Annual Report 2021

16 March 2022

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OPERATING AND FINANCIAL REVIEW

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About Selecta Group

Headquartered in Switzerland since 1957, Selecta Group is a Food Tech company with a leading route-based, self-service distribution network in Europe, offering innovative convenience food services and world-class quality coffee brands in the workplace and public spaces. Active in the food tech business we continuously push on new innovations and solutions, we serve premium coffee and beverages, snacks, and fresh meals to more than 10 million people in 16 countries across Europe every day. With an annual turnover of €1.2 billion, we owe our success to our c.7,000 highly skilled, dedicated, and passionate Selecta employees who are committed to creating millions of moments of joy for our clients and their consumers every day. Sustainability is an integral part of the way we do business, focused on the key areas in which we can make a positive difference. For more information, please visit www.selecta.com.

1. Factors affectig 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.

2. Our regional breakdown and business segments

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 2021	Jan - Dec 2020	Var %
Revenue	**1,184.4**	**1,141.4**	**3.8%**
Vending fees	(144.7)	(133.7)	(8.2%)
Net sales	**1,039.7**	**1,007.7**	**3.2%**
Materials and consumables used	(396.1)	(399.6)	0.9%
Gross profit	**643.6**	**608.1**	**5.8%**
Adjusted employee expenses	(319.0)	(362.6)	12.0%
Adjusted other operating expenses	(125.3)	(160.4)	19.3%
Adjusted EBITDA	**199.3**	**85.1**	**N/A**
One-off adjustments	(41.2)	(65.7)	37.3%
EBITDA	**158.1**	**19.4**	**N/A**
Depreciation	(147.5)	(162.4)	(9.2%)
EBITA	**10.6**	**(143.0)**	**N/A**
Amortization	(61.2)	(146.8)	N/A
EBIT	**(50.6)**	**(289.7)**	**N/A**

At Actual Exchange Rates

Revenue

Revenue increased by 3.8% at actual exchange rates and by 3.1% at constant currency, from € 1,141.4 million for the year ended 31 December 2020, to € 1,184.4 million for the year ended 31 December 2021. This decrease was primarily due to the impact of the COVID pandemic.

Revenue by Region

<u>South, UK and Ireland</u>
Revenue in our South, UK and Ireland region increased by 1.7% at actual exchange rate, from € 376.7 million for the year ended 31 December 2020, to € 383.2 million for the year ended 31 December 2021. The South, UK and Ireland region saw difficult trading conditions across all countries with improvements towards the end of the year.

<u>Central</u>
Revenue in our Central region increased by 4.8% at actual exchange rate, from € 418.2 million for the year ended 31 December 2020, to € 438.1 million for the year ended 31 December 2021. The increase is driven by better trading conditions in France and Austria. The situation in Germany and Switzerland remained tough at a slightly increased level.

<u>North</u>
Revenue in our North region decreased by 4.8% at actual exchange rate from € 346.6 million for the year ended 31 December 2021, to € 363.2 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.

Net sales

Net sales increased by 3.2% at actual exchange rates and by 2.5% at constant currency, from € 1,007.7 million for the year ended 31 December 2020, to € 1,039.7 million for the year ended 31 December 2021.

Revenue by Channel

Net sales (excluding Trade) were € 819.3 million, up 2.0% at actual exchange rates, with Public the most resilient channel. Semi-Public was less resilient due to the particular impact of the lockdown on universities, schools and hospitals and Private due to working from home policies.

By channel, total net sales per machine per day showed an increase of 11.6% from € 7.4 to € 8.2, with a 5.1% increase in the private channel from € 7.9 to € 8.3, +23.2% in public from € 18.3 to € 22.6, and an increase in semi-public of 23.8% from € 4.2 to € 5.1.

Adjusted EBITDA

Adjusted EBITDA increased by 134.1% at actual exchange rates and by 132.1% at constant currency, from € 85.1 million for the year ended 31 December 2020, to € 199.3 million for the year ended 31 December 2021. As a result, our Adjusted EBITDA margin on net sales increased to 19.2% for the year ended 31 December 2021, compared to 8.4% for the year ended 31 December 31.

This increase 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 and strict cost discipline on other overheads.

Vending Fee

Vending fee increased by 8.2% from € 133.7 million for the year ended 31 December 2020, to € 144.7 million for the year ended 31 December 2021. This increase was primarily driven by increased Revenue.

Materials and consumables used

Materials and consumables used decreased by 0.9%, from € 399.6 million for the year ended 31 December 2020, to € 396.1 million for the year ended 31 December 2021. This decrease was in contrast to an increase in Net Sales at 3.2%. As a percentage of Net Sales, materials and consumables used decreased from 39.7% for the year ended 31 December 2020 to 38.1% for the year ended 31 December 2021, mainly driven by the change in Revenue mix.

Operational Expenses

Adjusted employee expenses decreased by 12.0%, from € 362.6 million for the year ended 31 December 2020, to € 319.0 million for the year ended 31 December 2021. Decrease in employee expenses due to strict management of daily operational capacities.

Adjusted other operating expenses decreased by 19.3%, from € 160.4 million for the year ended 31 December 2020, to € 125.3 million for the year ended 31 December 2021.

4. Cash Flow Statement

€M	Jan - Dec 2021	Jan - Dec 2020	Var %
EBITDA	**158.1**	**19.4**	**N/A**
(Profit) / loss on disposals	(5.2)	(5.7)	(9.4%)
Changes in working capital, provisions & others	(66.7)	96.8	N/A
Non-cash transactions	1.3	(2.4)	N/A
Net cash generated from operating activities	87.5	108.0	(19.0%)
Purchases of tangible and intangible assets	(83.2)	(54.1)	(53.9%)
Acquisition of subsidiaries	-	(3.1)	100.0%
Proceeds from sale of subsidiaries and other proceeds	11.4	13.0	(16.2%)
Net cash used in investing activities	(71.8)	(44.2)	(62.6%)
Free cash flow	**15.7**	**63.9**	**(75.5%)**
Proceeds / repayments of loans and borrowings	8.0	126.1	(93.6%)
Interest paid	(29.8)	(63.8)	53.2%
Capital element of finance lease liabilities	(60.9)	(63.1)	3.4%
Net cash used in financing activities	(82.7)	(0.7)	N/A
Total net cash flow	**67.1**	**63.2**	N/A

At Actual Exchange Rates

Net cash generated from operating activities was an inflow of € 87.5 million for the year ended 31 December 2021. This cash inflow was mainly driven by improved EBITDA.

Net cash used in investing activities was € 71.8 million for the year ended 31 December 2021, an increase of 62.6% compared to net cash used in investing activities for the year ended 31 December 2020. This increase was primarily due to the gradual recovery in 2021 versus 2020, together with strict capex controls to ensure targeted returns on capital.

Net cash used in financing activities was € 82.7 million for the year ended 31 December 2021, primarily due to capital element of finance lease payments and the interest paid.

5. Balance Sheet

€m	31 Dec 2021	31 Dec 2020
Non-current assets		
Property, plant and equipment	455.7	509.5
Goodwill	979.0	978.8
Intangible assets	603.8	649.6
Other non-current assets	65.6	120.5
Total non-current assets	**2'104.1**	**2'258.4**
Current assets		
Inventories	116.3	99.3
Trade receivables	97.5	64.4
Other current assets	46.0	45.7
Cash and cash equivalents	60.0	127.9
Total current assets	**319.8**	**337.3**
Total assets	**2'423.9**	**2'595.7**

€m	31 Dec 2021	31 Dec 2020
Equity and liabilities		
Total equity	**554.3**	**721.2**
Non-current liabilities		
Borrowings	1'015.2	975.3
Provisions	5.6	11.3
Other non-current liabilities	180.5	202.5
Deferred income tax liabilities	160.1	187.2
Total non-current liabilities	**1'361.4**	**1'376.3**
Current liabilities		
Trade payables	173.8	147.4
Provisions	50.2	68.9
Other current liabilities	284.2	281.8
Total current liabilities	**508.2**	**498.1**
Total liabilities	**1'869.6**	**1'874.4**
Total equity and liabilities	**2'423.9**	**2'595.7**

At Actual Exchange Rates

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6. Liquidity as of 31 December 2021

€m	Dec 2021 Pre IFRS 16	Dec 2021 IFRS 16	Dec 2021 Post IFRS 16
Cash & cash equivalents	60.0		60.0
Revolving credit facility	41.6		41.6
Senior notes	973.5		973.5
Lease liabilities	35.3	158.4	193.7
Other financial debt[2]	61.6	6.5	68.1
Total senior debt	1'112.0	164.9	1'276.9
Net senior debt	1'052.0	164.9	1'216.8
Adjusted EBITDA last 12 months	155.7	43.6	199.3
Leverage ratio	6.8		6.1
Available liquidity[1]	154.1		154.1

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

As of 31 December 2021, we had cash & cash equivalents of € 60.0 million and available liquidity of € 154.1 million, taking into account the undrawn commitments under our Revolving Credit Facility.

