Interim Report as at and for the First Quarter ended March 31, 2019

MASSIMO ZANETTI
BEVERAGE GROUP

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Parent Information

Massimo Zanetti Beverage Group S.p.A.

Registered Office
Viale G.G. Felissent, 53
31020 Villorba (Treviso)

Corporate Information
Share capital authorized Euro 34,300,000
Share capital subscribed and paid in Euro 34,300,000

Tax Code/Business Register/VAT No. 02120510371

Corporate and supervisory bodies of the Parent

Board of Directors

Massimo Zanetti
Chairman and Chief Executive Officer

Matteo Zanetti (**)
Director

Laura Zanetti (**)
Director

Massimo Mambelli
Director

Leonardo Rossi
Director

Maria Pilar Arbona Palmeiro Goncalves Braga Pimenta (**)
Director

Sabrina Delle Curti (*) (2) (4)
Director

Mara Vanzetta (*) (2) (3)
Director

Giorgio Valerio (*) (1) (4)
Director

(*) Independent Director pursuant to article 148, paragraph 3 of the TUF (Consolidated Law on Finance) and article 3 of the Code of Conduct

(**) Non-executive Director pursuant to article 2 of the Code of Conduct

(1) Chairman of the Nominating and Remuneration Committee
(2) Member of the Nominating and Remuneration Committee
(3) Chairman of the Audit and Risk Committee
(4) Member of the Audit and Risk Committee

Board of Statutory Auditors

Fabio Facchini
Chairman

Simona Gnudi
Standing Auditor

Franco Squizzato
Standing Auditor

Cristina Mirri
Alternate Auditor

Alberto Piombo
Alternate Auditor

Manager in charge of the preparation of corporate accounting documents

Leonardo Rossi

Independent Auditors

PricewaterhouseCoopers S.p.A.

DISCLAIMER

The document includes certain information considered to be "forward-looking statements" which are statements of expectation or belief, and therefore are not historical fact. By their very nature, they involve inherent risks and uncertainties, both general and specific, because they depend on the occurrence of future events and developments outside of the control of the Company. The actual results could therefore differ materially from the plans, objectives, expectations, estimates and intentions expressed in the forward-looking statements. Forward-looking statements use information available as at the date on which they are made, therefore Massimo Zanetti Beverage Group S.p.A. does not undertake any obligation to update or revise any of these after that date, whether as a result of new information, future events or otherwise, other than as required by applicable laws or regulations. The forward-looking statements do not represent and should not be considered to constitute legal, accounting, tax or investment advice of any kind, nor may the stakeholders rely on the same in any way to make investments of any kind.

INTERIM REPORT

Introduction

With reference to the three months ended March 31, 2019, the financial information included in this report and the comments reported therein are intended to provide an overview of the financial position and results of operations of the Group, the relevant changes that occurred during such period, and any key events that have occurred affecting the results for the period.

Structure and Operations of the Group

Massimo Zanetti Beverage Group S.p.A. (the "**Company**") and its subsidiaries (together referred to as the "**Group**" or "**MZB Group**") are international players in the production and sale of roasted coffee. In order to support its core business, the MZB Group also produces and sells (or grants free use of) coffee machines and coffee equipment for use in the home, the workplace and professional offices. The Group also operates an international network of cafés (primarily under a franchise model). To complement its range of products, the MZB Group sells certain selected products (primarily tea, cocoa and spices) and other food products (including sauces, sugar, chocolates and biscuits). Finally, the MZB Group sells certain goods and services (such as green coffee), that are related to its core business.

The Group sells roasted coffee and related products, primarily in the following three sales channels, which are monitored separately by Management: i) Mass Market, ii) Foodservice, and iii) Private Label.

Customers in the Mass Market channel are businesses which buy and sell food and drinks for domestic consumption (typically local shops, hyper and supermarkets chains (Large-Scale Retail Channel), door-to-door salesmen and the so-called cash & carry).

Customers in the Foodservice channel are businesses which buy and sell food and drinks for consumption outside the home (typically coffee shops, bars and cafés, restaurants, hotels, franchising chains, licensing chains, chains of road and highway service stations, on-board catering companies, as well as cafeterias, schools, hospitals, catering and vending machine companies).

Customers in the Private Label are customers from both the Mass Market or Foodservice channels that sell food and drinks produced and supplied by third parties under their own brands.

The Group operates mainly in: Italy, the USA, France, Finland, Germany and Austria. The Group is also present, to a lesser extent in other countries such as the Netherlands, Poland, Portugal, Switzerland, Belgium, Czech Republic, Denmark, Greece, Hungary, Slovakia, Slovenia, United Kingdom, Estonia, Croatia, Brazil, Argentina, Chile, Costa Rica, Mexico, Japan, Australia, New Zealand, Thailand, Malaysia, United Arab Emirates and Singapore.

The structure of the Group is defined by product line, distribution channel and geographic area. The top management periodically reviews the results to make decisions, allocate resources and define the strategy of the Group based on a single vision of the business, which, therefore, is represented by a single operating segment.

