successful in correctly implementing all necessary upgrades, no assurance can be given that criminals will not be able to hack its machines to steal consumer financial information. Further, certain aspects of the operating systems relating to the Group's business are provided by third parties, including telecommunications and payment processing. Accordingly, the effectiveness of these operating systems is, to a certain degree, dependent on the actions and decisions of third parties over whom the Group may have limited control. Any of the above failures could have an adverse effect on the Group's business, financial condition and results of operations.

Any negative impact on the reputation of the brand names of certain of the key products the Group sells may adversely affect its competitive position.

The Group stocks and sells in its PoS a broad range of brand name products whose brands are owned by its suppliers or other third parties, such as Starbucks. The Group is dependent on the Starbucks and the Lavazza brands for the success of its business but it has limited control over these and other brands it supplies to its customers. Any failure on the part of the owners of such brands to defend their intellectual property rights or preserve and build their brands' reputations could compromise such reputations or the public's perception of such brands, thereby diminishing the value of such brands and potentially having a material adverse effect on the Group's business, results of operations and financial condition. In addition, the Group has entered into partnership agreements in connection with certain of its offerings, such as its partnership with 365 Retail Market, a self-checkout workplace technology provider offering fresh food, among other products. While food safety is a top priority for the Group and the Group strives to ensure that consumers enjoy safe, quality food products, claims of illness or injury relating to food quality or food handling are common in the food service industry. Because the Group purchases prepared food from its suppliers, food safety could be out of its control, and the Group relies on suppliers and distributors to label and transport food in accordance with the relevant food safety regulations. Regardless of the source or cause, any report of food-borne illness or other food safety issues such as food tampering or contamination at one of the Group's locations could adversely impact its reputation across its brand. Furthermore, any negative impact on the reputation of the Group's partners could also have a negative effect on its reputation and products, and as a consequence could have a material adverse effect on its business, results of operations and financial condition.

Furthermore, the Group has built a reputation for its own brands, such as Pelican Rouge and Miofino, for delivery of a consistently positive consumer experience. To be successful in the future, the Group

believes it must preserve, grow and leverage the value of its brands across all sales channels. The Group's business strategy relies significantly on the success of the brands in its existing and new markets. Business incidents, whether isolated or recurring, that erode consumer trust, such as actual or perceived breaches of privacy, contaminated food, employees or other food handlers infected with communicable diseases, product recalls or other potential incidents discussed in this "Risk Factors" section, particularly if the incidents receive considerable publicity, including rapidly through social or digital media, or result in litigation, and any failure to respond promptly and appropriately to these incidents, can significantly reduce brand value and have a negative impact on the Group's business, results of operations and financial condition.

The sale of any of the third party products in the Group's PoS or the coffee from its coffee roasting facility can also give rise to product liability claims against the Group. Such claims, especially with regards to the Group's roasting facility products, can be very costly to defend and involve large damages. Product liability claims could harm the Group's reputation, regardless of the merit or ultimate success of the claim, which could have a material adverse effect on its business, financial position and results of operations.

Consumer demand for the Group's products and its brands could diminish significantly if the Group fails to preserve the quality of its products, is perceived to act in an unethical or socially irresponsible manner, including with respect to the sourcing, disposal, content or sale of its products or the use of consumer data, failure to comply with laws and regulations or failure to deliver a consistently positive consumer experience in each of its markets. Additionally, inconsistent uses of the Group's brands and other intellectual property assets, as well as failure to protect the Group's intellectual property, including from unauthorized uses of its brands or other intellectual property assets, can erode consumer trust and the Group's brands' value and have a material adverse effect on its business, financial position and results of operations.

The performance of the Group's business is negatively affected by VAT rates on food and beverage items sold in its PoS and any further increase in VAT could require the Group to incur additional costs and have an adverse effect on its business, results of operations and financial condition.

Any of the countries in which the Group operates may adopt new tax laws or modify existing laws to increase taxes, especially VAT rates, applicable to the products that consumers purchase from the Group's PoS. Moreover, as healthy eating becomes a larger priority for government authorities, the prices of the Group's product offering may increase due to any taxes imposed to discourage consumers from purchasing such items. The UK, for example, has imposed an additional tax on sugary soft drinks and may be considering a tax on single-use plastic waste, which may negatively affect the sales volumes for, or reduce the Group's margins on, its cold beverages.

VAT increases affect the prices consumers pay for food and beverage items, and therefore reduces their purchasing power, especially if it coincides with a decline in economic conditions or high levels of unemployment. As a self-service retail operator, the Group is obliged to respond to VAT rate increases by discussing with its customers the re-pricing of the food and beverage items sold in a PoS on their premises. As many of the Group's contracts are based on a fixed price per product and do not contain automatic pass-through mechanisms, the Group's regional and area managers must engage with customers to reach an agreement. An increase in VAT rates typically reduces the Group's margins on contracts with a fixed output price, as the output VAT is already included in the selling price. Following any agreement to raise selling prices, the Group's PoS must re-price items on display in its PoS. For automatic PoS equipped with digital price displays, this may be relatively simple, however, for the majority of the Group's PoS base with conventional displays, re-pricing has cost and time implications.

Accordingly, any future increase of VAT in a market where the Group operates, especially under a fixed price agreement, may negatively affect its revenue and increase its operating costs and could have a material adverse effect on its business, financial condition and results of operations.

