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Testo del comunicato

Vedi allegato.

PRESS RELEASE

MASSIMO ZANETTI BEVERAGE GROUP SPA: THE BOARD OF DIRECTORS APPROVES THE INTERIM REPORT FOR THE FIRST QUARTER 2019

- **REVENUES**: EURO 217.7 MILLION COMPARED TO EURO 211.2 MILLION IN THE FIRST QUARTER OF 2018; +3.1% AT CURRENT EXCHANGE RATES, STABLE AT CONSTANT EXCHANGE RATES. VOLUMES INCREASED +1.9%
- **GROSS PROFIT**: EURO 97.0 MILLION, +4.1% COMPARED TO EURO 93.2 MILLION IN THE FIRST QUARTER OF 2018 WITH THE MARGIN ON REVENUES OF 44.6% COMPARED WITH 44.1% (+50 BASIS POINTS)
- **EBITDA EXCLUDING IFRS 16 EFFECTS ***: EURO 14.8 MILLION, -3.0% COMPARED TO EURO 15.2 MILLION IN THE FIRST QUARTER OF 2018
- **EBITDA**: EURO 17.2 MILLION, +12.8% COMPARED TO EURO 15.2 MILLION IN THE FIRST QUARTER OF 2018
- **NET PROFIT**: EURO 2.4 MILLION, -14.3% COMPARED TO EURO 2.8 MILLION IN THE FIRST QUARTER OF 2018
- **NET DEBT EXCLUDING IFRS 16 EFFECTS***: EURO 204.2 MILLION COMPARED TO EURO 174.7 MILLION AT DECEMBER 31, 2018 (EURO 249.4 MILLION AT MARCH 31st, 2019 INCLUDING IFRS 16 EFFECT)

Villorba, May 9, 2019. The Board of Directors of Massimo Zanetti Beverage Group S.p.A., one of the leading brands worldwide in the production, processing and marketing of roasted coffee, listed on the Milan Stock Exchange (MZB.MI), approved today the Interim Financial Report as at March 31st 2019.

MASSIMO ZANETTI, THE GROUP'S CHAIRMAN AND CHIEF EXECUTIVE OFFICER, SAID: "The first quarter of 2019 closed with an increase in turnover of 3% at current exchange rates, thanks to growth in volumes in almost all geographical areas and a steady improvement in the product mix that enabled us to achieve growth in gross profit of 4%.
In addition, during the quarter we completed the acquisition of the Australian company "The Bean Alliance", which will open up new growth opportunities in APAC, and the Portuguese company "Cafés Nandi", which will enable us to double the production capacity of the existing plant during 2019 to meet the growing European demand. We also launched new projects in other markets, in response to new trends and with an ever-increasing focus on sustainability: from the bio-compostable capsules, product of the year in France, to the renewed range of products Segafredo that will soon be available in the Italian market.

Based on the current results and the outlook, together with the strategies implemented, we confirm our forecasts of profitability growth for the current year."

(*) IFRS 16 – Leases has been adopted since January 1st, 2019. The effects of this adoption, in the first quarter of 2019, were: an increase in EBITDA of Euro 2.4 million, an increase in amortisation and depreciation of Euro 2.1 million, an increase in finance costs of Euro 0.3 million, net profit unchanged, and an increase in the Net Debt of Euro 45.1 million.

VOLUMES

In the first three months of 2019, the roasted coffee sales volumes of Massimo Zanetti Beverage Group S.p.A. increased 1.9% compared with the first quarter of 2018 (31.1 thousand tons compared with 30.6 thousand tons of the first quarter 2018).

This increase mainly relates Northern Europe (0.9 thousand tons) mainly in the Mass Market channel, the Americas (0.2 thousand tons) in the Private Label channel and the Asia-Pacific (0.2 thousand tons) and has been partially offset by the negative performance of Southern Europe (0.7 thousand tons) mainly in Private Label and Mass Market channel.