Results of operations

Introduction

In addition to the financial statements and financial indicators required by the IFRS, this document presents reclassified financial statements and certain alternative performance indicators. Indeed, management believes that they enable readers to better assess the Group's financial position and financial performance. Such reclassified financial information and indicators should not be considered a substitute for financial information and indicators set forth by the IFRS.

The Group's business, while not showing significant seasonal or cyclical fluctuations in total annual revenue, is subject to different distribution in different months of the year which impact revenue and cost during the year. For this reason, the analysis of performance and financial and economic indicators for the first three months, should not be considered representative of all or a portion of the full year.

Results of operations for the three months ended March 31, 2019

The following table sets forth the reclassified consolidated income statement for the three months ended March 31, 2019 and 2018:

	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*[1]**	**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[2]	(17)	0.0%	233	0.1%	(250)	<-100%
Impairment[3]	(181)	-0.1%	(396)	-0.2%	215	-54.3%
***EBITDA*[1]**	**17,164**	**7.9%**	**15,213**	**7.2%**	**1,951**	12.8%
Depreciation and amortization[4]	(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[5]	(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%**

(*) Percentage of revenue

Reconciliation between the reclassified consolidated income statement and the condensed consolidated income statement:

(1) For additional information, refer to the "Non-GAAP" alternative performance indicators section.
(2) Includes other income and other operating costs
(3) Includes impairment of receivables
(4) Includes depreciation of property, plant and equipment and investment properties and amortization of intangible assets
(5) Includes finance income and finance costs

Revenue

Revenue for the first quarter of 2019 amounts to Euro 217,697 thousand, and increase of Euro 6,495 thousand (3.1%) compared to the same period of 2018. The increase is mainly due to:

- the exchange rate impact, mainly due to the US dollar fluctuations (+3.5%)
- the decrease in the sales price of roasted coffee and other (-2.0%);
- the increase in the volumes of roasted coffee sold (+1.6%);

Net of the exchange rate fluctuations, the change in revenue is mainly due to the reduction in "Sales of roasted coffee", down by Euro 2,654 thousand (-1.4%). The decrease is mainly due to the combined effect of:

- the increase in the volumes of roasted coffee sold of +1.9% compared to the first three months of 2018. The volumes of roasted coffee sold amount to 31.1 thousand tonnes and 30.6 thousand tonnes for the three months ended March 31, 2019 and 2018, respectively. The increase affected the Northern Europe (0.9 thousand tonnes) mainly in the *Mass Market* channel, the Americas (0.2 thousand tonnes) in the *Private Label*, and Asia-Pacific (0.2 thousand tonnes), was partially offset by the negative performance of Southern Europe (0.7 thousand tonnes), mainly in the *Mass Market* and *Private Label* channels;
- the decrease in the sales prices of roasted coffee, which resulted in a -3.3% drop in revenue, is due to the overall market decline as a result of the lower cost of raw materials (green coffee).

The following table provides a breakdown of revenue of the Group for the three months ended March 31, 2019 and 2018, by sales channel:

	Three months ended March 31,				**Change**	
(in thousands of Euro)	**2019**	**(*)**	**2018**	**(*)**	**2019-2018**	
Foodservice	50,239	23.1%	49,961	23.7%	278	0.6%
Mass Market	80,180	36.8%	78,990	37.4%	1,190	1.5%
Private Label	71,896	33.0%	68,299	32.3%	3,597	5.3%
Other	15,382	7.1%	13,952	6.6%	1,430	10.2%
Total	**217,697**	**100.0%**	**211,202**	**100.0%**	**6,495**	**3.1%**

(*) Percentage of revenue

The following table provides a breakdown of revenue of the Group for the three months ended March 31, 2019 and 2018, by geographical area:

	Three months ended March 31,				**Change**	
(in thousands of Euro)	**2019**	**(*)**	**2018**	**(*)**	**2019-2018**	
Americas	96,320	44.2%	91,707	43.4%	4,613	5.0%
Northern Europe	45,431	20.9%	42,853	20.3%	2,578	6.0%
Southern Europe	53,258	24.5%	57,258	27.1%	(4,000)	-7.0%
Asia-Pacific and Cafés (**)	22,688	10.4%	19,384	9.2%	3,304	17.0%
Total	**217,697**	**100.0%**	**211,202**	**100.0%**	**6,495**	**3.1%**

(*) Percentage of revenue
(**) This geographic area includes the revenue generated by the international network of cafés

Gross profit

Gross Profit of Euro 97,022 thousand for the three months ended March 31, 2019, increase by Euro 3,834 thousand (4.1%) compared to the same period of 2018. This is due to:

- the impact of foreign currency exchange rate fluctuations (+2.4%);
- the increase in Gross Profit due to the sale of roasted coffee and other products (+1.7%).

On a constant currency basis, the Gross Profit increases by Euro 1,588 thousand (+1.7%), mainly due to the sale of roasted coffee (+1.9%). The increase in Gross Profit from the sale of roasted coffee (+2.3%) is mainly due to the positive impact of the trends in sales and purchase prices respectively of roasted and green coffee and to the different mix in the sales channels in 2019 and 2018 (+1.8%), as well as the increase in volumes of roasted coffee (+0.5%).