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 2021	Dec 2020
Account receivables	97.5	64.4
Other receivables	43.9	47.7
Inventory	116.3	99.3
Account payables	(173.8)	(147.4)
Other payables	(98.6)	(102.3)
Trade Working Capital	**(14.7)**	**(38.3)**

At Actual Exchange Rates

Our trade working capital increased by € 23.6 million for the year ended 31 December 2021, compared to the year ended 31 December 2020. This increase was due to an increase in accounts receivable (including other receivables) of € 29.3 million and an increase in inventory of € 17.0 million, partly offset by a € 22.7 million increase in account and other payables. Other payables remain to be impacted by the timing of cash-outs related to the rightsizing one-off change.

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 were at € 98.3 million for the year ended 31 December 2021 at actual rate including the impact of IFRS 16.

9. Material commitments and Critical Accounting Policies

Please refer to the 2021 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 2021, we further embedded our group-wide sustainability approach and progressed against our four strategic pillars: respecting the environment, offering healthy & sustainable products to our clients and consumers, delivering a sustainable supply chain and being an employer of choice for our associates.

Our recent achievements in the field of ESG are as follows:
- Continuing to dramatically reduce Selecta's carbon footprint through route optimization and introduction of electric and plug-in-hybrid vehicles
- Investing ca. €200K to support farmer prosperity in Burundi and Rwanda through rejuvenating coffe trees, training farmers on good agricultural practices and access to clean water, in collaboration with our project partners and experts on the ground
- Increasing the sustainability of packaging – including making all of our cups recyclable, offering cup takeback and recycling solutions to clients, and testing mono-material coffee packaging in our roaster
- Investing in our associates at Selecta through training all of our Sales people in Needs Based Selling and launching a new app-based learning system available to all of our 7,000 associates group-wide
- Fostering diversity & inclusion of our Selecta associates

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.

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 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.

In 2021, various mutations of COVID-19 have been detected and new mutations may emerge in the future. These mutations, some of which may be transmitted easier than previous strains of COVID-19, quickly began to spread throughout the world. In response, many governments in Europe and elsewhere, imposed new COVID-19 restrictions. It is difficult to predict whether future variations and waves of COVID-19 will emerge, or whether the pandemic will subside in the future. We cannot predict how long the countermeasures that regional and national authorities have imposed or re-imposed in an effort to contain and reverse these subsequent waves or resurgences will remain in place, or whether they will be replaced by or supplemented with even stricter measures. This could have further negative impacts on consumer confidence and spending in general and customer appetite to travel even where travel is feasible or customer willingness to spend time at at their workplace. It is possible that both the direct effects of such waves and resurgences, and the indirect consequences of new or extended countermeasures could have a material adverse effect on our results of operations, including our financial condition and liquidity.

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 preference 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 foodstuffs 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 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 5 June 2019, the European Parliament and the European Council adopted Directive (EU) 2019/904 on the reduction of certain plastic products on the environment, which was implemented by Member States and introduced certain measures, applicable from 3 July 2021, 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 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. Moreover certain competitors such 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. 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, 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 oversaturation 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.

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 re-stocked. 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 li-censing 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 competi-tive position or otherwise have a material adverse effect on its business, financial condition and results of operations.

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 in-formation systems, or databases.

Furthermore, a significant number of the Group's existing IT systems are nearing the end of their eco-nomic 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 ex-periences control deficiencies throughout its business, which it has currently addressed through man-ual 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 de-veloped 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 has implemented its IT strategy to enhance and streamline IT infrastructure and to strengthen the Group's cyber security. Based on the IT strategy the Group rolled-out a modern workplace environment, up-graded end of life servers and is about to migrate 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 func-tional requirements to fully address its IT issues. In 2021 a new CRM was rolled-out.

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 signifi-cant 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 ad-versely 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 inter-national 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 rela-tively 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.

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. 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, 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 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 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 a limited amount of 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 to 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 31 December 2021, the Group owned and operated a network of more than 400,000 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 leases 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 dependent on 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.

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. 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 Annual Report, 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 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.

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 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 (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 2021, of the €150 million total commitments under the Super Senior RCF, €41.6 million were drawn by way of cash loans, €6.5m were drawn by way of bank guarantees issued under ancillary facilities and €101.9 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 29 October 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 29 October 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 2 January and 1 July, commencing 1 July 2021. The First Lien Senior Secured Notes mature on 1 April 2026. From (and including) 29 October 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) 2 January 2023, to (but excluding) 1 April 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 1 January 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 29 October 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 29 October 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 2 January and 1 July, commencing 1 July 2021. The Second Lien Notes mature on July 1, 2026. From (and including) 29 October 2020 to (but excluding) 2 January 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) 1 January 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 1 January 2022 and until (but excluding) 1 January 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 1 January 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	41	Member
Philippe Gautier	55	Member
Ruud Gabriels	61	Member
Robert Plooji	43	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 11 December 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.

Robert Plooij: Mr. Plooij joined the management board of the Issuer on 1 August 2021. Mr. Plooij is currently Manager Legal of Avega , a corporate service provider in the Netherlands. Prior to joining Avega, Mr. Plooij worked for other corporate service providers in different roles.
Mr. Plooij graduated from the Radboud Universiteit (Nijmegen) 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 Spicalaan 39, 2132 JG Hoofddorp, 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 31 December 2021, 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 29 October 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;
- "**First Lien Notes**" refers to the €678.6 million 8.000% senior secured notes due 2026 and the CHF 17.7 million 8.000% senior secured notes due 2026 issued under the First Lien Indenture;
- **"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 15 January 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 29 October 2020;
- **"Second Lien Indenture"** refers to the indenture dated as of 29 October 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.

Appendix:
Consolidated Financial Statements

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

Consolidated financial statements for the 12 months ended 31 December 2021 and report of the independent auditor

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

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Consolidated financial statements

Consolidated statement of profit or loss

	Notes	12 months ended 31 December 2021	12 months ended 31 December 2020
		€ (000's)	*€ (000's)*
Revenue	5, 6	1'184'426	1'141'445
Vending fees	7	(144'731)	(133'707)
Materials and consumables used	8	(396'139)	(399'685)
Employee benefits expenses	9	(335'967)	(413'930)
Depreciation, amortisation and impairment expenses	10	(208'738)	(309'147)
Other operating expenses	11	(163'640)	(190'857)
Other operating income	12	14'146	16'178
Loss on disposal of subsidiaries		-	(47)
Loss before net finance costs and income tax		**(50'643)**	**(289'750)**
Finance costs	13	(94'796)	(169'530)
Finance income	13	30'394	23'698
Loss before income tax		**(115'045)**	**(435'582)**
Income tax	14	19'136	15'090
Loss for the period		**(95'909)**	**(420'492)**
Loss attributable to:			
Owners of the Company		(95'909)	(420'492)
Revenue net of vending fees [1]	5, 7	1'039'695	1'007'738

The notes on pages 9 to 55 are an integral part of these consolidated financial statements.

[1] 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 loss

	Notes	*12 months ended 31 December 2021 € (000's)*	*12 months ended 31 December 2020 € (000's)*
Loss for the period		**(95'909)**	**(420'492)**
Items that will not be reclassified to the consolidated statement of profit or loss			
Re-measurement gain/(loss) on post-employment benefit obligations	25	(62'894)	10'363
Income tax relating to re-measurement gain/(loss) on post-employment benefit obligations	27.2	11'649	(1'471)
		(51'245)	**8'892**
Items that are or may subsequently be reclassified to the consolidated statement of profit or loss			
Foreign exchange translation differences for foreign operations	29.2	(20'017)	(22'920)
Other comprehensive loss for the period		**(71'262)**	**(14'028)**
Total comprehensive loss for the period		**(167'171)**	**(434'520)**
Total comprehensive loss attributable to:			
Owners of the Company		**(167'171)**	**(434'520)**

The notes on pages 9 to 55 are an integral part of these consolidated financial statements.

Consolidated statement of financial position

	Notes	31 December 2021 € (000's)	31 December 2020 € (000's)
Non-current assets			
Property, plant and equipment	15	455'688	509'507
Goodwill	16	979'048	978'803
Trademarks	17	344'624	347'914
Customer contracts	17	230'921	280'843
Other intangible assets	17	28'202	20'795
Deferred income tax assets	27	27'186	25'665
Non-current financial assets	18	15'048	16'341
Net defined benefit asset	25	23'383	78'524
Total non-current assets		**2'104'100**	**2'258'392**
Current assets			
Inventories	19	116'291	99'294
Trade receivables	20	97'499	64'410
Other current assets	21	46'016	45'654
Cash and cash equivalents	22	60'034	127'902
Total current assets		**319'840**	**337'260**
Total assets		**2'423'940**	**2'595'652**

The notes on pages 9 to 55 are an integral part of these consolidated financial statements.