The Group is exposed to risks associated with fluctuations in currency exchange rates.

Changes to currency exchange rates may impact the Group's profitability. For example, a significant strengthening of the euro compared to the pound sterling or to the Swiss franc could have an adverse effect on the Group's operating results and financial condition, particularly in relation to the price of

certain raw materials upon which it relies. Moreover, the Group may be unable to pass along increased costs to its customers or its customers may be less willing to purchase its products at higher prices. Conversely, the Group's customers may demand that it reduces its prices where any changes in currency exchange rates may have been beneficial to the Group's operations. Any increased costs or reduced revenue as a result of foreign currency fluctuations could have a material adverse effect on the Group's business, financial condition and results of operations.

As a result of the international nature of the Group's operations, it is subject to foreign exchange risk, including currency translation, transactional and operating exposure. In particular, the exchange rates between the euro and the pound sterling or to the Swiss franc have fluctuated significantly and may continue to do so in the future. As the Group reports in euro, it is subject to risks relating to the conversion into euros of the statements of financial position and income statements of its subsidiaries who conduct business in Swiss franc, Danish and Norwegian krone, Swedish krona, and pound sterling. In addition, the Group is subject to risks arising from outstanding nominal foreign currency financial and trade receivables or payables incurred prior to but due to be settled after a change to the relevant exchange rate, which affect its current cash flows.

A weakening of one or more of the foreign currencies in which the Group operates against the euro necessarily reduces its euro-denominated revenue. As a large portion of the Group's expenses is borne in euro, a depreciation of the pound sterling, Swiss franc, Danish or Norwegian krone, or Swedish krona against the euro would decrease the Group's profitability. Alternatively, such changes in currency exchange rates may have a long-term impact on demand for the Group's products, as the Group may become less competitive outside the euro zone due to the higher prices that customers and consumers outside the euro zone may have to pay for the Group's products.

The Group may not be able to manage effectively the currency risks it faces, and volatility in currency exchange rates may have a material adverse effect on its consolidated financial statements and may have a materially adverse effect on its business, financial condition and results of operations.

The Group faces various political, economic, legal, regulatory and other risks and uncertainties associated with conducting business in multiple countries.

The Group's business and results of operations are subject to various risks inherent in international operations over which it has little or no control. These risks include, among others:

- transportation delays and difficulties of managing international distribution channels and suppliers;
- longer payment cycles for and greater difficulty collecting customer accounts receivable;
- the ability to finance the Group's foreign operations;
- fluctuations in currency exchange and currency controls;
- economic downturns in countries or geographic regions where the Group's manufacturers are located which among other things may expose the operations of its manufacturers to risks, leading to an increase in its manufacturing costs or delayed delivery;
- trade restrictions, higher tariffs and changes to existing, or the imposition of additional, regulations relating to import or export of the Group's products;
- unfavourable changes in tax or other laws, including the imposition of new laws or regulations that restrict the Group's operations or increase its cost of operations;
- work stoppages and sudden or unexpected increases in wages;
- political and economic instability, including wars, terrorism, political unrest, boycotts, curtailment of trade and other business restrictions; and
- difficulties in obtaining the protections of the intellectual property laws of other countries.

The likelihood of such occurrences and their potential effect on the Group vary from country to country and are unpredictable; however, the effects of any of these occurrences, or any combination thereof, could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group depends on a limited number of suppliers for the manufacture of self-service retail and the provision of telemetry equipment it requires to operate its business.

Although the Group has limited in-house refurbishment and customization capabilities, it does not manufacture its PoS. The Group sources substantially all of its PoS from 14 key suppliers. The Group

currently, and will increasingly, rely on such manufacturers to produce high-quality machines in adequate quantities to meet customers' demands. If one or more of the Group's PoS manufacturers were to experience severe financial difficulties or cease operations, the Group's ability to source new PoS or component parts could be disrupted and a prolonged interruption could have a significant adverse effect on its business. Any decline in quality, disruption in production or inability of the manufacturers to produce the machines the Group requires in sufficient quantities or in a timely manner, whether as a result of a natural disaster, labour strikes, financial difficulties or other causes, could have a material adverse effect on its business, financial condition and results of operations.

Additionally, the Group relies on a limited number of suppliers for the provision of necessary telemetry software and hardware. As access to sales data derived from the use of telemetry becomes standard in the business, customer expectations for the service has also increased. Therefore, if one or more of the Group's telemetry equipment providers cease to operate for any reason, including bankruptcy or other financial difficulties, the Group may not be able to continue to provide this service to its customers. The inability to provide such services may lead to the loss of certain of the Group's customers, which could have a material adverse effect on its business, financial condition and results of operations.

Disruptions in the Group's supply and logistics chain could adversely affect it.

A disruption in the Group's supply and logistics chain caused by transportation disruptions, delays or increased expenses, labour strikes, product recalls or other unforeseen events could adversely affect the Group's ability to restock its PoS or repair, maintain and retrofit its PoS. If the Group cannot secure alternative sources of supply or effectively manage a disruption if it occurs, daily vends and thereby revenue could be reduced until it is able to address the situation and it is unlikely to recoup the loss of such vends. See "*—A failure of the Group's key information technology, accounting software, cyber security, and inventory management systems or processes could have a material adverse effect on its ability to conduct its business.*" These events could cause the Group's revenue to decline, require additional resources to restore its supply and logistics chain or otherwise could have a material adverse effect on its business, financial condition and results of operations.