EBITDA

The following table provides a reconciliation between **EBITDA** and profit for the three months ended March 31, 2019 and 2018.

	Three months ended March 31,				**Change**	
(in thousands of Euro)	**2019**	**(*)**	**2018**	**(*)**	**2019-2018**	
Profit for the period	2,398	1.1%	2,797	1.3%	(399)	-14.3%
Income tax expense	1,175	0.5%	1,441	0.7%	(266)	-18.5%
Finance costs	2,362	1.1%	2,039	1.0%	323	15.8%
Finance income	(199)	-0.1%	(54)	0.0%	(145)	>100%
Share of losses of companies accounted for using the equity method	402	0.2%	138	0.1%	264	>100%
Depreciation and amortization(1)	11,026	5.0%	8,852	4.2%	2,174	24.6%
EBITDA(2)	**17,164**	**7.9%**	**15,213**	**7.2%**	**1,951**	**12.8%**

(*) Percentage of revenue
(1) Includes depreciation of property, plant and equipment and investment properties and amortization of intangible assets
(2) For additional information, refer to the "Non-GAAP" alternative performance indicators section.

EBITDA of Euro 17,164 thousand for the three months ended March 31, 2019, rose by Euro 1,951 thousand (+12.8%) compared to the same period in 2018, including the negative impact of exchange rate fluctuations for Euro 245 thousand. The result is mainly due to the factors mentioned above impacting *Gross Profit*, and the combined effect of:

- the increase in net operating costs for Euro 2,288 thousand is 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 application of new standard IFRS 16, applicable from January 1, 2019, which has affected positively the EBITDA for Euro 2,399 thousand. For further information reference should be made to note 5 "*Impacts from new accounting standards*".

Reclassified statement of financial position

The following table shows the reclassified statement of financial position at March 31, 2019 and at December 31, 2018.

(in thousands of Euro)	**As at March 31, 2019**	**As at December 31, 2018**
Investments:		
Intangible assets	206,046	182,799
Property, plant and equipment and investment properties(1)	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(2)	35,634	25,183
Non-current assets (A)	**516,855**	**440,826**
Net working capital (B)(3)	**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(4)	(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 Financial Indebtedness	249,372	174,718
Sources of financing	**575,049**	**493,366**

Reconciliation between the reclassified consolidated statement of financial position and the consolidated statement of financial position:

(1) Includes property, plant and equipment and investment properties
(2) Includes deferred tax assets and other non-current assets
(3) For additional information, refer to the "Non-GAAP" alternative performance indicators section.
(4) Includes deferred tax liabilities and other non-current liabilities

Please note that the amount as at March 31, 2019 includes the effects deriving from the application of IFRS 16, refer to note *5 "Impact deriving from new accounting standards"* for additional information.

The following table shows the breakdown of the Group's Net Working Capital at March 31, 2019 and at December 31, 2018.

(in thousands of Euro)	**As at March 31, 2019**	**As at December 31, 2018**
Inventories	145,568	131,649
Trade receivables	118,210	120,832
Income tax assets	3,619	3,271
Other current assets (1)	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(2)	**104,865**	**94,437**

(1) Other current assets excludes current financial receivables which are included in net debt
(2) For additional information, refer to the "Non-GAAP" alternative performance indicators section.

Reclassified cash flow statement

The following table shows the reclassified cash flow statement for the three months ended March 31, 2019 and 2018.

	Three months ended March 31,	
(in thousands of Euro)	**2019**	**2018**
EBITDA *[(1)]*	**17,164**	**15,213**
Non-recurring Items payed	(798)	(902)
Changes in Net Working Capital	(11,809)	(5,342)
Net recurring investments[(2)]	(7,074)	(5,796)
Income tax paid	(899)	(869)
Other operating items [(3)]	206	550
Free Cash Flow*[(1)]*	**(3,210)**	**2,854**
Net non-recurring investments[(4)]	(22,277)	(280)
Investments in financial receivables [(5)]	(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**

Reconciliation between the reclassified cash flow statement and the consolidated cash flow statement:
(1) For additional information, refer to the "Non-GAAP" alternative performance indicators section.
(2) Net recurring investments include purchases of property, plant and equipment and intangible assets, excluding asset deals
(3) Other operating items mainly include non-monetary income statement items not included in the Adjusted EBITDA
(4) Net non-recurring investments include business combinations, including those under joint-control and asset deals
(5) Investments in financial receivables include the variations in financial receivables and interest received

Free Cash Flow, negative for Euro 3,210 thousand for the three months ended March 31, 2019, shows a decrease of Euro 6,064 thousand compared to the same period in 2018. This decrease is mainly due to the changes in net working capital.

The following table shows the breakdown of the changes in the Net Working Capital for the three months ended March 31, 2019 and 2018:

	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[(1)]	**(11,809)**	**(5,342)**

(1) For additional information, refer to the "Non-GAAP" alternative performance indicators section.

Changes in Net Working Capital, with a negative balance of Euro 11,809 thousand for the first three months ended March 31, 2019 show an increase of Euro 6,467 thousand compared to the same period of 2018. The increase is mainly due to inventories and other asset and liabilities.