	Notes	*31 December 2021 € (000's)*	*31 December 2020 € (000's)*
Equity and liabilities			
Equity			
Share capital	29	344	344
Share premium	29	2'033'314	2'033'091
Currency translation reserve	29	(243'054)	(223'037)
Accumulated deficit	29	(1'236'308)	(1'089'154)
Total equity		**554'296**	**721'244**
Non-current liabilities			
Borrowings	23	1'015'150	975'332
Lease liabilities	24	147'644	174'389
Net defined benefit liability	25	16'126	16'779
Provisions and other employee benefits	26	5'607	11'253
Other non-current liabilities		16'792	11'284
Deferred income tax liabilities	27	160'108	187'225
Total non-current liabilities		**1'361'427**	**1'376'262**
Current liabilities			
Lease liabilities	24	46'047	52'240
Trade payables		173'762	147'413
Provisions and other employee benefits	26	50'174	68'901
Current income tax liabilities		5'295	8'863
Other current liabilities	28	232'939	220'729
Total current liabilities		**508'217**	**498'146**
Total liabilities		**1'869'644**	**1'874'408**
Total equity and liabilities		**2'423'940**	**2'595'652**

The notes on pages 9 to 55 are an integral part of these consolidated financial statements.

Statement of changes in consolidated equity

	Notes	Share capital € (000's)	Share premium € (000's)	Currency translation reserve € (000's)	Accumulated deficit € (000's)	Total equity € (000's)
		Attributable to owners of the Company				
Balance at 31 December 2019		**187**	**1'039'957**	**(200'117)**	**(677'554)**	**162'473**
Other comprehensive Income/(loss)		-	-	(22'920)	8'892	**(14'028)**
Loss for the period		-	-	-	(420'492)	**(420'492)**
Total comprehensive loss for the period		-	-	(22'920)	(411'600)	**(434'520)**
Equity contribution	*29*	157	993'134	-	-	**993'292**
Balance at 31 December 2020		**344**	**2'033'091**	**(223'037)**	**(1'089'154)**	**721'244**
Other comprehensive loss		-	-	(20'017)	(51'245)	**(71'262)**
Loss for the period		-	-	-	(95'909)	**(95'909)**
Total comprehensive loss for the period		-	-	(20'017)	(147'154)	**(167'171)**
Share-based payment	*33*	-	223	-	-	**223**
Balance at 31 December 2021		**344**	**2'033'314**	**(243'054)**	**(1'236'308)**	**554'296**

The notes on pages 9 to 55 are an integral part of these consolidated financial statements.

Consolidated statement of cash flow

	Notes	12 months ended 31 December 2021 € (000's)	12 months ended 31 December 2020 € (000's)
Cash flows from operating activities			
Loss before income tax		(115'045)	(435'582)
Depreciation, amortisation and impairment expenses	10	208'738	309'147
Gain on disposal of property, plant and equipment, net		(5'408)	(5'721)
Expenses for share-based payments		223	-
Non-cash transactions		1'266	(2'403)
Finance costs, net		64'402	145'832
Changes in working capital:			
(Increase)/Decrease in inventories		(15'444)	26'385
(Increase)/Decrease in trade receivables		(30'003)	631
(Increase)/Decrease in other current assets		(234)	46'399
Increase/(Decrease) in trade payables		24'094	(52'752)
Increase/(Decrease) in other current liabilities and provisions		(43'741)	77'883
Income taxes paid		(1'370)	(1'770)
Net cash generated from operating activities		**87'478**	**108'049**
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		-	(3'079)
Purchases of property, plant and equipment		(69'597)	(48'272)
Purchases of intangible assets		(13'650)	(5'820)
Proceeds from sale of property, plant and equipment		11'248	13'420
Interest received and other proceeds paid		200	(408)
Net cash used in investing activities		**(71'799)**	**(44'159)**
Cash flows from financing activities			
Proceeds from capital increase		-	125'000
Proceeds from cash grant		-	50'000
Proceeds from interim financing		-	50'000
Repayment of interim financing		-	(50'000)
Proceeds/(Repayments) of loans and borrowings	23	11'568	(23'537)
Payments of lease liabilities	23	(60'904)	(63'051)
Proceeds/(Repayments) of factoring	23	(3'557)	5'040
Interest paid	23	(29'839)	(63'750)
Financing costs paid		-	(30'406)
Net cash used in financing activities	23	**(82'732)**	**(704)**
Net (decrease)/increase in cash and cash equivalents		**(67'053)**	**63'186**
Cash and cash equivalents at the beginning of the period		127'902	64'396
Exchange gains on cash and cash equivalents		(815)	320
Cash and cash equivalents at the end of the period		**60'034**	**127'902**

The notes on pages 9 to 55 are an integral part of these 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 markets during 2020 and 2021.

In addition to the downsides in revenue, the pandemic had the following main impacts on the financial performance in 2021:

- 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 amounted to € 25.4 million and was offset in the consolidated statement of profit or loss against employee benefit expense. Additional savings of € 5.3 million paid directly by the governments to employees were realized in Spain and Austria.

- There were decisive and rapid actions implemented in order to partially mitigate the adverse impact on both consolidated statement of profit or loss and liquidity. Amongst others, actions included 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 in 2020 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 plan was successfully executed in 2021. € 16.9 million provisions for restructuring were recognised as of 31 December 2021.

- As the Group expects a sustainable impact from the current pandemic resulting in lower revenues from its existing business, a goodwill impairment in the amount of € 68.9 million was recognized in 2020 as well as an impairment of customer contracts in the amount of € 13.4 million. As the situation stabilized in the course of 2021 no further impairment of intangible assets was necessary as a result of the annual impairment testing.

In early 2022 governments in many countries started to ease pandemic related restrictions. However, 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 the management continues to be convinced to have the adequate resources to continue its operations at least for the next 12 months until the sign-off of the consolidated financial statements of the Group for the 12 months period ending 31 December 2022. 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).

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 2021.

3.2. New and revised/amended standards and interpretations

A number of new amendments are effective from 1 January 2021, but they do not have a material effect on the Group's consolidated financial statements.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2022 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.

	Impact	*Effective date*	*Planned application by Selecta Group B.V.*
New standards or interpretations			
Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)	2)	1 January 2022	Reporting year 2022
Annual Improvements to IFRS Standards 2018-2020	1)	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)	1)	1 January 2022	Reporting year 2022
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	1)	1 January 2023	Reporting year 2023
Disclosure of Accounting Policy (Amendments to IAS 1 and IFRS Practice Statement 2)	2)	1 January 2023	Reporting year 2023
Definition of Accounting Estimate (Amendments to IAS 8)	1)	1 January 2023	Reporting year 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes)	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 com-

prehensive income and transferred to the Group's currency translation reserve. Such exchange differences are reclassified from equity to the 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 2021		*31 December 2020*	
		Statement of financial position	*Statement of profit or loss*	*Statement of financial position*	*Statement of profit or loss*
Danish Krone	DKK	7.44	7.44	7.44	7.45
Great Britain Pound	GBP	0.84	0.86	0.90	0.89
Norwegian Kroner	NOK	9.99	10.16	10.47	10.78
Swedish Krona	SEK	10.25	10.16	10.03	10.48
Swiss Franc	CHF	1.03	1.08	1.08	1.07

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
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. Leases

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 leases of low-value and short-term leases are capitalised on the balance sheet. Leases are capitalised at the leases' commencement. Each lease payment is allocated between the liability and finance charges. 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 right-of-use asset is depreciated over the shorter of the useful life of the asset or the lease term.

3.8. 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.

Software as a Service (SaaS)

In software as a service arrangements the Group is granted a right to access cloud based software and use it for its purpose. No right to transfer the software to another platform or to control the method of operation of the software is granted beyond what is contractually agreed. License costs in relation to SaaS arrangements are expensed as incurred.

Implementation costs are assessed for being distinct from the access to the software. In situations in which the implementation costs are determined to be not distinct from the access to the software, they are recognised as expense over the period of the access to the software. In situations in which the implementation costs are determined to be distinct, an additional test is performed to determine whether the expenditure gives rise to a separate intangible asset. When the criteria of the test are satisfied, the development costs are recognised as an intangible asset. When the criteria of the test are not satisfied, the development costs are expensed as incurred.

3.9. 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.

3.10. 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.

3.11. 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.

3.12. 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.

3.13. 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 Group 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 when a receivable cannot be (fully) recovered.

3.14. 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 end route to or from such cash counting firms. These amounts are included in other current assets.

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

3.15. 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.

3.16. 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.

3.17. 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. Share-based payments

Employees (senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given in Note 33. The cost is recognised in employee benefits expense, together with a corresponding increase in equity (share premium), over the period in which the service and, where applicable, the other performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognized at the beginning and end of the period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value.

3.21. 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 is recognised on a straight-line basis over the service period whereas time and material agreements are recorded as they incur.

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. Segment reporting

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

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

- **Segment South, UK & Ireland:** characterised by paid-vend[2], 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-vend[3], 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, profit/(loss) before net finance costs, 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.