The Group's business requires capital expenditures that may divert significant cash flow from other investments or uses.

As of December 31, 2020, the Group owned and operated a network of more than 448,000 active coffee, convenience food and beverage PoS. As part of its business model, the Group acquires new PoS for new customer sites, refurbishes its existing PoS and replaces those that reach obsolescence from its existing installed PoS base. Following the acquisitions of Pelican Rouge, Argenta and Express Vending, the Group expects its capital expenditures related to the purchase of additional vehicles, IT systems, other equipment, and new PoS to remain at a high level in the future to support the investment required to deliver new business growth and maintain PoS park. Moreover, given its reliance on sophisticated and complex machinery, the coffee roasting plant could necessitate significant capital expenditures to remain operational. In addition, the Group finances the purchase of new equipment and PoS through lease agreements in order to lower maintenance capital expenditures. If the Group is not able to enter into these lease agreements, its cash requirements for capital expenditures would increase. As the Group's capital expenditure requirements vary from year to year based on different capital intensity in different business segments, specific reinvestment requirements in relation to new business, requirements for new PoS versus refurbished PoS, and specific initiatives to develop telemetry and cashless payment technologies, among other factors, the Group can provide no assurance that its capital expenditure will not exceed its expectations. Such increases may divert significant cash flows from other investments or uses, including debt servicing, which could have a material adverse effect on the Group's business, financial condition and results of operations.

The loss of major customers or partners, or the inability to establish new customer relationships or partnerships could adversely affect the Group's business, financial condition and results of operations.

The Group competes to maintain existing customers and to establish new customer relationships in its markets. However, the Group can give no assurance of its ability to maintain or renew existing contracts or enter into new contracts. Furthermore, in certain of its markets the Group is heavily dependent on its large customers, such as SNCF in France. For example, in 2019, the Group did not succeed

in the re-tender process to provide vending services to the Paris metro in France. This loss has negatively impacted sales in 2020 when the PoS was progressively removed. The Group's ability to compete effectively in these markets depends on its ability to retain its large customers.

The Group has a number of partnerships with third parties that allow the use of its partner's well-known brand and product in its PoS. Two of the Group's key partnerships for premium coffee are with Starbucks and Lavazza, which currently span across twelve of the Group's markets. The loss of such partnerships, or the inability to establish new partnerships with other trendy brands in the market could have a material adverse effect the Group's business, financial condition and results of operations. The Group also has a partnership with Retail Market, a self-checkout workplace technology provider, in regards to its MicroMarkets, and a loss of this partnership could have a material adverse effect on its MicroMarkets offering.

In addition to the Group's private self-service retail customer contracts, it also maintains contracts with public customers, who generally have longer terms and are awarded pursuant to public tenders in accordance with EU and national public tenders laws. The Group can give no assurance that it will successfully compete in future auction processes for public service contracts or that current self-service retail customers will continue to welcome its PoS on their premises. The Group is also subject to the risk that contracts with public customers could face legal challenge because public tender rules were not followed. The Group can provide no assurance that the loss of any single customer or group of customers would not have a material adverse effect its business, financial condition and results of operations.

The result of the United Kingdom's withdrawal from the European Union may have a negative effect on the Group's business.

The United Kingdom has withdrawn from the European Union pursuant to Article 50 of the Treaty on European Union following the national referendum in June 2016 ("**Brexit**") which has created significant uncertainty about the future relationship between the United Kingdom, one of the Group's current markets, and the EU and its remaining member states, which may constitute an additional risk for the financial markets and the European economy. A downturn in the European economy could have adverse effects on the Group's business in every market in which it operates. In addition, since the acquisition of Pelican Rouge, the Group has increased its presence in the United Kingdom, which in turn increases the Group's exposure to the negative outcomes of Brexit. The most pertinent issue posed by Brexit is possible short term delays in the importation of goods. Although the Group's suppliers have contingency plans in place to maintain supply and the Group was able to increase manufacturing and delivery of buffer stock to the UK prior to Brexit, these measures may not be effective in the long-term. Other possible negative outcomes resulting from Brexit include: significantly disrupted trade between the United Kingdom and the EU; political and economic instability in other countries of the EU, which covers the majority of the Group's markets; and instability in the global financial and foreign exchange markets, including volatility in the value of the euro and the pound sterling. The depreciation of the pound sterling against the euro has caused, and may continue to cause, an increase in the price of consumer goods in the UK that are sourced from the EU. Therefore, Brexit might also affect the Group's ability to maintain the current level of sales in the United Kingdom. The financial, trade and legal implications of Brexit are unknown and there is uncertainty as to whether, and to what extent, the Group's business might be affected. Therefore, Brexit could have a material adverse effect on the Group's business, financial condition and results of operations.

Certain products the Group sells are susceptible to seasonal variation and sustained periods of abnormal weather can have a material adverse effect on the Group's business.