Net recurring investments, absorbing cash in an amount of Euro 7,074 thousand for the first quarter of 2019, raise compared to the first quarter of 2018 (Euro 5,796 thousand).

Net non-recurring investments are equal to Euro 22,277 thousand and Euro 280 thousand for the first three months ended March 31, of 2019 and 2018, respectively.

In the first three months of 2019 non-recurring investments refers to the acquisitions of the business and asset of a group of companies based in Melbourne known as "The Bean Alliance Group" in Australia and of Cafè Nandi SA and Multicafès Industria de Cafè in Pourtugal, for a total amount of Euro 21,737 thousand. Refers to paragraph *"*Capital expediture*"* for more detail.

Moreover, the Group has made payments for Euro 540 thousand and Euro 280 thousand, respectively on first three months ended March 31, 2019 and 2018 in favor of the company Virtus Pallacanestro Bologna S.S.D. a r.l. based in Bologna.

Investments in financial receivables refer to the variations regarding hedging operations on the American market, carried out on the specific request of certain clients of the *Private Label* channel.

Cash flows from financing activities is positive for Euro 31,510 thousand for the three months ended March 31, 2019; it was negative for Euro 3,155 thousand for the same period in 2018. The variation is due to new long-terms loans signed by the parent company and the Portuguese subsidiaries as written in detail in the paragraph "Key events for the three months ended March 31, 2019".

Net Debt

The following table shows the breakdown of net debt of the Group at March 31, 2019 and December 31, 2018, determined in accordance with the CONSOB Communication dated 28 July 2006, and in compliance with the ESMA Recommendation 2013/319:

	At March 31,	At December 31,
(in thousands of Euro)	**2019**	**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 debt (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 debt (K+L+M)	**239,951**	**175,300**
O Net debt (J+N)	**249,372**	**174,718**

Net Debt equal to Euro 249,372 thousand at March 31, 2019, increase of Euro 74,654 thousand compared to December 31, 2018. This increase is mainly due to the combined effect generated by:

- accounts of lease liability due to the adoption of IFRS 16 equal to Euro 47,391 thousand as well as current lease receivable for Euro 2,261 thousand. Refers to note *5 "Impact deriving from new accounting standards"* for more detail;
- non-recurring investments equal to Euro 22,277 thousand;
- negative *Free Cash Flow* of Euro 3,210 thousand;
- interest paid in the first three months of 2019 amounting to Euro 1,758 thousand;
- exchange rate differences and other variations totalling Euro 793 thousand.

Capital expenditure

The following table shows the breakdown of capital expenditure in property, plant and equipment, intangible assets and business combinations for the three months ended March 31, 2019 and 2018.

	Three months ended March 31,			
(in thousands of Euro)	**2019**		**2018**	
	Capital expenditure	**Cash-out**	**Capital expenditure**	**Cash-out**
Business combinations, including those under common control	28,140	21,737	-	-
Investments in associates	540	540	280	280
Intangible assets	1,088	1,088	380	380
Property, plant and equipment	6,175	6,175	5,740	5,740
Total non-current assets	**35,943**	**29,540**	**6,400**	**6,400**

Business combinations and Business combinations under common control

On February 1, 2019 the Group has finalized, through its Swiss subsidiary, the acquisition of the business and asset of a group of companies based in Melbourne known as “The Bean Alliance Group” strengthening its presence in the Australian market. The purchase price of Euro 20,585 thousand, includes the potential earn-out to be paid in three annual instalments, starting from January 31, 2020, on the occurrence of specific annual qualitative and quantitative targets.

With reference to these acquisitions, the table below shows the comparison between the consideration paid and the net asset acquired:

(in thousands of Euro)	**Book value**
Property, plant and equipment	2.510
Inventories	1.124
Deferred tax assets	381
Employee benefits	(326)
Non-current borrowings	(1.391)
Current borrowings	(133)
Other current liabilities	(417)
Net asset acquired	**1.749**
Consideration paid comprehensive of the earn-out	(20.585)
Provisional goodwill	**(18.836)**

On February 11, 2019 Massimo Zanetti Beverage Iberia has completed the acquisition of the Portuguese company Cafés Nandi SA., near to Lisbon, for a total consideration of Euro 6,575 thousand.

The table below shows the comparison between the consideration paid and the net asset acquired:

(in thousands of Euro)	**Book value**
Intangible assets	34
Property, plant and equipment	4.302
Non-current contract assets	21
Other non-current assets	2
Inventories	313
Trade receivables	67
Other current assets	18
Cash and cash equivalents	416
Non-current borrowings	(74)
Deferred tax liabilities	(17)
Other non-current liabilities	(12)
Current borrowings	(32)
Trade payables	(20)
Other current liabilities	(93)
Net asset acquired	**4.926**
Consideration paid	(6.575)
Provisional goodwill	**(1.650)**

The Portuguese company Massimo Zanetti Beverage Iberia acquired also the client portfolio of one of its agents for a total of Euro 980 thousand in the first quarter of 2019.

There were no investments in the first quarter of 2018.