Result for the 12 months ended 31 December 2021

	South, UK & Ireland	*Central*	*North*	*Total reportable segments*	*HQ and Interco*	*Total Group*
	€ (000's)	*€ (000's)*	*€ (000's)*	*€ (000's)*	*€ (000's)*	*€ (000's)*
Revenue	383'245	438'263	382'453	**1'203'961**	(19'535)	**1'184'426**
Revenue net of vending fees	344'969	353'601	360'660	**1'059'230**	(19'535)	**1'039'695**
Profit/(loss) before net finance costs, income taxes, depreciation, amortisation and impairment expenses	**34'590**	**74'621**	**66'001**	**175'212**	**(17'117)**	**158'095**
Depreciation, amortisation and impairment expenses	(59'808)	(59'967)	(38'803)	**(158'578)**	(50'160)	**(208'738)**
Loss before net finance costs and income tax						**(50'643)**
Finance costs, net						**(64'402)**
Loss before income tax						**(115'045)**

2 Paid vend means that consumer pays (e.g. at the coffee machines in the offices)
3 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

	South, UK & Ireland	*Central*	*North*	*Total reportable segments*	*HQ and Interco*	*Total Group*
	€ (000's)	*€ (000's)*	*€ (000's)*	*€ (000's)*	*€ (000's)*	*€ (000's)*
Revenue	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 net finance costs, income taxes, depreciation and amortisation expenses	**10'471**	**15'949**	**39'938**	**66'358**	**(46'961)**	**19'397**
Depreciation and amortisation expenses	(61'313)	(68'001)	(42'136)	**(171'450)**	(137'697)	**(309'147)**
Loss before net finance costs and income tax						**(289'750)**
Finance costs, net						**(145'832)**
Loss before income tax						**(435'582)**

	Non-current assets excluding deferred income tax assets, non-current financial assets and net defined benefit assets	
	31 December 2021 € (000's)	*31 December 2020 € (000's)*
Switzerland	105'080	116'717
France	69'308	86'014
Italy	87'071	95'023
Sweden	24'614	30'129
UK	33'847	45'852
Netherlands	54'372	59'985
All other countries	125'011	131'668
HQ	1'537'430	1'572'474
Total	**2'036'733**	**2'137'862**

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 2021

	South, UK & Ireland	*Central*	*North*	*Total reportable segments*	*HQ and Interco*	*Total Group*
	€ (000's)	*€ (000's)*	*€ (000's)*	*€ (000's)*	**€ (000's)**	*€ (000's)*
Revenue from contracts with customers	383'245	438'263	370'447	1'191'955	(19'535)	1'172'420
Rental revenue	-	-	12'006	12'006	-	12'006
Total revenue	**383'245**	**438'263**	**382'453**	**1'203'961**	**(19'535)**	**1'184'426**
Revenue from On-the-Go channel	133'552	238'079	69'737	441'368	-	441'368
Third party revenue from Workplace channel	190'768	159'191	160'725	510'684	-	510'684
Intersegment revenue from Workplace channel	-	57	-	57	(57)	-
Third party revenue from Trading channel	58'835	40'812	120'721	220'368	-	220'368
Intersegment revenue from Trading channel	90	124	19'264	19'478	(19'478)	-
Total revenue from contracts with customers	**383'245**	**438'263**	**370'447**	**1'191'955**	**(19'535)**	**1'172'420**

Result for the 12 months ended 31 December 2020

	South, UK & Ireland	*Central*	*North*	*Total reportable segments*	*HQ and Interco*	*Total Group*
	€ (000's)	*€ (000's)*	*€ (000's)*	*€ (000's)*	**€ (000's)**	*€ (000's)*
Revenue 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**

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 the Group's 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 as of 31 December 2021 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

	12 months ended 31 December 2021 € (000's)	*12 months ended 31 December 2020 € (000's)*
Cost of materials	(412'865)	(413'004)
Rebates and discounts	16'330	14'312
Other	396	(993)
Total materials and consumables used	**(396'139)**	**(399'685)**

9. Employee benefits expenses

	12 months ended 31 December 2021 € (000's)	12 months ended 31 December 2020 € (000's)
Wages and salaries	(299'575)	(402'119)
Social security	(53'555)	(65'884)
Compensation for short-term work	25'400	64'120
Post-employment benefits:		
Defined contribution plans	(5'456)	(7'389)
Defined benefit plans	(2'781)	(2'658)
Total employee benefits expense	**(335'967)**	**(413'930)**

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

10. Depreciation, amortisation and impairment expenses

	Notes	*12 months ended 31 December 2021 € (000's)*	*12 months ended 31 December 2020 € (000's)*
Depreciation	15	(147'495)	(162'354)
Impairment recognized on customer contracts and others	17	-	(16'557)
Impairment on goodwill	16	-	(68'900)
Amortisation customer relationship contracts and trademark	17	(53'785)	(51'644)
Amortisation other intangibles	17	(7'458)	(9'692')
Total depreciation, amortisation and impairment expenses		**(208'738)**	**(309'147)**

11. Other operating expenses

	12 months ended 31 December 2021 € (000's)	*12 months ended 31 December 2020 € (000's)*
Maintenance	(79'082)	(84'260)
Administration expenses	(61'827)	(76'472)
Travel and representation	(5'172)	(5'431)
Rent	(5'999)	(9'652)
Loss on disposal of tangible assets	(5'079)	(5'232)
Other operating expenses	(6'481)	(9'810)
Total other operating expenses	**(163'640)**	**(190'857)**

12. Other operating income

	12 months ended 31 December 2021 € (000's)	*12 months ended 31 December 2020 € (000's)*
Supplier marketing contributions	674	1'036
Gain on disposal of tangible assets	6'197	6'125
Other operating income	7'275	9'017
Total other operating income	**14'146**	**16'178**

13. Finance costs and finance income

	12 months ended 31 December 2021 € (000's)	*12 months ended 31 December 2020 € (000's)*
Interest on loan due to parent undertaking	-	(8'154)
Interest on other loans	(85'377)	(88'055)
Refinancing costs	-	(65'941)
Lease interest expense	(6'759)	(6'948)
Other interest and finance expense	(2'660)	(432)
Total finance costs	**(94'796)**	**(169'530)**
Change in fair value of derivative financial instruments	-	512
Foreign exchange gain	28'788	20'698
Other interest and finance income	1'606	2'718
Total finance income	**30'394**	**23'698**

14. Income tax

Income tax benefit comprises:

	12 months ended 31 December 2021 € (000's)	*12 months ended 31 December 2020 € (000's)*
Current income tax (expense) / benefit	1'875	(845)
Deferred income tax benefit	17'261	15'935
Total income tax benefit	**19'136**	**15'090**

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

	12 months ended 31 December 2021 € (000's)	*12 months ended 31 December 2020 € (000's)*
Loss before income tax	(115'045)	(435'582)
Applicable tax rate	27.9 %	23.2%
Expected tax credit	32'072	100'982
Effect of expenses not deductible for tax purposes	(31'736)	(37'891)
Effect of change in tax rate	(1'750)	-
Effect of non-taxable income for tax purposes	23'489	13'503
Effect of taxable losses for the period not recognised as deferred tax assets	(20'281)	(75'139)
Recognition of previously unrecognised tax losses and deferred tax assets	13'749	12'560
Income tax benefit of previous years	3'593	1'075
Income tax benefit recognised in consolidated statement of profit or loss	**19'136**	**15'090**

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

Cost	*Freehold land and buildings € (000's)*	*Vending equipment € (000's)*	*Vehicles € (000's)*	*Other equipment € (000's)*	***Total € (000's)***
Balance at 31 December 2019	**14'172**	**819'176**	**25'926**	**84'891**	**944'165**
Right-of-use assets*	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)**
Lease modifications	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**
Additions	10'288	80'214	17'917	7'472	**115'891**
Disposals	(12'577)	(103'453)	(17'674)	(7'550)	**(141'254)**
Lease modifications	797	21	591	2	**1'411**
Reclassifications**	56	(16'188)	2'072	(3'864)	**(17'924)**
Effects of foreign currency exchange differences	3'010	11'333	1'167	1'491	**17'001**
Balance at 31 December 2021	**163'156**	**801'755**	**78'042**	**83'705**	**1'126'658**
Accumulated depreciation and impairment					
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)**
Depreciation expense	(17'615)	(99'437)	(19'621)	(10'822)	**(147'495)**
Disposals	4'284	89'950	13'743	6'576	**114'553**
Reclassifications**	(43)	13'813	(2'052)	2'567	**14'285**
Effects of foreign currency exchange differences	(498)	(8'451)	(397)	(941)	**(10'287)**
Balance at 31 December 2021	**(34'212)**	**(547'720)**	**(32'109)**	**(56'929)**	**(670'970)**
Net Book Value					
At 31 December 2020	**141'242**	**286'233**	**50'187**	**31'845**	**509'507**
At 31 December 2021	**128'944**	**254'035**	**45'933**	**26'776**	**455'688**

* At 1 January 2020 the Group recognised € 225.1 millions of right-of-use assets, from which € 195.7 millions were recognised from lease contracts previously classified as operating leases and € 29.4 millions were recognised from leases previously classified as finance leases. For leases previously classified as finance leases, the Group did not change the initial carrying amounts of recognised assets.

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

As of 31 December 2021, the above table included right-of-use assets in the amount € 190.4 million (31 December 2020: € 221.4 million). Commitments in respect of capital expenditure amounted to € 2.4 million as of 31 December 2021 (31 December 2020: € 3.3 million).