The Group's vends of certain products have historically been affected by seasonal variation during the year. Many of the Group's PoS include cold drinks, which have historically generated increased vends during the summer months. Coffee vends generally exhibit less variation, but can also be affected by some seasonal factors, especially for the Group's PoS inside offices or in other private locations, where vends are lower during public holidays. In addition, severe weather can influence consumer traffic patterns in high-traffic areas such as gas stations, train and subway stations and airports. If, for example, transportation services are closed due to heavy snow or rain, the Group's PoS in those locations may be accessible to significantly fewer consumers and vends lost on a particular business day typically cannot be recouped in the future. There can be no assurance that the Group will continue to be able to effectively manage the stocking of its products influenced by seasonal variation or that severe weather or other events will not reduce its vends at certain locations, the occurrence of which could have a material adverse effect on its business, financial condition and results of operations.

The Group is susceptible to claims of anti-competitive practices.

Part of the Group's overall strategy is to be a market leader in each of the markets in which it operates. For this reason, and taking into particular consideration the Group's leading market positions in France, Spain, Switzerland, Sweden and the UK, the Group may be accused of the abuse of its position or the use of anti-competitive practices. This risk may increase in the event the Group acquires companies that have market leading positions in the countries in which it operates. Any such claims could adversely affect the Group's reputation, potentially result in legal proceedings that could have an impact on its business, financial condition and results of operations and require it to divest assets in markets where it has a dominant or leading position. Such claims could also impair the Group's ability to conduct acquisitions accretive to its business. Before certain future acquisitions can be consummated, the Group may be required to seek approvals and consents from regulatory agencies or there may be applicable waiting periods that will need to expire. The Group may be unable to obtain such regulatory approvals or consents, or, in order to obtain them, it may be required to dispose of assets or take other actions that could have the effect of reducing its revenue. Even if regulatory authorities do not require disposals or other actions, the regulatory approval process triggered by the Group's market position or claims of anti-competitive practices may have the effect of delaying acquisitions.

The Group's insurance is limited and subject to exclusions, and depends on the ongoing viability of its insurers; the Group may also incur liabilities or losses that are not covered by insurance.

The Group currently has in place various insurance policies that cover general liability, property damage and losses due to the interruption of its business in accordance with market practice in the industry and subject to customary conditions. The Group's PoS are generally insured by its customers against damage and vandalism, pursuant to provisions of its customer contracts which require such insurance to be procured by the customer or included as part of its general insurance policy coverage. The Group's other fixed assets, such as its office buildings, technical equipment used in distribution, restocking and PoS refurbishment, information technology and office equipment are protected by a group insurance policy (damages from fire, natural catastrophes, theft, flood and severe weather) that includes certain related business interruption insurance.

The Group's insurance policies are subject to limitations and exclusions. Furthermore, the Group does not have insurance for every type of interruption since such risks cannot be insured or can only be insured on inadequate or onerous terms. Therefore, there can be no assurance that the Group's insurance programs would be sufficient to cover all potential losses, that it will be able to obtain sufficient levels of property insurance coverage in the future or that such coverage will be available on terms acceptable to the Group.

Moreover, certain types of losses, such as those resulting from earthquakes, floods, hurricanes, environmental hazards or terrorist acts, may not be fully insurable or may be uninsurable. Moreover, the business impact of the resulting interruptions has not been quantified and the Group's insurance coverage may not be aligned with management's expectations. For example, although the Group's coffee roasting plant is generally insured, if for any reason the roaster is inoperable for a period of time, the losses the Group would suffer from the shortage of the coffee supply are not insured, while the cost associated with replacing the roaster would be approximately €3 million. The Group uses its discretion in determining amounts, coverage limits, deductibility provisions and the appropriateness of self-insuring with a view to maintaining appropriate insurance coverage at a reasonable cost and on suitable terms. If the Group suffers an uninsured or underinsured loss, it could lose all or a portion of the capital it has invested in a business or property as well as the anticipated future revenue from such business or property. Such uninsured or underinsured losses could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group is exposed to credit risk related to its customers, which may cause it to make larger allowances for doubtful trade receivables or incur write-offs related to impaired debts.

The Group engages in numerous sales transactions with its customers and suppliers, and it is subject to the risk that one or more of these counterparties becomes insolvent and therefore becomes unable to discharge their obligations to the Group. Such risk may be exacerbated by the Group's IT system's inability to consolidate such exposures at the group level or maintain automated credit limits in every instance, in addition to events or circumstances that are inherently difficult to anticipate or control. If

one of the Group's counterparties were to default on its obligations or otherwise be unable to discharge its contractual obligations, this could have a material adverse effect on the Group's business, financial condition and results of operation.

The Group's operations could be adversely affected if it is unable to retain key employees.

The Group depends on certain key executives and personnel for its success. The Group's performance and its ability to implement its strategies depend on the efforts and abilities of its executive officers and key employees. The Group's operations could be adversely affected if, for any reason, a number of these officers or key employees do not remain with the Group. In the event that such key personnel choose not to remain with the Group, there is a risk that they may join a competing business. Furthermore, there may be a limited number of persons with the requisite skills to serve in these positions, and the Group may be unable to replace key employees with qualified personnel on acceptable terms. Additionally, the Group has, in the past been able to increase its sales capabilities through a consistent assessment and improvement program for its sales staff, which has assisted in attracting and retaining talented sales employees. The Group is dependent on the experience and industry knowledge of its senior management team and other key employees to execute its business plans. The Group's success will depend in part upon its ability to retain key management and sales personnel and other key employees. Current and prospective employees may experience uncertainty about their future roles, which may materially adversely affect the Group's ability to attract and retain key personnel. Accordingly, no assurance can be given that the Group will be able to retain key management and sales personnel and other key employees. The Group's ability to recruit, motivate and retain personnel is important to its success, and there can be no assurance that the Group will continue to be able to do so. Loss of the Group's key employees could have a material adverse effect on its business, financial condition and results of operations.