CONSOLIDATED REVENUES

The Group's consolidated revenues amounted to Euro 217.7 million in the first quarter of 2019 showing an increase of Euro 6.5 million (+3.1%) compared to the first quarter of 2018. This increase is a result of:

- the foreign exchange rates (mainly Euro against the US dollars) had a positive impact of +3.5%
- the increase in roasted coffee sales volumes (+1.6%);
- and the decrease of roasted coffee sales price (-2.0%) as a consequence of the decrease of the cost of raw material (green coffee).

MASSIMO ZANETTI
BEVERAGE GROUP

REVENUES BY CHANNEL

The revenue from the Food Service channel, which represents 23.1% of the Group's revenue, was in line with the first quarter of 2018, thanks to the strong performance in the Americas and in APAC, offset by the slight decrease in Europe, largely due to the strategy of selecting high traffic and high visibility customers.

Performance of the Mass Market and Private Label channels equal to 36.8% and 33.0% respectively of the Group's revenues is explained by the increase in volumes, offset by the slight decrease of roasted coffee sales price as a consequence of the reduction of the cost of green coffee, as explained before.

	First quarter ended 31 March				Change	
(in Thousand of Euro)	2019		2019		Current FX	Constant FX
Foodservice	50,239	23.1%	49,961	23.7%	0.6%	0.2%
Mass Market	80,180	36.8%	78,990	37.4%	1.5%	-1.0%
Private Label	71,896	33.0%	68,299	32.3%	5.3%	-1.4%
Other	15,382	7.1%	13,952	6.6%	10.2%	5.9%
Total	**217,697**	**100.0%**	**211,202**	**100.0%**	**3.1%**	**-0.4%**

REVENUES BY REGION

Revenue in the Americas, at Euro 96.3 million (44.2% of the Group's revenue), was down by 1.9% at constant exchange rates, attributable to the Mass Market channel, mainly due to the decline in the market in the cans category, partially offset by the Private Label channel, which was stable at constant exchange rates, and by the strong growth achieved in the Food Service channel.

Revenue generated in Northern Europe, up 6.3% at constant exchange rates compared to the first quarter of 2018, was linked to the significant growth achieved in the Mass Market channel, thanks to the acquisition of new customers and the positive performance of new products, also in the organic and fair trade segments.

Revenue in Southern Europe decreased by 7.0%, due to the sales prices adjustment in the Private Label channel and the timing of the introduction of new products Segafredo in the Italian Mass Market channel.

Asia-Pacific and Cafés, which also includes the revenue generated by the international network of cafés, posted revenue of Euro 22.7 million, with growth of 11.7% at constant exchange rates, also reflecting the recent acquisition of The Bean Alliance.

(in Thousand of Euro)	First quarter ended 31 March				Change	
	2019		2019		Current FX	Constant FX
Americas	96,320	44.2%	91,707	43.4%	5.0%	-1.9%
Northern Europe	45,431	20.9%	42,853	20.3%	6.0%	+6.3%
Southern Europe	53,258	24.5%	57,258	27.1%	-7.0%	-7.0%
Asia-Pacific and Cafés	22,688	10.4%	19,384	9.2%	17.0%	+11.7%
Total	**217,697**	**100.0%**	**211,202**	**100.0%**	**3.1%**	**-0.4%**

GROSS PROFIT

Gross profit amounts to Euro 97.0 million, a Euro 3.8 million increase compared with the first quarter of 2018 (+4.1%). This increase is explained by the favorable impact of exchange rates (+2.4%) and by the increase in Gross profit resulting from the sales of roasted coffee and other products (+1,7% compared to the first months of 2018).

The increase in Gross Profit from the sale of roasted coffee is in turn mainly due to the positive impact of the trends in sales and purchase prices respectively of roasted and green coffee, to the positive effect of the different mix in the sales channels and to the growth in roasted coffee volumes. In percent of revenues the Gross Profit increased 50 basis points (from 44.1% of revenues to 44.6%).

EBITDA

EBITDA amounts to Euro 17.2 million compared to Euro 15.2 million in the first quarter of 2018.