Investments in associates

Investments in associates amount to Euro 540 thousand at March 31, 2019 and Euro 280 thousand at March 31, 2018 and refers to investments on Virtus Pallacanestro Bologna S.S.D. a r.l..

Property, plant and equipment

The investments made in the first quarter of 2019 mainly refer to bar equipment and industrial and commercial equipment of Euro 4,257 thousand and Euro 818 thousand, respectively.

Capital expenditure for the three months ended March 31, 2018 mainly relates to bar equipment and assets under construction, amounting to Euro 3,701 thousand and Euro 868 thousand, respectively.

Intangible assets

The investments of the first quarter of 2019 amount to Euro 1,088 thousand and refers mainly to the implementation of Group's ERP software.

In the same period of 2018, the investments on intangible asset are equal to Euro 380 thousand mainly due to software and other intangible asset.

Key events for the three months ended March 31, 2019

- On February 1, 2019 the Group has finalized, through its Swiss subsidiary the acquisition of the business and asset of a group of companies based in Melbourne known as “The Bean Alliance Group”. The acquisition price, including the potential earn-out, is Euro 20,585 thousand with net financial position equal to zero. The agreement provides for a potential earn-out to be paid in three annual instalments, starting from January 31, 2020, should the specific annual qualitative and quantitative targets agreed be achieved.
- On February 11, 2019 Massimo Zanetti Beverage Iberia has completed the acquisition of the Portuguese company Cafés Nandi SA., near to Lisbon, with a capital employed of Euro 6,575 thousand. This acquisition enables the Group to double the current production capacity of the Portuguese plant, in order to satisfy the increasing demand in Europe, in particular for single serves. In order to finance these investments, the company entered into a medium-to-long term loan agreement with Banco Comercial Portugues for an overall amount of Euro 6,000 thousand reaching maturity in 2025;
- Within the scope of the ordinary fund raising activities, the Group entered into a medium-to-long term loan agreement with Monte dei Paschi di Siena in February 2019 for an overall amount of Euro 20,000 thousand reaching maturity in 2026;
- Within the scope of the ordinary fund raising activities, the Group entered into a medium-to-long term loan agreement with Credito Valtellinese in February 2019 for an overall amount of Euro 15,000 thousand reaching maturity in 2026;

Subsequent events

On April 10, 2019, the Ordinary Shareholders' Meeting of Massimo Zanetti Beverage Group S.p.A. approved the 2018 financial statements and the distribution of a dividend of Euro 0.19 per share, for a total of Euro 6,517 thousand.

Business outlook

Based on the results achieved for the three months ended March 31, 2019 and on the current market trends, the outlook for the Group performance in 2019 is unchanged.

“Non-GAAP” alternative performance indicators

Company management evaluates the performance of the Group using certain financial and operating indicators not required by IFRS. In particular, EBITDA is used as a primary indicator of profitability, since as it allows analysis of the profit margin of the Group, eliminating the effects of volatility due to non-recurring items or items unrelated to ordinary operations.

In accordance with Communication CESR/05-178b, a description of such items used by management is described below:

- Gross Profit is defined by the Group as the difference between revenue and purchase of raw, ancillary, and consumable materials and goods;
- Gross Margin is defined by the Group as the ratio of Gross Profit to Revenue;
- EBITDA is defined by the Group as the profit for the period adjusted to exclude amortization and depreciation, financial income and costs, income tax expense and losses for the period from discontinued operations;
- EBITDA Margin is defined by the Group as the ratio of EBITDA to Revenue;
- Adjusted EBITDA is defined by the Group as EBITDA adjusted for non-recurring items;
- Adjusted EBITDA Margin is defined by the Group as the ratio of Adjusted EBITDA to Revenue;

- Net Working Capital is calculated as the sum of inventories, trade receivables, income tax receivables and other current assets (excluding financial assets), net of trade payables, income tax liabilities and other current liabilities;
- Net Invested Capital is defined by the Group as the sum of non-current assets, non-current liabilities and Net Working Capital;
- Free Cash Flow is defined by the Group as the sum of EBITDA, changes in Net Working Capital, net recurring investments, income tax paid and other operating items.

Unusual transactions and/or events

No significant unusual transactions and/or events occurred in the period which have an impact on the Group's results of operations or financial position.

Treasury shares

The Company does not own nor has owned in the period treasury shares or shareholdings in parent companies, including through third parties or trust companies, and therefore, has not carried out any sales and purchase transactions for such shares and/or shareholdings.

Related-party transactions

In accordance with the regulations on transactions with related parties introduced pursuant to Consob Resolution no. 17221 dated 12 March 2010 as subsequently amended and integrated, the Company has adopted the procedure governing related-party transactions.

The aforementioned procedure was approved by the Board of Directors of the Company on 15 July 2014 and amended on 28 August 2015 with the approval of the independent directors.

The objective of the procedure is to ensure transparency and the substantial correctness of transactions with related parties and is published on the Company website – www.mzb-group.com.