16. Goodwill

Cost	Goodwill € (000's)
Balance at 1 January 2019	**1'035'048**
Other changes	13'765
Balance at 1 January 2020	**1'048'813**
Other changes	(1'110)
Balance at 31 December 2020	**1'047'703**
Other changes	245
Balance at 31 December 2021	**1'047'948**

Accumulated impairment	Goodwill € (000's)
Balance at 1 January 2019	-
Impairment	-
Balance at 1 January 2020	-
Impairment	(68'900)
Balance at 31 December 2020	**(68'900)**
Impairment	-
Balance at 31 December 2021	**(68'900)**
At 31 December 2020	**978'803**
At 31 December 2021	**979'048**

16.1. Impairment testing

During the financial years 2021 and 2020 the carrying values including goodwill of the cash-generating units were compared to their recoverable amounts. The test was conducted on the basis of the carrying values and the recoverable amounts of the Selecta Group's cash generating units.

The goodwill tested as of 31 December 2021 was € 979.0 million, composed of the legacy Selecta, Pelican Rouge and Argenta and several minor acquisitions goodwill. For 12 months ended 31 December 2021, it was concluded that recoverable amounts exceeded the carrying amounts and therefore no impairment was recorded.

For 12 months ended 31 December 2020, 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 fully allocated to goodwill and recorded in the line item "Impairment".

16.2. Allocation to cash-generating units

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

In alignment with Group's segment 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 as of 31 December 2021 and 31 December 2020 were as follows:

	31 December 2021 € (000's)	*31 December 2020 € (000's)*
Selecta goodwill		
Region South, UK & Ireland	416'891	416'781
Region Central	188'479	188'343
Region North	373'678	373'679
Total goodwill	**979'048**	**978'803**

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 2023 – 2025 business plan of the Group, covering a three-year period. In years four to seven the Group assumes further growth of 1.5% (2020: 1.5%).

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 2021, the growth rates were as follows:

	2021
Region South, UK & Ireland	1.5%
Region Central	1.5%
Region North	1.5%

For the 12 months period ended 31 December 2020, the growth rates were as follows:

	2020
Region South, UK & Ireland	1.5%
Region Central	1.5%
Region North	1.5%

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 as of 31 December 2021 and 31 December 2020 were as follows:

	31 December 2021		*31 December 2020*	
	Post-tax WACC	Equivalent to a pre-tax WACC of:	Post-tax WACC	Equivalent to a pre-tax WACC of:
Region South, UK & Ireland	7.9%	10.1%	7.8%	9.9%
Region Central	7.2%	8.9%	7.4%	9.5%
Region North	7.2%	9.4%	7.3%	9.0%

16.4. Headroom/Impairment and sensitivity to change in assumptions

The headroom arising from the goodwill impairment testing by region as of 31 December 2021 and 31 December 2020 was as follows:

	31 December 2021 € millions	*31 December 2020 € millions*
Region South, UK & Ireland	276	-
Region Central	441	233
Region North	368	-

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 2021	
	Level to which Post-tax WACC would need to increase to eliminate all of the headroom in the region	*Level to which growth rates would need to fall to eliminate all of the headroom in the region*
Region South, UK & Ireland	10.4%	-1.7%
Region Central	12.7%	-5.9%
Region North	11.0%	-3.2%

	31 December 2020	
	Level to which Post-tax WACC would need to increase to eliminate all of the headroom in the region	*Level to which growth rates would need to fall to eliminate all of the headroom in the region*
Region Central	10.3%	-3.1%

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. The impairment calculation is based on the Value in Use assumption.

Cost	*Software/ other € (000's)*	*Trademarks € (000's)*	*Customer Contracts € (000's)*	***Total € (000's)***
Balance at 31 December 2019	**79'145**	**357'051**	**669'059**	**1'105'255**
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**	**671'923**	**1'110'798**
Additions	13'525	-	110	**13'635**
Disposals	(2'231)	-	-	**(2'231)**
Reclassifications	451	-	-	**451**
Effects of foreign currency exchange differences	3'022	-	868	**3'890**
Balance at 31 December 2021	**96'591**	**357'051**	**672'901**	**1'126'543**

Accumulated amortisation and impairment losses	*Software/ other € (000's)*	*Trademarks € (000's)*	*Customer Contracts € (000's)*	***Total € (000's)***
Balance at 31 December 2019	**(52'268)**	**(5'846)**	**(329'415)**	**(387'529)**
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	286	-	273	**559**
Balance at 31 December 2020	**(61'029)**	**(9'137)**	**(391'080)**	**(461'246)**
Amortisation expenses	(7'458)	(3'290)	(50'495)	**(61'243)**
Disposals	2'230	-	-	**2'230**
Reclassifications	55	-	-	**55**
Effects of foreign currency exchange differences	(2'187)	-	(405)	**(2'592)**
Balance at 31 December 2021	**(68'389)**	**(12'427)**	**(441'980)**	**(522'796)**
At 31 December 2020	**20'795**	**347'914**	**280'843**	**649'552**
At 31 December 2021	**28'202**	**344'624**	**230'921**	**603'747**

In 2021 the annual valuation testing of customer contracts didn't result in an impairment. In 2020 an impairment of € 13.4 million was recognized and allocated to the cash generating unit Central. The remaining amount of impairment for intangible assets was mainly related to capitalized IT costs.

At 31 December 2021 and 31 December 2020, the trademark has been allocated as follows:

	31 December 2021 € (000's)	*31 December 2020 € (000's)*
Region South, UK & Ireland	51'122	54'412
Region Central	203'475	203'475
Region North	90'027	90'027
Trademark allocated to cash generating units	**344'624**	**347'914**

18. Non-current financial assets

	31 December 2021 € (000's)	*31 December 2020 € (000's)*
Non-current financial assets comprise the following:		
Investments	46	43
Trade and other receivables	15'002	16'298
Total non-current financial assets	**15'048**	**16'341**
The maturity of the non-current financial assets is as follows:		
After one year but not more than five years	15'048	16'341
Total non-current financial assets	**15'048**	**16'341**

19. Inventories

	31 December 2021 € (000's)	*31 December 2020 € (000's)*
Food and beverages	67'219	60'341
Vending equipment and spare parts	38'679	30'677
Goods in transit	3'674	1'927
Raw materials	6'719	6'349
Total inventories	**116'291**	**99'294**

During the 12 months ended 31 December 2021, inventories of € 412.8 million (2020: € 413.0 million) were recognised as an expense and included in materials and consumables used.

Inventory allowance of € 7.2 million (2020: € 7.0 million) was recorded for 12 months ended 31 December 2021.

At 31 December 2021 the Group had commitments of € 59.8 million (2020: € 59.8 million) relating to purchase of inventory.

20. Trade receivables

	31 December 2021 € (000's)	31 December 2020 € (000's)
Trade receivables - not overdue	78'947	55'386
Trade receivables - overdue 0 - 90 days	17'233	9'665
Trade receivables - overdue 90 - 360 days	4'630	4'145
Trade receivables - overdue > 360 days	3'714	825
Total trade receivables, gross	**104'524**	**70'021**
Allowance for doubtful accounts	(7'025)	(5'611)
Total trade receivables, net	**97'499**	**64'410**

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.

Selecta subsidiaries in Benelux, UK, Switzerland, Germany and Sweden sell part of their receivables into a non-recourse receivable factoring program with ABNAMRO Commercial Finance B.V. In Norway and Finland, the local subsidiaries have an equally structured program with IKANO Bank AB. 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. Selecta non-recourse programs allowed the Group to dereconize trade receivables in the amount of € 28.7 million at 31 December 2021(€ 25.6 million at 31 December 2020) and improve its net working capital as well as cash flow from operating activities.

21. Other current assets

	31 December 2021 € (000's)	31 December 2020 € (000's)
Accrued income	23'158	22'281
Prepayments	6'090	10'563
Sales tax recoverable	6'895	5'256
Other	9'873	7'554
Total other current assets	**46'016**	**45'654**

22. Cash and cash equivalents

	31 December 2021 € (000's)	31 December 2020 € (000's)
Cash at bank	52'162	118'590
Cash in point-of-sale	7'872	9'312
Cash and cash equivalents	**60'034**	**127'902**

23. Borrowings

	31 December 2021 € (000's)	31 December 2020 € (000's)
Borrowings (incl. revolving credit facility)	1'015'150	975'332
Total borrowings	**1'015'150**	**975'332**

23.1. Borrowings

	31 December 2021			31 December 2020		
	€ (000's)	*in %*	*Interest rate*	*€ (000's)*	*in %*	*Interest rate*
EUR	991'212	97.6%	8.2%	953'313	97.7%	8.2%
CHF	23'938	2.4%	8.5%	22'019	2.3%	8.6%
Total	**1'015'150**	**100%**	**8.2%**	**975'332**	**100%**	**8.2%**

The amounts shown above reflect the nominal value and original currency of the borrowings. The nominal interest rate is disclosed. In 2020, 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 2021 € (000's)	31 December 2020 € (000's)
Total borrowings at variable rates	41'637	40'042
Total borrowings at fixed rates	973'513	935'290
Total borrowings	**1'015'150**	**975'332**

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 recapitalization 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.