The Group may face labour disruptions that could interfere with its operations and have a material adverse effect on its business, financial condition and results of operations.

Labour law in the countries where the Group operates provides a high level of protection to employees. The countries in which the Group operates provide various bargaining rights, among other protections, to employees. These employment rights may require the Group to expend greater time and costs in altering or amending employees' terms of employment or discontinuing employment relationships. Although the Group believes that it has good relations with the labour unions and other such organizations that represent its labour force, the Group cannot assure you that it will not experience a deterioration in its labour relations, resulting in strikes or other disturbances occasioned by its unionized labour force. For example, labour unions may organize strikes if they disagree with the Group's business strategy. Furthermore, the Group cannot assure you that, upon the expiration of existing collective bargaining agreements with the unions representing its labour force, it will be able to reach new agreements on satisfactory terms or that it would agree on such new agreements without work stoppages, strikes or similar industrial actions.

In certain instances, the Group consults and seeks the input of its employee works councils with respect to a broad range of matters. While the Group generally has been able to successfully consult with its works councils and it regards its relations with its executives, employees and their representatives as generally satisfactory, negotiations may be challenging in connection with the integration processes, as the Group seeks to achieve competitive cost structures in each market it operates while meeting the compensation and benefits needs of its executives and employees. Consultations with works councils, strikes, similar industrial actions or other disturbances by the Group's workforce could disrupt its operations, result in a loss of reputation, increased wages and benefits or otherwise have a material adverse effect on its business, results of operations and financial condition.

There can be no assurance that there will not be labour disputes or adverse employee relations in the future. Disruptions of business operations due to strikes or similar measures by the Group's employees or the employees of any of its significant suppliers could have a material adverse effect on its business, results of operations and financial condition.

The Group is subject to risks related to litigation and other legal proceedings in the normal course of its business and otherwise.

The Group is subject to the risk of legal claims and proceedings and regulatory enforcement actions in the ordinary course of its business and otherwise. From time to time, the Group has been party as defendant or plaintiff to various claims and lawsuits incidental to the ordinary course of its business, such as those related to employment matters, deductibility of interest and VAT payments and refunds, among others. For example, the Dutch tax authorities have challenged the deductibility of interest expenses on certain shareholder loans of Pelican Rouge B.V. for the financial years 2011 through 2014, and concluded that interest on these shareholder loans is not deductible. This conclusion has resulted in additional tax assessments of more than 20 million. The Group appealed this decision in 2016 and the court of appeals ruled against Pelican Rouge B.V., which decision was further appealed by the Group before the High Court in 2018. In May 2020, the High Court ruled in favour of Pelican Rouge B.V. on some elements of the appeal and in favour of the Dutch tax authorities on others. Both the Group and the Dutch tax authorities decided to proceed with a final appeal of the High Court decision before the Supreme Court. As of the date of this Explanatory Statement, the Group has not made any payment to the Dutch tax authorities. In connection with this claim, the purchase price for the acquisition of Pelican Rouge was reduced. In addition, the Group issued contingent value notes in favour of the previous owners of Pelican Rouge B.V. which are payable in the event that the final tax assessment due and payable is less than the amount of the purchase price reduction, in which case an amount representing the difference between the purchase price reduction and the final tax assessment is payable to the previous owners of Pelican Rouge B.V. The results of pending or future legal proceedings are inherently difficult to predict, and the Group can provide no assurance that it will not incur losses in connection with current or future legal or regulatory proceedings (including tax audits) or actions that exceed any provision the Group may set aside in respect of such proceedings or actions or that exceed any insurance coverage available, which may have a material adverse effect on its business, financial position and results of operations.

The Group's indemnification rights under the acquisition agreements it has entered into are limited.

Pursuant to the acquisition agreements entered into in connection with the acquisition of Pelican Rouge, Argenta and the Express Vending, subject to vendor indemnities secured in these transactions, the Group is generally subject to all of the liabilities of the acquired business arising in connection with operations prior to the closing date of the relevant acquisition. There may be liabilities that the Group underestimated or did not discover in the course of performing its due diligence. Under each of the respective acquisition agreements, the Group has been provided with a limited set of warranties and indemnities in relation to identified risks. The Group's sole remedy from the sellers for any breach of those warranties is an action for indemnification, which is subject to certain negotiated limitations and thresholds, or an action for damages. The Group's rights to indemnification in most cases must be asserted within a negotiated time period after closing, which means if the Group fails to identify a breach promptly after closing, it may not be able to recover amounts to which it otherwise would have been entitled. The Group has secured insurance to cover losses arising in respect of the breach by the seller of those warranties and funds have been placed into escrow, but such funds may prove insufficient to cover damages that may occur. Damages resulting from a breach of warranty could have a material and adverse effect on the Group's financial condition and results of operations.

The Group incurs post-retirement costs, including under defined benefit pension plans, and funding these costs could adversely affect its financial condition.