This result was attributable to:

- the increase in Gross Profit, as mentioned above
- the increase in operating costs (of Euro 2.3 million) partly due to the acquisitions completed in the quarter. On a comparable basis, the increase was mainly driven by i) the personnel costs to strengthen the sales departments and ii) the increase in costs for services, including advertising costs to support the launch of new products
- the positive impact of exchange rate fluctuations (Euro 0.2 milllion)
- and the positive impact of the adoption of the new accounting standard IFRS 16, in force since January 1st, 2019 (amounting to Euro 2.4 million) as a result of lower costs for leased assets.

MASSIMO ZANETTI
BEVERAGE GROUP

OPERATING INCOME (EBIT)

Operating income (EBIT) is equal to Euro 6.1 million compared to Euro 6.4 million of the first quarter of 2018. In addition to that disclosed about EBITDA, the decrease is mainly attributable to the increase in amortization and depreciation impacted by the adoption of IFRS 16 (for Euro 2.1 million).

NET PROFIT

The net profit amounts to Euro 2.4 million, compared to Euro 2.8 million of the first quarter of 2018. In addition to what disclosed above, the decrease is mainly due to the increase in net financial charges linked to the IFRS 16 adoption (for Euro 0.3 million).

NET DEBT

Net debt, excluding the effect of the IFRS 16 adoption, amounts to Euro 204.2 million compared to 174.7 million at December 31, 2018.

During the first quarter, non-recurring investments were made for a total of Euro 22.3 million, compared to Euro 0.3 million in the first quarter of 2018. These investments included the acquisition of the business and assets of a group of companies based in Melbourne known as “The Bean Alliance” and the acquisition of the Portuguese company Cafés Nandi SA based in Amadora, near Lisbon.

Lastly, the adoption of the new accounting standard IFRS 16 increased the Net Debt by Euro 45.1 million. As a result, the Net Debt as at March 31st, 2019, after the adoption of IFRS 16, amounted to Euro 249.4 million.

FORECAST FOR OPERATIONS AND SIGNIFICANT SUBSEQUENT EVENTS

In view of the results achieved in the first quarter of 2019 and considering current trends, the expectations relating to the performance of the Group for 2019, assuming the absence of extraordinary transactions, excluding those already announced in the first quarter of 2019, are as follows:

- slight increase in revenues driven by:
  - the improvement in product and channel mix
  - growth in volumes in line with market trends
- increase in EBITDA adjusted of approximately 3%- 5%
- net debt is expected to be around Euro 195 million

These forecasts are assumed at constant exchange rates and exclude the impact of the application of IFRS 16.

CONFERENCE CALL TO PRESENT FIRST QUARTER 2019 FINANCIAL RESULTS

The Group's First Quarter 2019 results will be presented during the conference call to be held today, May 9, 2019 at 5:45 CET. To access the call, please use one of the following dial-in numbers: +1 718 705 8794 (US and Canada), +39 02 805 88 11 (Italy), +44 121 281 8003 (UK) ; +33 170 918 703 (France) and +39 02 805 88 27 (Press).

Digital Playback service will be available for 8 days, dialling the following numbers: +1 718 705 8797 (US and Canada), +39 02 72495 (Italy), +44 1 212 818 005 (UK) with the following passcode: **936#**

The presentation will be available before the conference call on the company website www.mzb-group.com and on the storage system (www.emarketstorage.com). The recording file will be available on the company website.

Declaration by the Manager in charge of the Company's financial reports

The Manager in charge of the Company's financial reports, Leonardo Rossi, pursuant to paragraph 2 of Article 154-bis of Italy's Consolidated Law on Finance (TUF), declares that, based on his knowledge, the accounting information contained in this press release corresponds to the documented results, books and accounting records.