Interest Rate

- First Lien Notes: Until (but excluding) January 2nd, 2023: 3.500% per annum, payable in cash, plus in kind at a rate of 4.500% per annum by increasing the principal amount of the outstanding Euro Notes or issuing additional Euro Notes in a principal amount equal to such interest. 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 by increasing the principal amount of the outstanding Euro Notes or issuing additional Euro Notes in a principal amount equal to such interest. 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.

	Interest rate	*31 December 2021*
	%	*€ (000's)*
First Lien Notes (EUR)	8.0	699'078
First Lien Notes (CHF)	8.0	17'624
Second Lien Notes (EUR)	10.0	250'496
Second Lien Notes (CHF)	10.0	6'315
Senior revolving credit facility (Euribor + 3.5%)	3.5	41'637
Total borrowings at nominal values		**1'015'150**

	Interest rate	*31 December 2020*
	%	*€ (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 (CHF)	10.0	5'659
Senior revolving credit facility (Euribor + 3.5%)	3.5	40'042
Total borrowings at nominal values		**975'332**

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

	Total borrowings € (000's)	*Interest accrual on bonds € (000's)*	*Other loans, financing facilities € (000's)*	*Other (assets)/ liabilities € (000's)*	***Total € (000's)***
Balance at 31 December 2020	**975'332**	**14'106**	**245'029**	**(8'803)**	**1'225'664**
Changes from financing cash flows					
Proceeds/(repayment) of loans and borrowings	(219)	-	11'787	-	**11'568**
Proceeds/(repayment) of factoring	-	-	(3'557)	-	**(3'557)**
Interest paid	(3'194)	(16'344)	(10'301)	-	**(29'839)**
Payment of lease liabilities	-	-	(60'904)	-	**(60'904)**
Total changes from financing cash flows	**(3'413)**	**(16'344)**	**(62'975)**	**-**	**(82'732)**
Capitalized interest	37'166	(37'166)	-	-	**-**
Interest expense	2'478	81'304	10'302	-	**94'084**
Additions and modification	-	-	24'235	-	**24'235**
Other movement	-	-	-	8'803	**8'803**
Total other changes	**39'644**	**44'138**	**34'537**	**8'803**	**127'122**
The effect of changes in foreign exchange rates	3'587	(392)	3'729	-	**6'924**
Balance at 31 December 2021	**1'015'150**	**41'508**	**220'320**	**-**	**1'276'978**

	Total borrowings before refinancing costs € (000's)	*Amortised refinancing costs € (000's)*	*Interest accrual on bonds € (000's)*	*Other loans, financing facilities € (000's)*	*Other (assets)/ liabilities € (000's)*	***Total € (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)**
Proceeds/(repayment) of 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**

24. Leases

The leases of Selecta comprise, in particular, of freehold land and buildings, vehicles and vending equipment.

Right-of-use assets *€ (000's)*	**Land and Buildings**	**Vending equipment**	**Vehicles**	**Other equipment**	**Total**
Balance at 1 January 2020	120'570	42'525	57'293	4'713	**225'101**
Depreciation charge for the year	(17'204)	(13'254)	(22'765)	(1'909)	**(55'132)**
Additions to right-of-use assets	24'707	8'596	12'206	989	**46'498**
Disposals of right-of-use assets	(2'390)	6	(695)	17	**(3'062)**
Lease modifications	6'921	(410)	1'290	-	**7'801**
Effects of foreign currency exchange differences	-	22	210	(2)	**230**
Balance at 31 December 2020	**132'604**	**37'485**	**47'539**	**3'808**	**221'436**
Depreciation charge for the year	(16'860)	(10'572)	(18'562)	(1'557)	**(47'551)**
Additions to right-of-use assets	9'964	8'589	16'941	101	**35'595**
Disposals of right-of-use assets	(8'243)	(11'474)	(3'583)	(907)	**(24'207)**
Lease modifications	797	21	591	2	**1'411**
Effects of foreign currency exchange differences	2'507	391	762	28	**3'688**
Balance at 31 December 2021	**120'769**	**24'440**	**43'688**	**1'475**	**190'372**

Lease liabilities	*31 December 2021 € (000's)*	*31 December 2020 € (000's)*
Current lease liabilities	46'047	52'240
Non-current lease liabilities	147'644	174'389
Total lease liabilities	**193'691**	**226'629**

Amounts recognised in profit or loss	*12 months ended 31 December 2021 € (000's)*	*12 months ended 31 December 2020 € (000's)*
Interest on lease liabilities	6'759	6'702
Variable lease payments not included in the measurement of lease liabilities	24	1'572
Income from sub-leasing	(312)	(385)
Expenses related to short term leases	1'234	1'424
Expenses related to leases of low-value assets, excluding short-term leases of low-value assets	1'002	2'235

Amounts recognised in statement of cash flows	*12 months ended 31 December 2021 € (000's)*	*12 months ended 31 December 2020 € (000's)*
Total cash outflow for leases	69'922	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 € 23.4 million, the remainder of the countries recorded a net liability position of € 16.1 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 2021. 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”). 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 accounts for this plan as defined benefit plan because it is exposed to risks as mentioned in the paragraph ‘sensitivity analysis’.

The ITS purchased bulk annuity from Legal & General Assurance Society (L&G) in September 2021 to de-risk the defined benefit pension scheme obligation. This investment strategy intends to equally match the assets and liabilities of the scheme (full scheme buy-in).

The Group took the decision to fund the buy-in based on the following considerations:

- The buy-in will remove volatility of the scheme from the consolidated statement of financial position of the Group. The trustees will receive payment from L&G which it will use to pay pension and other benefits under the plan.

- A buy-in will transfer the pension risks associated with the scheme to a third-party insurer. The only remaining risk will be the counterparty risk of insurer.

- There will be a reduction in the required management time and running costs in respect of the scheme.

At the time of the bulk annuity purchase, the difference between the annuity purchase price and the actuarial value of the benefits covered by the policy was accounted for in other comprehensive income. The accounting treatment is based on the following considerations made by the Group:

- The employer is not relieved of primary responsibility for the obligation. The policy simply covers the benefit payments that continues to be payable by the scheme.

- The contract is effectively an investment of the scheme; and

- The contract provides the option to convert the bulk annuity into individual policies which would transfer the asset/obligation to the insurer (known as «buy-out»). Whilst this course of action may be considered in future, this is not a requirement, and a separate decision will be required before any buy-out proceeds. There is currently no plan either by management or trustees to convert the buy-in contract to individual policies.

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:

	For the 12 months ended 31 December 2021 € (000’s)	*For the 12 months ended 31 December 2020 € (000’s)*
Current employer service cost	(5’090)	(5'975)
Past service credit on plan amendment	2’309	3'317
Net interest income	951	1'228
Defined benefit expense recognised in statement of profit or loss	**(1'830)**	**(1'430)**

Past service credit for the 12 months ended 31 December 2021 relates to a Swiss plan curtailment due to restructuring and large drop in the headcount, and a Swiss plan amendment. In 2021 the Valora Pensionskasse VPK has announced a reduction of the conversion rates from 5.5% to 5.3% at retirement age 65/64 as well as an increase of the employer contribution to the retirement savings of plan participants of 25 basis points.

The amount included in the consolidated statement of financial position arising from the entity's obligation in respect of its defined benefit obligation is as follows:

	31 December 2021 € (000's)	*31 December 2020 € (000's)*
Fair value of plan assets	505'820	543'153
Present value of defined benefit obligation	(459'413)	(459'863)
Status of plan	**46'407**	**83'290**
Effect of asset ceiling	(39'150)	(21'545)
Net asset in the consolidated statement of financial position	**7'257**	**61'745**
Net defined benefit asset	23'383	78'524
Net defined benefit liability	(16'126)	(16'779)

Defined benefit obligation

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

	For the 12 months ended 31 December 2021 € (000's)	*For the 12 months ended 31 December 2020 € (000's)*
Present value of obligation at beginning of period	**(459'863)**	**(442'998)**
Current employer service cost	(4'478)	(5'219)
Employees' contributions	(3'122)	(3'839)
Interest cost	(3'498)	(4'873)
Past service cost, curtailments, settlements, plan amendments	2'309	3'317
Benefits paid	27'352	24'068
Decrease through intra-group restructuring	8'091	138
Actuarial loss on defined benefit obligation	(1'565)	(40'836)
Currency gain / (loss)	(24'639)	10'379
Present value of obligation at end of period	**(459'413)**	**(459'863)**

Plan assets

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

	For the 12 months ended 31 December 2021 € (000's)	*For the 12 months ended 31 December 2020 € (000's)*
Fair value of plan assets at beginning of period	**543'153**	**522'565**
Interest income on plan assets	4'460	6'172
Employees' contributions	2'510	3'083
Employer's contributions	4'520	5'566
Benefits paid	(25'963)	(23'164)
Decrease through intra-group restructuring	(8'091)	-
Return on plan assets excl. interest income	(45'106)	44'169
Currency gain / (loss)	30'337	(15'238)
Fair value of plan assets at end of period	**505'820**	**543'153**

Employer's contributions expected for the next year are € 4.7 million.