The majority of the Group's employees are covered by defined benefit plans which are funded by the Group, the employees, and in certain countries, by state authorities. The Group has pension plans in various countries, with the majority of its pension liabilities deriving from the UK and Switzerland. For example, in Switzerland, the Group maintains a pension scheme in accordance with Swiss pension law. The Swiss pension scheme requires contributions to be made at defined rates. However, the pension scheme incorporates certain guarantees of minimum interest accumulation and conversion of capital to pension. As a result, the pension scheme has been reported as a defined benefit pension plan in accordance with IFRS and can lead to the Group making additional contributions.

Declines in global capital markets affecting the Group's expected rate of return on pension assets and discount rates may cause reductions in the value of the Group's pension plan assets and estimates of benefit obligations. Such circumstances could also have an adverse effect on future pension expense and funding requirements. In addition, the accounting standards and legal conditions governing the

Group's pension obligations are subject to changes in applicable policy, legislation or case law, which may also lead to new or more extensive pension obligations or may impact the Group's previous pension obligation calculations. Any of these factors or developments could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group has recorded a significant amount of goodwill and it may not realize the full value thereof.

The Group has recorded a significant amount of goodwill. Goodwill is tested for impairment annually and whenever there is any indication of impairment. Impairment may result from, among other things, deterioration in the Group's performance, a decline in expected future cash flows, adverse market conditions, and a variety of other factors. The amount of any impairment must be expensed immediately as a charge to the Group's income statement. Any future impairment of goodwill may result in material reductions of the Group's income and equity under IFRS.

Changes in tax laws or challenges to the Group's tax position could adversely affect the Group's results of operations and financial condition.

The Group is subject to complex tax laws. Changes in tax laws or enforcement thereof could adversely affect the Group's tax position, including its effective tax rate or tax payments. The Group often relies on generally available interpretations of applicable tax laws and regulations. There cannot be certainty that the relevant tax authorities are in agreement with the Group's interpretation of these laws. If the Group's tax positions are challenged by relevant tax authorities, the imposition of additional taxes could require the Group to pay taxes that the Group currently does not collect or pay or increase the costs of the Group's services to track and collect such taxes, which could increase the Group's costs of operations or the Group's effective tax rate and have a negative effect on the Group's business, financial condition and results of operations. The occurrence of any of the foregoing tax risks could have a material adverse effect on the Group's business, financial condition and results of operations.

DESCRIPTION OF CERTAIN FINANCING ARRANGEMENTS

Super Senior RCF

Pursuant to a super senior revolving credit facility agreement dated 15 January 2018 (as most recently amended and restated pursuant to an amendment and restatement agreement dated 29 October 2020) (the "Super Senior RCF Agreement"), the lenders party thereto have made available to Selecta Group B.V., Selecta AG, Selecta TMP AG and any other subsidiaries of Selecta Group B.V. which may become party thereto as borrowers from time to time a super senior multicurrency revolving credit facility in an aggregate principal amount of €150,000,000,000 (the "Super Senior RCF"). The Super Senior RCF matures on 1 January 2026 and bears interest at a rate of EURIBOR / LIBOR (zero floor) plus margin of 3.50% (subject a downwards margin ratchet based on senior secured net leverage) per annum. The margin in respect of the Super Senior RCF (including at all levels of the margin ratchet) will increase by an additional 0.25% per annum with effect from 2 January 2023.

As at 31 December 2020, of the €150 million total commitments under the Super Senior RCF, €40.0 million were drawn by way of cash loans, €21.8m were drawn by way of bank guarantees issued under ancillary facilities and €88.2 million were undrawn.

Pursuant to an amendment and restatement agreement dated 29 October 2020, the Super Senior RCF Agreement was amended and restated to, among other things, substantially align the terms of the Super Senior RCF Agreement to the terms of the First Lien Senior Secured Notes and the Second Lien Notes and to make certain amendments to the financial covenants set out in the Super Senior RCF Agreement. As a result of this amendment and restatement, the following financial covenants are included in the Super Senior RCF Agreement (i) in respect of each fiscal quarter ending on or after 31 December 2020 and on or prior to 30 September 2023, a minimum liquidity financial maintenance covenant and (ii) in respect of each fiscal quarter ending on or after 31 December 2023, a super senior net leverage financial maintenance covenant. For the avoidance of doubt, these financial covenants replaced the previous springing super senior net leverage financial covenant included in the Super Senior RCF Agreement prior to this amendment and restatement.

First Lien Senior Secured Notes

On October 29, 2020, Selecta Group B.V. (the "Issuer") issued €678.6 million aggregate principal amount of 8.000% first lien senior secured euro-denominated notes due 2026 (the "First Lien Senior Secured Euro Notes") and CHF17.7 million aggregate principal amount of 8.000% first lien senior secured CHF-denominated notes due 2026 (the "First Lien Senior Secured CHF Notes" and, together with the First Lien Senior Secured Euro Notes, the "First Lien Senior Secured Notes") under an indenture dated October 29, 2020 by and between, among others, the Issuer, Lucid Trustee Services Limited as trustee and security agent, Elavon Financial Services DAC as paying agent, transfer agent and registrar and the guarantors party thereto.