For more information

INVESTOR RELATIONS
Marina Cargnello: marina.cargnello@mzb-group.com; mob: +39 334 65 35 536

MEDIA RELATIONS
Barabino & Partners
Federico Vercellino: f.vercellino@barabino.it; mob: +39 331 57 45 171
Maria Vittoria Vidulich: m.vidulich@barabino.it; tel: +39 02 72 02 35 35

Massimo Zanetti Beverage Group S.p.A.

Massimo Zanetti Beverage Group S.p.A. is a world leader in the production, processing and marketing of roasted coffee, distributed in about 110 countries. The Group manages the different activities, from procurement to consumption, operating 18 facilities across Europe, Asia and the Americas, and through a global network of about 400 coffee shops in 50 countries. Moreover, Massimo Zanetti Beverage Group completes the range of its products through the sale of professional coffee machines "La San Marco" and complementary products, such as tea, cocoa, chocolate and top-quality spices.

Disclaimer

ANNEX

RECLASSIFIED CONSOLIDATED INCOME STATEMENT

	Three months ended March 31				Change	
(in thousands of Euro)	**2019**	**(*)**	**2018**	**(*)**	**2019-2018**	
Revenue	217,697	100.0%	211,202	100.0%	6,495	3.1%
Raw, ancillary, and consumable materials and goods	(120,675)	-55.4%	(118,014)	-55.9%	(2,661)	2.3%
Gross Profit	**97,022**	**44.6%**	**93,188**	**44.1%**	**3,834**	**4.1%**
Purchases of services, leases and rentals	(42,399)	-19.5%	(42,812)	-20.3%	413	-1.0%
Personnel costs	(37,261)	-17.1%	(35,000)	-16.6%	(2,261)	6.5%
Other operating costs, net	(17)	0.0%	233	0.1%	(250)	<-100%
Impairment	(181)	-0.1%	(396)	-0.2%	215	-54.3%
EBITDA	**17,164**	**7.9%**	**15,213**	**7.2%**	**1,951**	**12.8%**
Depreciation and amortization	(11,026)	-5.1%	(8,852)	-4.2%	(2,174)	24.6%
Operating profit	**6,138**	**2.8%**	**6,361**	**3.0%**	**(223)**	**-3.5%**
Net finance costs	(2,163)	-1.0%	(1,985)	-0.9%	(178)	9.0%
Share of losses of companies accounted for using the equity method	(402)	-0.2%	(138)	-0.1%	(264)	>100%
Profit before tax	**3,573**	**1.6%**	**4,238**	**2.0%**	**(665)**	**-15.7%**
Income tax expense	(1,175)	-0.5%	(1,441)	-0.7%	266	-18.5%
Profit for the period	**2,398**	**1.1%**	**2,797**	**1.3%**	**(399)**	**-14.3%**

(*) IFRS 16 – Leases has been adopted since January 1st, 2019. The effects of this adoption, in the first quarter of 2019, were: an increase in EBITDA of Euro 2.4 million, an increase in amortisation and depreciation of Euro 2.1 million, an increase in finance costs of Euro 0.3 million, net profit unchanged, and an increase in the Net Debt of Euro 45.1 million.

RECLASSIFIED CONSOLIDATED BALANCE SHEET

	As at March 31	As at December 31
(in thousands of Euro)	**2019**	**2018**
Investments:		
Intangible assets	206,046	182,799
Property, plant and equipment and investment properties	261,665	219,898
Investments in joint ventures and associates	10,752	10,404
Non-current trade receivables	2,758	2,542
Deferred tax assets and other non-current assets	35,634	25,183
Non-current assets (A)	**516,855**	**440,826**
Net working capital (B)	**104,865**	**94,437**
Employee benefits	(9,068)	(8,822)
Other non-current provisions	(3,098)	(3,190)
Deferred tax liabilities and other non-current liabilities	(34,505)	(29,885)
Non-current liabilities (C)	**(46,671)**	**(41,897)**
Net invested capital (A+B+C)	**575,049**	**493,366**
Sources:		
Equity	325,677	318,648
Net Debt	249,372	174,718
Sources of financing	**575,049**	**493,366**

(*) The adoption of the new accounting standard IFRS 16 increased the Net Debt in the first quarter of 2019 by Euro 45.1 million.