With respect to the information provided in the notes to the consolidated financial statements at December 31, 2018, no unusual transactions in terms of amount or importance were carried out in the three months ended March 31, 2019 with related parties with the exception of the long-established activities of green coffee sale and purchase that the Group maintains with Cofiroaster SA, an entity falling under the category of "Entities under Common Control".

CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS AS AT AND FOR THE THREE MONTHS ENDED MARCH 31, 2019

Consolidated Condensed Interim Income Statement

(in thousands of Euro)	**Note**	**Three months ended March 31, 2019**	**2018**
Revenue	**8**	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	**9**	(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)	**10**	**0.07**	**0.08**

Consolidated Condensed Interim Statement of Comprehensive Income

	Three months ended March 31,	
(in thousands of Euro)	**2019**	**2018**
Profit for the period	**2.398**	**2.797**
Gains/(Losses) from cash flow hedges	(694)	162
Currency translation differences	5.059	(3.160)
Items that may be subsequently reclassified to profit or loss	**4.365**	**(2.998)**
Remeasurements of employee benefit obligations	**-**	-
Items that will not be reclassified to profit or loss	-	-
Total comprehensive (loss)/income for the period	**6.763**	**(201)**
Comprehensive income attributable to non-controlling interests	32	16
Comprehensive (loss)/income attributable to owners of the parent	**6.731**	**(217)**

Consolidated Interim Statement of Financial Position

(in thousands of Euro)	Note	As at March 31, 2019	As at December 31, 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	**6**	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	**6**	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 Flows

(in thousands of Euro)	Note	Three months ended March 31, 2019	2018
Profit before tax		**3,573**	**4.238**
Adjustments for:			
Amortization, depreciation and impairment	**9**	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	**6**	(12,636)	(7.155)
Increase / (decrease) in short-term borrowings	**6**	2,714	3.617
Net cash generated/(used in) from financing activities		**31,510**	**(3.155)**
Exchange gains/(losses) on cash and cash equivalents		793	(908)
Net increase/(decrease) 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**

Condensed Consolidated Statement of Changes in Equity

(in thousands of Euro)	**Share capital**	**Other reserves**	**Retained earnings**	**Equity attributable to owners of the parent**	**Equity attributable to non-controlling interests**	**Total**
As at December 31, 2017	**34,300**	**98,162**	**166,443**	**298,905**	**1,977**	**300,882**
Effect of the first application of IFRS 9	-	-	(2,953)	(2,953)	(17)	**(2,970)**
As at January 1, 2018	**34,300**	**98,162**	**163,490**	**295,952**	**1,960**	**297,912**
Profit for the period	-	-	19,792	19,792	105	**19,897**
Remeasurements of employee benefit obligations	-	-	123	123	6	**129**
Losses from cash flow hedges	-	774	-	774	-	**774**
Currency translation differences	-	5,955	-	5,955	(20)	**5,935**
Total loss for the period	**-**	**6,729**	**19,915**	**26,644**	**91**	**26,735**
Transaction with shareholders						
Dividends paid	-	(5,831)	-	(5,831)	(168)	**(5,999)**
Reclassifications	-	336	(336)	-	-	**-**
As at December 31, 2018	**34,300**	**99,396**	**183,069**	**316,765**	**1,883**	**318,648**

(in thousands of Euro)	**Share capital**	**Other reserves**	**Retained earnings**	**Equity attributable to owners of the parent**	**Equity attributable to non-controlling interests**	**Total**
As at December 31, 2018	**34,300**	**99,396**	**183,069**	**316,765**	**1,883**	**318,648**
Profit for the period	-	-	2,350	2,350	48	**2,398**
Remeasurements of employee benefit obligations	-	-	-	-	-	**-**
Gain from cash flow hedges	-	(694)	-	(694)	-	**(694)**
Currency translation differences	-	5,341	-	5,341	(16)	**5,325**
Total income for the period	**-**	**4,647**	**2,350**	**6,997**	**32**	**7,029**
Transaction with shareholders						
Dividends paid	-	-	-	-	-	**-**
Reclassifications	-	-	-	-	-	**-**
As at March 31, 2019	**34,300**	**104,043**	**185,419**	**323,762**	**1,915**	**325,677**

Notes

1. General information

Massimo Zanetti Beverage Group S.p.A. (hereinafter the "**Parent**"**)** is a company established and domiciled in Italy and organized under the laws of the Republic of Italy. The registered offices of the Company are located in Viale Felissent, Villorba (Treviso). The Company is controlled by Massimo Zanetti Industries S.A. (hereinafter also referred to as "**MZ Industries**"), based in Luxembourg. The Company and its subsidiaries (hereinafter referred to as the "**Group**") operate in the coffee business. In particular, the Group manages numerous well-known international brands and a vast assortment of regional products, including coffee, tea, cocoa and spices.

The Company has been listed on the STAR segment of the Mercato Telematico Azionario - MTA (screen-based stock exchange) managed and organised by Borsa Italiana S.p.A. (Italian Stock Exchange) since 3 June 2015.