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

	31 December 2021	*31 December 2021*	*31 December 2020*	*31 December 2020*
	Quoted market prices in active markets	*Prices in non-active markets*	*Quoted market prices in active markets*	*Prices in non-active markets*
Cash	3.3%	0.0%	4.7%	0.0%
Bonds	17.0%	0.0%	18.6%	0.0%
Equities	14.0%	0.0%	12.6%	0.0%
Property	0.0%	13.3%	0.0%	12.6%
Other	50.7%	1.7%	50.5%	1.0%
Total	**85.0%**	**15.0%**	**86.4%**	**13.6%**

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 used in determining pension benefit obligations for the Group's plans are shown below (weighted average):

	31 December 2021	*31 December 2020*
Discount rate	1.2%	0.7%
Expected salary increase	1.2%	1.1%
Expected pension increase	1.9%	1.6%

The estimated duration of the plan liabilities is 16.7 years (31 December 2020: 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 2021 € (000's)	*12 months ended 31 December 2020 € (000's)*
Return on plan assets excl. interest income	(45'106)	44'169
Experience losses on defined benefit obligation	(15'224)	(7'911)
Actuarial gains/(losses) arising from change in demographic assumptions	(1'614)	91
Actuarial gains/(losses) arising from change in financial assumptions	14'942	(33'016)
Change in asset ceiling	(15'892)	7'030
Total amount of remeasurement gain/(loss) on post-employment benefit obligations recognised in other comprehensive income	**(62'894)**	**10'363**

The following table shows the change in asset ceiling:

	12 months ended 31 December 2021 € (000's)	*12 months ended 31 December 2020 € (000's)*
Asset ceiling at end of prior year	(21'545)	(28'305)
Interest income	(11)	(71)
Remeasurements	(15'892)	7'030
Effect of changes in foreign exchange rates	(1'702)	(199)
Asset ceiling at end of year	**(39'150)**	**(21'545)**

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 2021 and 31 December 2020:

	31 December 2021 € (000's)	*31 December 2020 € (000's)*
Discount rate (+0.50%)	25'562	32'627
Discount rate (-0.50%)	(41'933)	(36'951)
Increase in future pension (+0.25%)	(11'729)	(14'994)
Decrease in future pension (-0.25%)	191'422	4'235
Mortality assumption -1 year	10'307	14'840
Mortality assumption +1 year	(20'329)	(14'572)
Salary increase rate (-25 basis points)	(4'528)	626
Salary increase rate (+25 basis points)	(5'479)	(436)

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 and other employee benefits

	Warranty € (000's)	*Litigation & tax € (000's)*	*Restructuring € (000's)*	*Other € (000's)*	***Total € (000's)***
Balance at 31 December 2020	**(412)**	**(1'418)**	**(32'573)**	**(45'751)**	**(80'154)**
Charged to the statement of profit or loss	(18)	(790)	(7'703)	(2'689)	(11'200)
Payments in the period	110	488	22'688	2'333	25'619
Reversed against the statement of profit or loss	20	269	1'206	8'668	10'163
Effect of foreign exchange differences	(6)	(12)	(107)	(84)	(209)
Reclassification between categories	-	-	(410)	410	-
Balance at 31 December 2021	**(306)**	**(1'463)**	**(16'899)**	**(37'113)**	**(55'781)**

The above provisions are presented in the Group's consolidated statement of financial position as follows:

	31 December 2021 € (000's)	*31 December 2020 € (000's)*
Non-current liabilities	(5'607)	(11'253)
Current liabilities	(50'174)	(68'901)
Total	**(55'781)**	**(80'154)**

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 related to acquisition of Pelican Rouge 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 consolidated statement of financial position as follows:

	31 December 2021 € (000's)	*31 December 2020 € (000's)*
Deferred income tax assets	27'186	25'665
Deferred income tax liabilities	(160'108)	(187'225)
Total deferred tax liabilities, net	**(132'922)**	**(161'560)**

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 2020 € (000's)	(Charged)/ credited to income statement € (000's)	(Charged/ credited to OCI € (000's)	Exchange differences € (000's)	31 December 2021 € (000's)
Intangible assets	(163'651)	12'468	-	(52)	(151'235)
Property, plant and equipment	(13'099)	3'917	-	(289)	(9'471)
Other non-current assets	(10'989)	(621)	11'754	(493)	(349)
Inventories	(963)	(120)	-	(32)	(1'115)
Trade receivables	(33)	75	-	(3)	39
Current liabilities	2'320	(528)	-	(37)	1'755
Provisions	66	16	-	1	83
Other non-current liabilities	4'685	(758)	(105)	(16)	3'806
Total deferred tax asset/(liability)	**(181'664)**	**14'449**	**11'649**	**(921)**	**(156'487)**
Tax losses					
Unused tax losses	20'104	3'461	-	-	23'565
Total deferred tax asset/(liability)	**(161'560)**	**17'910**	**11'649**	**(921)**	**(132'922)**

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)	(Charge/ 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)**

27.3. Detail of deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

31 December 2021	*Assets € (000's)*	*Liabilities € (000's)*	*Net € (000's)*
Intangible assets	43	(151'278)	(151'235)
Property, plant and equipment	3'715	(13'186)	(9'471)
Other non-current assets	-	(349)	(349)
Inventories	215	(1'330)	(1'115)
Trade receivables	112	(73)	39
Current liabilities	2'483	(728)	1'755
Provisions	124	(41)	83
Other non-current liabilities	3'806	-	3'806
Total deferred tax assets/(liabilities) arising on temporary differences	**10'498**	**(166'985)**	**(156'487)**
Tax losses			
Unused tax losses	**23'565**	-	**23'565**
Offset deferred tax assets and deferred tax liabilities	(6'877)	6'877	-
Total deferred tax asset/(liability)	**27'186**	**(160'108)**	**(132'922)**

At 31 December 2021 the Group recognized € 27.2 million (31 December 2020: € 25.7 million) of deferred tax assets from which € 23.6 million (31 December 2020: 20.1 million) related to deferred tax assets for the carry-forward of unused tax losses. The Group estimates the possibility that future taxable profit will be available against which the unused tax losses can be utilised as probable.

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)**

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:

	31 December 2021 € (000's)	*31 December 2020 € (000's)*
Three years	31'289	24'692
Four years	100'752	88'212
Five years	9'628	1'175
More than five years	511'441	176'905
Unlimited	448'788	474'703
Total unused tax losses carried forward	**1'101'898**	**765'687**

28. Other current liabilities

	31 December 2021 € (000's)	*31 December 2020 € (000's)*
Deferred revenue	6'596	7'949
Other payables	56'833	52'290
Accrued expenses	91'958	94'378
Interest payable	41'509	13'714
Tax and social security costs	27'517	37'071
Factoring and reverse factoring liabilities	8'526	15'327
Total other current liabilities	**232'939**	**220'729**

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.

29. Equity

29.1. Share capital, share premium

The Group's share capital consists of 343'624 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.à 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.à 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 B.V. emission fee of € 2'248k was levied.

Following this debt recapitalisation, Selecta Group MidCo S.à 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 B.V. was fully owned by Selecta Group AG. Selecta Group AG was fully owned by Selecta Group MidCo S.à 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.à r.l contributed all issued and outstanding shares of Selecta Group AG into a newly formed direct subsidiary of Selecta Group MidCo S.à r.l, Selecta Group FinCo S.A. Selecta Group B.V. also issued 156'620 shares with a nominal value of € 1 per share to Selecta Group FinCo S.A. 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 S.A. were then contributed by Selecta Group FinCo S.A. to Selecta Group AG. As of 29 October 2020, Selecta Group B.V. is therefore fully owned by Selecta Group AG, which is fully owned by Selecta Group FinCo S.A., which is fully owned by Selecta Group MidCo S.à r.l.

29.2. Other comprehensive loss

The other comprehensive loss accumulated in reserves; net of tax was as follows:

For 12 months ended 31 December 2021	*Currency translation reserve € (000's)*	*Accumulated deficit € (000's)*	***Total** € (000's)*
Foreign currency translation differences for foreign operations	(20'017)	-	**(20'017)**
Re-measurement loss on post-employment benefit obligations, net of tax	-	(51'245)	**(51'245)**
Total other comprehensive loss, net of tax	**(20'017)**	**(51'245)**	**(71'262)**

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

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.

Accumulated deficit includes the accumulated re-measurement gains and losses on post-employment benefit obligations, net of any related income taxes.

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. 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.