The interest on the First Lien Senior Secured Notes is payable semi-annually in arrears on each January 2 and July 1, commencing July 1, 2021. The First Lien Senior Secured Notes mature on April 1, 2026. From (and including) October 29, 2020 to (but excluding) January 2, 2023, interest is payable (A) in cash on the principal amount outstanding of First Lien Senior Secured Notes at a rate of 3.500% per annum plus (B) in kind on the principal amount outstanding of First Lien Senior Secured Notes at a rate of 4.500% per annum by increasing the principal amount of the outstanding First Lien Senior Secured Notes or issuing additional First Lien Senior Secured Notes in a principal amount equal to such interest. From (and including) January 2, 2023, to (but excluding) April 1, 2026, interest is payable in cash only on the principal amount outstanding of the First Lien Senior Secured Notes at a rate of 8.000% per annum.

The Issuer may redeem all or part of the First Lien Senior Secured Notes at any time until (but excluding) January 1, 2022 at a redemption price equal to 101.000% plus accrued and unpaid interest at a rate of 8.000% to the redemption date. On or after January 1, 2022, the Issuer may redeem all or part of the First Lien Senior Secured Notes at any time at par plus accrued and unpaid interest at a rate of 8.000% to the redemption date.

The First Lien Senior Secured Notes benefit from substantially the same guarantees and collateral as the Super Senior RCF on an equal and ratable basis and subject to the same conditions. These

guarantees and enforcement of the collateral securing the First Lien Senior Secured Notes are subject to limitations under applicable laws and may be released under certain circumstances.

The First Lien Senior Secured Notes are not registered under the Securities Act or any U.S. state securities laws. The First Lien Senior Secured Notes are listed on the Official List of the International Stock Exchange.

Second Lien Notes

On October 29, 2020, the Issuer issued €234.7 million aggregate principal amount of 10.000% second lien euro-denominated notes due 2026 (the "Second Lien Notes") and CHF6.1 million aggregate principal amount of 10.000% second lien CHF-denominated notes due 2026 (the "Second Lien CHF Notes" and, together with the Second Lien Euro Notes, the "Second Lien Notes") under an indenture dated October 29, 2020 by and between, among others, the Issuer, Lucid Trustee Services Limited as trustee and security agent, Elavon Financial Services DAC as paying agent, transfer agent and registrar and the guarantors party thereto.

The interest on the Second Lien Notes is payable semi-annually in arrears on each January 2 and July 1, commencing July 1, 2021. The Second Lien Notes mature on July 1, 2026. From (and including) October 29, 2020 to (but excluding) January 2, 2023, interest is payable in kind on the principal amount outstanding of the Second Lien Notes at a rate of 10.000% per annum by increasing the principal amount of the outstanding Second Lien Notes or issuing additional Second Lien Notes in a principal amount equal to such interest. From (and including) January 2, 2023, to (but excluding) July 1, 2026, interest is payable (A) in cash only at a rate of 9.250% per annum, or (B) in kind only at a rate of 10.000% per annum, or (C) in a combination of both cash and kind, on the principal amount outstanding of the Second Lien Notes.

The Issuer may redeem all or part of the Second Lien Notes at any time until (but excluding) January 1, 2022 at a redemption price equal to 103.000% plus accrued and unpaid interest at a rate of 10.000% to the redemption date. On or after January 1, 2022 and until (but excluding) January 1, 2023, the Issuer may redeem all or part of the Second Lien Notes at any time at a redemption price equal to 101.000% plus accrued and unpaid interest at a rate of 10.000% to the redemption date. On or after January 1, 2023, the Issuer may redeem all or part of the Second Lien Notes at any time at par plus accrued and unpaid interest at a rate of (A) 9.250% per annum if the Issuer is required to pay interest in cash or (B) 10.000% per annum if otherwise, in each case to the redemption date.

The Second Lien Notes benefit from substantially the same guarantees and collateral as the Super Senior RCF. These guarantees and enforcement of the collateral securing the Second Lien Notes are subject to limitations under applicable laws and may be released under certain circumstances.

The Second Lien Notes are not registered under the Securities Act or any U.S. state securities laws. The Second Lien Notes are listed on the Official List of the International Stock Exchange.

MANAGEMENT, SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

Management

The Issuer is a private limited liability company (*Besloten Vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of the Netherlands. The Board of Directors is constituted as follows:

The table below lists the members of the board as of the date of this Report:

Name	Age	Position
Christian Schmitz	40	Member
Philippe Gautier	54	Member
Ruud Gabriels	60	Member
Irene Henry	57	Member

Christian Schmitz. Mr. Schmitz was elected Chief executive officer for Selecta Group in May 2020 after 5 months of interim Chief Operating Officer and having been appointed to the Board of Directors of Selecta Group BV in August 2020. He was previously a Director at KKR Capstone and, prior to that, a partner with McKinsey & Company, where he led transformation of multiple businesses.

Philippe Gautier. Mr. Gautier joined Selecta in November 2020 as Group Financial Officer. He was previously Group Chief Financial Officer and Operations Director of SMP, a KKR portfolio company, and prior to that, Chief Financial Officer and Chief Operating Officer at Kering Group, for brands Sergio Rossi and Puma.

Ruud Gabriels. Mr. Gabriels joined the board of the Issuer on December 11, 2015. Mr. Gabriels is currently managing director and Chairman of the Board of Avega, a corporate service provider in the Netherlands. He has held various positions in the financial sector in the Netherlands as well as in Belgium including the position of Operational Director for two different financial institutions and Financial Director of a bank. As Operational Director and Financial Director he was also a member of the board of directors of those financial institutions. Mr. Gabriels has a Bachelor's degree in accountancy.