The Group's interim report at March 31, 2019 was prepared in accordance with article 154 ter c. 5 of Legislative Decree no. 58/98 - TUF (Consolidated Law on Finance) - as subsequently amended and supplemented, and Article 2.2.3 (3) of the Regulation on Markets Organised and Managed by Borsa Italiana S.p.A. and holding into account Notice no.7587 of 21 April 2016 of Borsa italiana S.p.A.

The notes provide a summary and do not include all the information required for the annual financial statements, given that they refer only to those items which, in terms of amount, composition or changes, are essential to understand the economic and financial situation of the Group. This interim report must therefore be read together with the consolidated financial statements as at December 31, 2018.

This interim report was prepared in accordance with the same accounting standards and basis of preparation as those used for the consolidated financial statements as at December 31, 2018, with exception of those expressly applicable to interim reports, as well as with IFRS 16 "Leases" being applied from January 1, 2019. For further information please refer to note *2.5 "Recently issued accounting standards"* in the 2018 consolidated financial report and note *5 "Impacts from new accounting standards".*

The interim report has been prepared and presented in Euro, which is the currency used in the countries where the Company mainly operates. Unless otherwise indicated, all the amounts included in this document are stated in thousands of Euro.

The interim report was approved by the Board of Directors on May 9, 2019 and is unaudited.

2. Conversion of the financial statements in currencies other than the Euro

The financial statements of subsidiaries are prepared in the currency of the primary economic environment in which they operate. Financial information presented in currencies other than the Euro are translated into Euro as follows:

- assets and liabilities are translated using the exchange rates applicable at the reporting date;
- revenues and expenditures are translated at the average exchange rate for the period;
- the reserve for currency translation differences includes exchange differences generated by translating balances at a rate other than the closing rate, as well as though generated by translating opening equity at a rate other than the rate applicable at the reporting date.

The following exchange rates were used to translate non-Euro financial information of subsidiaries:

Currency		Average Exchange rate		Exchange rate as at March 31,			Exchange rate as at December 31,	
		2019	2018	2019	2018	2017	2018	2017
US Dollar	USD	1.14	1.23	1.12	1.23	1.07	1.15	1.20
United Arab Emirates Dinar	AED	4.17	4.52	4.13	4.52	3.92	4.21	4.40
Argentine Peso	ARS	44.24	24.20	48.93	24.82	16.46	43.16	22.93
Australian Dollar	AUD	1.59	1.56	1.58	1.60	1.40	1.62	1.53
Brazilian Real	BRL	4.28	3.99	4.39	4.09	3.38	4.44	3.97
Canadian Dollar	CAD	1.51	1.55	1.50	1.59	1.43	1.56	1.50
Swiss Franc	CHF	1.13	1.17	1.12	1.18	1.07	1.13	1.17
Chilean Peso	CLP	757.51	740.15	766.02	744.58	711.48	794.37	737.29
Costarican Colon	CRC	688.63	700.21	676.35	698.17	597.99	694.77	682.85
Czech Koruna	CZK	25.68	25.40	25.80	25.43	27.03	25.72	25.54
Danish Crown	DKK	7.46	7.45	7.47	7.45	7.44	7.47	7.44
Renminbi (Yuan)	CNY	7.66	n.a.	7.54	n.a.	n.a.	7.88	n.a.
British Pound	GBP	0.87	0.88	0.86	0.87	0.86	0.89	0.89
Hong Kong Dollar	HKD	8.91	9.62	8.82	9.67	8.31	8.97	9.37
Croatian Kuna	HRK	7.42	7.44	7.43	7.43	7.45	7.41	7.44
Hungarian Forint	HUF	317.88	311.07	321.05	312.13	307.62	320.98	310.33
Indonesian Rupiah	IDR	16,053.50	16,694.55	15,998.64	16,933.98	n.a	16,500.00	16,239.12
Japanese Yen	JPY	125.10	133.14	124.45	131.15	119.55	125.85	135.01
Mexican Peso	MXN	21.80	23.04	21.69	22.52	20.02	22.49	23.66
Malaysian Ringgit	MYR	4.65	4.82	4.58	4.77	4.73	4.73	4.85
New Zealand Dollar	NZD	1.67	1.69	1.65	1.71	1.53	1.71	1.69
Polish Zloty	PLN	4.30	4.18	4.30	4.21	4.23	4.30	4.18
Romanian Leu	RON	4.74	4.66	4.76	4.66	4.55	4.66	4.66
Singapore Dollar	SGD	1.54	1.62	1.52	1.62	1.49	1.56	1.60
Thai Bhat	THB	35.91	38.79	35.63	38.48	36.72	37.05	39.12
Vietnamese Dong	VND	26,347.00	27,947.67	26,064.00	28,112.00	24,329.16	26,547.00	27,233.00

3. Management of Financial Risks and financial instruments

There have been no changes in the risk management department or in any risk management policies compared with the previous year.

4. Seasonality

While the Group's business is not subject to significant seasonal or cyclical fluctuations, the revenue and cost flows are not entirely uniform throughout the year. The analysis of the financial and economic indicators and results for the period may therefore not be considered to be fully representative, and it would be incorrect to consider the indicators for the period as proportional to the year as a whole.