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:

		Carrying amount	
	Note	*31 December 2021 € (000's)*	*31 December 2020 € (000's)*
Trade receivables	20	97'499	64'410
Non-current financial assets	18	15'048	16'341
Accrued income (excl. uncollected cash in POS and cash with external cash collecting firms)		17'596	16'724
Cash and cash equivalents	22	60'034	127'902
Total exposure to credit risk		**190'177**	**225'377**

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 € 60.0 million at 31 December 2021 (31 December 2020: € 127.9 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 recapitalization in 2020, the senior revolving credit facility was extended to January 2026, while the total amount available and the main conditions were unchanged. The amounts drawn under this facility were € 41.6 million on 31 December 2021 (31 December 2020: € 40.0 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 1 year € (000's)*	*1-5 years € (000's)*	*More than 5 years € (000's)*	***Total € (000's)***
At 31 December 2021					
Revolving credit facility	41'637	-	41'651	-	41'651
Bank credit facility	18'103	11'986	6'117	-	18'103
Secured loan notes	973'513	25'270	1'407'235	-	1'432'505
Lease liabilities	193'691	84'120	164'578	140'339	389'037
Factoring and reverse factoring liabilities	8'526	8'526	-	-	8'526
Trade payables	173'762	173'762	-	-	173'762
Accrued expenses	91'958	91'958	-	-	91'958
Total non-derivative financial liabilities	**1'501'190**	**395'622**	**1'619'581**	**140'339**	**2'155'542**

	Carrying amount € (000's)	*Less than 1 year € (000's)*	*1-5 years € (000's)*	*More than 5 years € (000's)*	***Total € (000's)***
At 31 December 2020					
Revolving credit facility	40'042	-	-	40'151	40'151
Bank credit facility	3'072	1'360	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
Factoring and reverse factoring liabilities	15'327	15'327	-	-	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**	**351'487**	**368'606**	**1'400'140**	**2'120'233**

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. 31 December 2021: € 955.1 million, 31 December 2020: € 847.4 million) and equity of the Group (comprising share capital, share premium, currency translation reserves, and accumulated deficit. 31 December 2021: € 554.3 million, 31 December 2020: € 721.2 million).

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 the Selecta Group'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 is as follows:

	Notes	*31 December 2021 € (000's)*	*31 December 2020 € (000's)*
Financial liabilities		(1'167'204)	(1'161'919)
Total fixed-rate instruments		**(1'167'204)**	**(1'161'919)**
Financial assets	22	52'162	118'590
Financial liabilities	23	(41'637)	(40'042)
Total variable-rate instruments		**10'525**	**(78'548)**

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 2021 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 € 0.08 million (€ 0.6 million respectively in 12 months ended 31 December 2020).

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.

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 2021	*Notes*	*Financial assets at amortised cost € (000's)*	*Other financial liabilities € (000's)*	***Total € (000's)***	*Level 2 € (000's)*	***Total € (000's)***
Financial assets not measured at fair value						
Trade receivables	20	97'499	-	97'499		
Non-current financial assets	18	15'048	-	15'048		
Cash and cash equivalents	22	60'034	-	60'034		
Accrued income	21	23'158	-	23'158		
		195'739	**-**	**195'739**		
Financial liabilities not measured at fair value						
Revolving credit facility	23	-	(41'637)	(41'637)	(41'637)	(41'637)
Bank credit facility		-	(18'103)	(18'103)	(18'103)	(18'103)
Secured loan notes	23	-	(973'513)	(973'513)	1'222'228	1'222'228
Lease liabilities	24	-	(193'691)	(193'691)	(193'691)	(193'691)
Factoring and reverse factoring liabilities	28	-	(8'526)	(8'526)	(8'526)	(8'526)
Accrued Expenses	28	-	(91'958)	(91'958)	-	-
Trade payables		-	(173'762)	(173'762)	-	-
		-	**(1'501'190)**	**(1'501'190)**		

31 December 2020	*Notes*	*Financial assets at amortised cost € (000's)*	*Other financial liabilities € (000's)*	***Total € (000's)***	*Level 2 € (000's)*	***Total € (000's)***
Financial assets not measured at fair value						
Trade receivables	20	64'410	-	64'410		
Non-current financial assets	18	16'341	-	16'341		
Cash and cash equivalents	22	127'902	-	127'902		
Accrued income	21	22'281	-	22'281		
		230'934	**-**	**230'934**		
Financial liabilities not measured at fair value						
Revolving credit facility	23	-	(40'042)	(40'042)	(40'042)	(40'042)
Bank credit facility	-	-	(3'072)	(3'072)	(3'072)	(3'072)
Secured loan notes	23	-	(935'290)	(935'290)	(1'165'366)	(1'165'366)
Lease liabilities	24	-	(226'629)	(226'629)	(226'629)	(226'629)
Factoring and reverse factoring liabilities	28	-	(15'327)	(15'327)	(15'327)	(15'327)
Accrued Expenses	28	-	(94'378)	(94'378)	-	-
Trade payables		-	(147'413)	(147'413)	-	-
		-	**(1'462'151)**	**(1'462'151)**		

31.2. Valuation technics

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

Financial instruments not measured at fair value

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

32. 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.

33. Share-based payments

In 2021, the Group implemented a long-term incentive plan for key management called «Management incentive plan» (MIP). The MIP offers the opportunity to subscribe for equity shares of one of Selecta Group B.V.'s parents (Selecta Group HoldCo S.à r.l) which is not in the scope of these consolidated financial statements.

The MIP is a Group share-based payment plan under IFRS 2 'Share-based Payment'. Due to the fact that the plan does not result in a settlement obligation for the Group, it is classified as an equity-settled plan. Entitled managers entered into the plan in autumn 2021 by signing a deed of adherence. A single grant date was determined as 1 October 2021. Fair value of the management shares was determined using the discounted cash flow and market multiples methods.

The MIP had no significant impact on the Group's consolidated financial statements for 12 months period ended 31 December 2021.

34. Related parties

34.1. Ultimate controlling parties

Since 11 December 2015, 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).

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 ended 31 December 2021 (2020: nil). Selecta AG is the main operating entity of the Group. Selecta AG is managed by its Board of Directors and an 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 ended 31 December 2021 (2020: nil).

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

	12 months ended 31 December 2021 € (000's)	*12 months ended 31 December 2020 € (000's)*
Short term benefits	6'100	4'880

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 ended 31 December 2021 (2020: 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 B.V. 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 $ 471 billion assets under management (as of 31 December 2020: $ 252 billion).

During the 12 months ended at 31 December 2020 the Group was charged by KKR Capstone America LLC ("KKR Capstone"), an affiliate of KKR &Co, for the support in the execution of the restructuring plan. In 2021 KKR Capstone did not provide services to Selecta Group.

Transactions between the Group and other related parties were as follows:

Related party	*Nature of the transaction*	*Amount of transaction € (000's)*	*Outstanding balance € (000's)*
2021			
KKR Capstone America LLC	Support in the execution of restructuring plan	-	606
Selecta Group AG	Mark-up for services	3'486	3'486
Selecta Group AG	Related party loan	6'884	13'270
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

There were no other material transactions or outstanding balances between the Group and other related parties for the 12 months ended 31 December 2021 (2020: nil).

35. Events after the balance sheet date

No events have occurred between 31 December 2021 and the date of authorisation of the issue of these consolidated financial statements by the Board of Directors of the Company on 8 March 2022 that could have a material impact on the consolidated financial statements.

36. Subsidiaries

The company's subsidiaries at 31 December 2021 and 31 December 2020 were as follows:

Legal Name of Subsidiary	*Place of In-corpo-ration (or registration)*	*Owner-ship % 31 Dec 2021*	*Owner-ship % 31 Dec 2020*	*Principal Activities*	*Change*	*Change brw 31 Dec 2021 and 31 Dec 2020*
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	-	
Selecta Finland OY	Finland	100	100	Vending	R	Selecta Finland OY
Pelican Rouge Holding SAS	France	0	100	Holding	D	Dissolved
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	Dormant	D	In process of voluntary strike-off
Gruppo Argenta S.P.A.	Italy	100	100	Vending	-	
HGSC 3 S.A.	Luxembourg	0	100	Holding	D	Dissolved
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	0	100	Vending	M	Selecta TMP AG
Selecta TMP AG	Switzerland	100	100	Holding	R	Selecta AG
Selecta Group Management AG	Switzerland	100	0	Holding	N	Newly incorporated
Allen Vending Services Limited	United Kingdom	100	100	Dormant	D	In process of voluntary strike off
Express Vending Group Limited	United Kingdom	100	100	Vending	D	In process of voluntary strike off
Express Vending Limited	United Kingdom	100	100	Vending	-	
GEM Vending Limited	United Kingdom	100	100	Vending	D	In process of voluntary strike off
Select Drinks Limited	United Kingdom	100	100	Vending	D	In process of voluntary strike off
Selecta Finance UK Limited	United Kingdom	100	0	Holding	N	Newly incorporated
Selecta Holding Limited	United Kingdom	0	100	Holding	D	Dissolved
Selecta Refreshments LTD	United Kingdom	100	100	Dormant	D	In process of voluntary strike off
Selecta U.K. Limited	United Kingdom	100	100	Vending	-	
Selecta UK Holding Ltd	United Kingdom	100	100	Holding	-	

Legend

N	Newly acquired or incorporated
S	Sold
D	Dissolved or in process of voluntary strike off
M	Merged
R	Renamed
-	No change

37. Approval of the consolidated financial statements

The consolidated financial statements for the 12 months ended 31 December 2021 have been authorised by the Board of Directors on 8 March 2022.

Amsterdam, 8 March 2022

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.

Robert Plooij
Director of the Selecta Group B.V.

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 2021 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 2021, 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	Stefan Widmer
Licensed Audit Expert	*Licensed Audit Expert*
Auditor in Charge	

Zurich, 11 March 2022