Irene Henry. Ms. Henry joined the management board of the Issuer on September 30, 2019. Ms. Henry is currently a legal counsel of Avega, a corporate service provider in the Netherlands. Prior to joining Avega, Ms. Henry worked for several years in the legal team at Intertrust Group in the Netherlands. Ms. Henry graduated from Vrije Universiteit (Amsterdam) with a Master of Laws.

Compensation of the Board of the Issuer

No remuneration is paid to the members of the Board of the Issuer in such capacity.

Shareholders

The Issuer is a private limited liability company (*Besloten Vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of the Netherlands. The Issuer is registered with the trade register of the Dutch Chambers of Commerce (*Handelsregister van de Kamer van Koophandel*) under the number 34256233. The Issuer's registered business address is Overschiestraat 61-5 HG, 1062 XD Amsterdam, the Netherlands. As of the date of this Report, Selecta Group AG, a stock corporation (*Aktiengesellschaft*) incorporated under the laws of Switzerland, holds the entire share capital of the Issuer. The entire share capital of Selecta Group AG, the direct parent of the Issuer, is held by Selecta Group Finco S.A., a public company limited by shares (*société anonyme*) incorporated under the laws of the Grand Duchy of Luxembourg. Selecta Group Finco S.A. issued €235.7 million and CHF 6.1 million of Class A Preference Shares and €175.0 million of Class B Preference Shares as part of the debt restructuring completed in October 2020. For additional information on the shareholding structure of the Group, please refer to the financial statements included in this Report.

Related Party Transactions

For a description of certain related party transactions applicable to the Group for the year ended December 31, 2020, please refer to the financial statements included in this Report.

FORWARD-LOOKING STATEMENTS

Certain statements included herein are not historical facts and are “forward-looking” within the meaning of Section 27A of the U.S. Securities Act of 1933, as amended, and Section 21E of the U.S. Securities Exchange Act of 1934, as amended. This Report contains certain forward-looking statements in various sections, including, without limitation, under the headings “*Risk Factors*” and in other sections where this Report includes statements about our intentions, beliefs or current expectations regarding our future financial results, plans, liquidity, prospects, growth, strategy and profitability, as well as the general economic conditions of the industry and countries in which we operate. Forward-looking statements include statements concerning our plans, objectives, goals, strategies, future events, future sales or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions, our competitive strengths and weaknesses, our business strategy and the trends we anticipate in the industries and the economic, political and legal environment in which we operate and other information that is not historical information.

Words such as “believe”, “anticipate”, “estimate”, “expect”, “intend”, “predict”, “project”, “could”, “may”, “will”, “plan” and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

By their very nature, forward-looking statements involve inherent risks, assumptions and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. You should not place undue reliance on these forward-looking statements or projections. These risks, assumptions, uncertainties and other factors include, among other things, those listed under “*Risk Factors*”, as well as those included elsewhere in this document. Although we believe that these forward-looking statements and projections are based on reasonable assumptions at the time they were made, you should be aware that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. You should carefully consider these factors and other uncertainties and events, especially in light of the regulatory, political, economic, social and legal environments in which we operate. Such forward-looking statements speak only as of the date on which they are made. Accordingly, we do not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise. We do not make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario.

CERTAIN DEFINITIONS

As used in this Report:

- **“Group”**, **“us”**, **“we”**, **“our”**, **“Selecta”** refers to Selecta Group B.V. and its subsidiaries, unless as indicated or the context requires otherwise;
- **“IFRS”** refers to International Financial Reporting Standards as adopted by the International Accounting Standards Board;
- **“First Lien Indenture”** refers to the indenture dated as of October 29, 2020, among, *inter alios*, the Issuer, the Trustee and the Security Agent, as amended and supplemented from time to time pursuant to which the First Lien Notes were issued;
- **“Intercreditor Agreement”** refers to the intercreditor agreement dated as of January 31, 2018, among, *inter alios*, the Issuer, the Trustee, the Security Agent, the lenders and agent under the Revolving Credit Facility and certain counterparties under hedging obligations, if any, as amended and supplemented from time to time;
- **“Issuer”** means Selecta Group B.V., a private limited liability company incorporated under the laws of the Netherlands;
- **“Notes”** refers to the First Lien Notes and the Second Lien Notes;
- **“Revolving Credit Facility”** refers to the revolving credit facility in an aggregate principal amount of € 150 million;
- **“Revolving Credit Facility Agreement”** refers to the revolving credit facility agreement dated as of January 15, 2018, among, *inter alios*, the Issuer as an original borrower and the Lenders (as defined therein), as amended and restated pursuant to an amendment and restatement agreement dated October 29, 2020;
- **“Second Lien Indenture”** refers to the indenture dated as of October 29, 2020, among, *inter alios*, the Issuer, the Trustee and the Security Agent, as amended and supplemented from time to time pursuant to which the Second Lien Notes were issued;
- **“Second Lien Notes”** refers to the €234.7 million 10.000% senior secured notes due 2026 and the CHF 6.1 million 10.000% senior secured notes due 2026 issued under the First Lien Indenture;
- **“Security Agent”** refers to Lucid Trustee Services Limited; and
- **“Trustee”** refers to Lucid Trustee Services Limited.