NET WORKING CAPITAL

	As at March 31	As at December 31
(in thousands of Euro)	**2019**	**2018**
Inventories	145,568	131,649
Trade receivables	118,210	120,832
Income tax assets	3,619	3,271
Other current assets	20,912	15,603
Trade payables	(144,226)	(144,292)
Income tax liabilities	(2,236)	(1,664)
Other current liabilities	(36,982)	(30,962)
Net working capital	**104,865**	**94,437**

RECLASSIFIED CONSOLIDATED CASH FLOW STATEMENT

	Three months ended March 31	
(in thousands of Euro)	2019	2018
EBITDA	**17,164**	**15,213**
Non-recurring Items payed	(798)	(902)
Changes in Net Working Capital	(11,809)	(5,342)
Net recurring investments	(7,074)	(5,796)
Income tax paid	(899)	(869)
Other operating items	206	550
Free Cash Flow	**(3,210)**	**2,854**
Net non-recurring investments	(22,277)	(280)
Investments in financial receivables	(1,835)	(709)
Interest paid	(1,758)	(1,768)
Net cash generated from financing activities	31,510	(3,155)
Exchange gains/(losses) on cash and cash equivalents	793	(908)
Net increase in cash and cash equivalents	**3,223**	**(3,966)**
Cash and cash equivalents at the beginning of the period	93,491	89,594
Cash and cash equivalents at the end of the period	**96,714**	**85,628**

CHANGES IN NET WORKING CAPITAL

	Three months ended March 31	
(in thousands of Euro)	2019	2018
Changes in inventories	(11,514)	(8,392)
Changes in trade receivables	2,966	3,896
Changes in trade payables	(1,169)	(1,195)
Changes in other assets/liabilities	(1,838)	454
Payments of employee benefits	(254)	(105)
Changes in Net Working Capital	**(11,809)**	**(5,342)**

NET DEBT

(in thousands of Euro)	As at March 31 2019	As at December 31 2018
A Cash and cash equivalents	(941)	(964)
B Cash at bank	(95,773)	(92,527)
C Securities held for trading	-	-
D Liquidity (A+B+C)	**(96,714)**	**(93,491)**
E Current financial receivables	**(8,123)**	**(3,728)**
F Current loans	54,890	49,651
G Current portion of non-current medium/long-term loans	47,716	45,243
H Other current financial payables	11,652	1,743
I Current indebtedness (F+G+H)	**114,258**	**96,637**
J Net current indebtedness (I+E+D)	**9,421**	**(582)**
K Non-current medium/long-term loans	200,136	172,796
L Issued bonds	-	-
M Other non-current financial payables	39,815	2,504
N Non-current indebtedness (K+L+M)	**239,951**	**175,300**
O Net Debt (J+N)	**249,372**	**174,718**

(*) The adoption of the new accounting standard IFRS 16 increased the Net Debt in the first quarter of 2019 by Euro 45.1 million.

MASSIMO ZANETTI
BEVERAGE GROUP

CONSOLIDATED CONDENSED INTERIM INCOME STATEMENT

	Three months ended March 31	
(in thousands of Euro)	**2019**	**2018**
Revenue	217,697	211,202
Other income	1,364	1,732
Raw, ancillary, and consumable materials and goods	(120,675)	(118,014)
Purchases of services, leases and rentals	(42,399)	(42,812)
Personnel costs	(37,261)	(35,000)
Other operating costs	(1,381)	(1,499)
Amortization, depreciation and impairment	(11,207)	(9,248)
Operating profit	**6,138**	**6,361**
Finance income	199	54
Finance costs	(2,362)	(2,039)
Share of losses of companies accounted for using the equity method	(402)	(138)
Profit before tax	**3,573**	**4,238**
Income tax expense	(1,175)	(1,441)
Profit for the period	**2,398**	**2,797**
Profit attributable to:		
Non-controlling interests	*48*	*16*
Owners of the parent	*2,350*	*2,781*
Basic/diluted earnings per share (in Euro)	**0.07**	**0.08**

CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

	As at March 31	As at December 31
(in thousands of Euro)	2019	2018
Intangible assets	206,046	182.799
Property, plant and equipment	256,923	215.127
Investment properties	4,742	4.771
Investments in joint ventures and associates	10,752	10.404
Non-current trade receivables	2,758	2.542
Deferred tax assets	12,606	11.828
Other non-current assets	7,076	6.781
Non-current contract assets	15,952	6.574
Total non-current assets	**516,855**	**440.826**
Inventories	145,568	131.649
Trade receivables	118,210	120.832
Income tax assets	3,619	3.271
Other current assets	3,939	3.759
Current contract assets	25,096	15.572
Cash and cash equivalents	96,714	93.491
Total current assets	**393,146**	**368.574**
Total assets	**910,001**	**809.400**
Share capital	34,300	34.300
Other reserves	104,043	99.396
Retained earnings	185,419	183.069
Total equity attributable to owners of the Parent	**323,762**	**316.765**
Non-controlling interests	1,915	1.883
Total equity	**325,677**	**318.648**
Non-current borrowings	239,951	175.300
Employee benefits	9,068	8.822
Other non-current provisions	3,098	3.190
Deferred tax liabilities	26,857	26.863
Other non-current liabilities	490	483
Non-current contract liabilities	7,158	2.539
Total non-current liabilities	**286,622**	**217.197**
Current borrowings	114,258	96.637
Trade payables	144,226	144.292
Income tax liabilities	2,236	1.664
Other current liabilities	1,213	946
Current contract liabilities	35,769	30.016
Total current liabilities	**297,702**	**273.555**
Total liabilities	**584,324**	**490.752**
Total equity and liabilities	**910,001**	**809.400**

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOW

	Three months ended March 31	
(in thousands of Euro)	2019	2018
Profit before tax	**3,573**	**4.238**
Adjustments for:		
Amortization, depreciation and impairment	11,207	9.248
Provisions for employee benefits and other charges	28	296
Finance costs	2,163	1.985
Other non-monetary items	(399)	(906)
Net cash generated from operating activities before changes in net working capital	**16,572**	**14.861**
Changes in inventories	(11,514)	(8.392)
Changes in trade receivables	2,966	3.896
Changes in trade payables	(1,169)	(1.195)
Changes in other assets/liabilities	(1,838)	454
Payments of employee benefits	(254)	(105)
Interest paid	(1,758)	(1.768)
Income tax paid	(899)	(869)
Net cash generated from operating activities	**2,106**	**6.882**
Acquisition of subsidiary, net of cash acquired	(21,737)	-
Purchase of property, plant and equipment	(6,175)	(5.740)
Purchase of intangible assets	(1,088)	(380)
Proceeds from sale of property, plant and equipment	173	318
Proceeds from sale of intangible assets	16	6
Investments in joint ventures and associates	(540)	(280)
Changes in financial receivables	(1,867)	(721)
Interest received	32	12
Net cash used in investing activities	**(31,186)**	**(6.785)**
Proceeds from long-term borrowings	41,432	383
Repayment of long-term borrowings	(12,636)	(7.155)
Increase / (decrease) in short-term borrowings	2,714	3.617
Net cash (used in)/generated from financing activities	**31,510**	**(3.155)**
Exchange gains/(losses) on cash and cash equivalents	793	(908)
Net (decrease)/increase in cash and cash equivalents	**3,223**	**(3.966)**
Cash and cash equivalents at the beginning of the period	93,491	89.594
Cash and cash equivalents at the end of the period	**96,714**	**85.628**

IMPACTS FROM NEW ACCOUNTING STANDARDS: IFRS 16

IFRS 16 “Leases” eliminates the difference between operating and finance leases for the purposes of the preparation of lessees’ financial statements. For all leases with a term of more than 12 months, except for those related to assets with a low unit value, an entity shall recognise an asset and a liability, representing the right to use the underlying asset and the obligation to make contract payments, respectively. Conversely, for the purposes of lessors’ financial statements preparation, the difference between operating and finance leases is maintained. IFRS 16 strengthens disclosure requirement for both lessors and lessees.
Starting from January 1, 2019 the Group applied IFRS 16 using the simplified approach, which does not require the restatement and recalculation of the accounting balances prior to the application of the standard. Specifically, the right-of-use asset is equal to the carrying amount of the related liability at the date of first-time adoption, adjusted to reflect the prepayments and accrued expenses related to back-and front-loaded lease payments recognised on said date. The Group will apply the exemptions provided for by the standard, with respect to leases with a term less than 12 months, including contracts whose residual term at the transition date is below 12 months, and related to assets of a low value. Lease liabilities will be measured at the present value of the residual lease payments at the date of the first-time application of the standard, which are fixed and remain substantially fixed over the lease term. The lease term includes all non-cancellable periods for which the Group has the right to use an underlying asset and the periods covered by an extension option if exercise of that option by the Group is reasonably certain. Lease liabilities do not include significant non-lease components. The discount rate used to measure the carrying amount of lease liabilities takes into account the country and currency risks, the lease term and the Group's credit risk.

The table here below shows the reconciliation between operating lease commitments disclosed as at December 31, 2018 in the note *31 “Commitments”* and the amount of the lease liability recognised as at January 1, 2019:

(in thousands of Euro)	As of January 1, 2019
Operating lease commitments as at December 31, 2018	50,154
Discount effects	(6,124)
Finance lease liabilities as at December 31, 2018	4,246
Short-term leases recognized as expense	(1,316)
Low-value leases recognized as expense	(246)
Contracts reassessed as service agreements	(16,505)
Adjustments as a result of a different treatment of extension and termination option	17,394
Adjustments relating to changes in the index or rate affecting variable payments	1,046
Lease liability recognized as at January 1, 2019	**48,649**

The amount "Contracts reassessed as service agreements" includes the portion of commitments disclosed as at December 31, 2018 that were not recognised as lease component as they relate to maintenance service of tangible asset subject to operating lease contracts.

As mentioned above, when reporting the impact from the first adoption of IFRS 16, the Group has used the "modified retrospective method". According to this method, the cumulated effects related to the implementation of the new standard are recorded in the "Retained Earnings" as at January 1, 2019, without presenting the comparative amounts, as shown in the following table:

(in thousands of Euro)	As of December 31, 2018	IFRS 16 effects	As of January 1, 2019
Asset			
Property, plant and equipment	215,127	34,098	249,225
Other non-current assets	6,574	8,629	15,203
Other current assets	15,572	1,677	17,249
Liability			
Non-current borrowings	(175,300)	(35,402)	(210,702)
Current borrowings	(96,637)	(9,001)	(105,638)

Lease contracts recognised by the Group refers to property, plant and equipment as well as other non-current assets, mainly vehicles.

"Other non-current asset" and "Other current asset" refers to some sub-leasing contracts that, due to the adoption of IFRS 16, are qualified as finance lease and for those the Group accounts lease financial receivable instead of the relative right-of-use. The discount rate used to measure the carrying amount of lease receivable takes into account the country and currency risks, the sub-lease term and the Group's credit risk.

The impact due to the adoption of IFRS 16 as at March 31, 2019 are:

- in the Consolidated Condensed Interim Income Statements i) the reduction of use of third-party costs for Euro 2,399 thousand, *ii)* the increase of the amount of depreciation of the right-of-use accounted among the depreciation of tangible asset for Euro 2,106 thousand as well as, *iii)* the accounting of Euro 303 thousand, among finance income and expenses for interests calculated on lease liabilities and lease receivables.
- in the Consolidated Balance Sheet: the increase of the amount of lease liability equal to Euro 47,391 thousand and current lease receivable for Euro 2,261 thousand.

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