5. 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 considers 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 recognised as expense	(1,316)
Low-value leases recognised 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 recognised 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 in the Consolidated Condensed Interim Income Statements as at March 31, 2019 are 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 expense for interests calculated on lease liabilities and lease receivables.

6. Current and Non-current borrowings

The following tables provide a breakdown of current and non-current borrowings at March 31, 2019 and December 31, 2018.

As at March 31, 2019 *(in thousands of Euro)*	**Less than 12 months**	**Between 1 and 5 years**	**Over 5 years**	**Total**
Long-term borrowings	47,716	183,136	17,000	247,852
Short-term borrowings	50,913	-	-	50,913
Advances from factors and banks	3,977	-	-	3,977
Finance lease liabilities	11,652	27,077	12,738	51,467
Total	**114,258**	**210,213**	**29,738**	**354,209**

As at December 31, 2018 *(in thousands of Euro)*	**Less than 12 months**	**Between 1 and 5 years**	**Over 5 years**	**Total**
Long-term borrowings	45,243	168,561	4,235	218,039
Short-term borrowings	43,647	-	-	43,647
Advances from factors and banks	6,004	-	-	6,004
Finance lease liabilities	1,743	2,488	16	4,247
Total	**96,637**	**171,049**	**4,251**	**271,937**

Please refer to note 5 *"Impact deriving from new accounting standards"* for the effect deriving from the first adoption of IFRS 16 "Lease" which recognized lease financial liabilities for Euro 47,391 thousand as of March 31, 2019.

Long-term borrowings

The Group's loan contracts require compliance with negative pledges and covenants typical in international practice, to be met by the debtor companies.

These covenants are constantly monitored by the Group's management and were complied with as at March 31, 2019 and December 31, 2018. The American subsidiaries MZB USA Inc., has started a renegotiation of some of these covenants in order to better reflect the financial policy of the Group.

In February 2019, the Group entered into a medium-to-long term loan agreement with Monte dei Paschi di Siena for an overall amount of Euro 20,000 thousand reaching maturity in 2026.

In February 2019, the Group entered into a medium-to-long term loan agreement with Credito Valtellinese for an overall amount of Euro 15,000 thousand reaching maturity in 2026.

The following table reports the long-term borrowings by variable and fixed rates of interest and by currency (Euro and USD):

	As at March 31,	As at December 31,
(in thousands of Euro)	**2019**	**2018**
Principal amount of long-term borrowings		
- at variable rate	237,984	208,754
- at fixed rate	10,000	10,000
Notional value of derivatives on interest rates	114,599	96,290
Long-term borrowings converted at fixed rate	50%	49%
Remaining portion of long-term borrowings at variable rate	50%	51%
Long-term borrowings denominated in Euro	90%	89%
Long-term borrowings denominated in USD	10%	11%

During the first three months of 2019, the Group enter into an interest rate swap to hedge an amount of Euro 20,000 thousand.

It should be noted that with the exception of the interest rate swap contract signed for a notional amount of Euro 11,682 thousand as of March 31, 2019 (Euro 11,790 thousand as of December 31, 2018), all the other interest rate swaps, used by the Group to reduce the exposure to interest rate fluctuations, do not comply with the requirements for hedge accounting set forth by IFRS 9 "Financial instruments: recognition and valuation". Please refer to note *3 "Interest rate risk"* of the consolidated financial statement as of December 31, 2018.

Advances from factors and banks

Advances from factors and banks relate to advances received from factoring companies or other credit institutions, mainly in Italy, in relation to trade receivables assigned during the period that do not satisfy the criteria for derecognition of the related financial assets.

Net debt

The following table shows the breakdown of net debt of the Group at March 31, 2019 and December 31, 2018, determined in accordance with CONSOB communication dated 28 July 2006 and ESMA/2013/319 Recommendation:

	As at March 31,	As at December 31,
(in thousands of Euro)	**2019**	**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 debt (F+G+H)	**114,258**	**96,637**
J Net current debt (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 debt (K+L+M)	**239,951**	**175,300**
O Net debt (J+N)	**249,372**	**174,718**

Due to the adoption of IFRS 16 "Lease", the lease liabilities accounted and included in the Net debt are equal to Euro 47,391 thousand at March 31, 2019. This amount has to be considered net of current lease receivables for Euro 2,261 thousand. Refers to note *5 "Impact deriving from new accounting standards"* for more detail.

7. Contingent liabilities

Massimo Zanetti Beverage USA, Inc, (MZB USA), the Group's U.S.-based entity, together with dozens of other coffee roasters and retailers, remains in litigation in the State of California regarding a California law (so called *Proposition 65*) which requires the placement of a warning on the packaging of products which contain acrylamide and imposes fines for non-compliance. The ruling process, having entered its third phase, has been put on hold after the Californian Office of Environmental Health Hazard Assessment ("OEHHA") charged with oversight of the *Proposition 65* statue has expressed its doubts on adding coffee to the list of products that can fall under *Proposition 65* jurisdiction. A new rule, exempting the green beans roasting or the coffee brewing process from the obligations of *Proposition 65* is expected to be in place no later than July 1, 2019. After that the whole suit will most likely be dismissed. The Group, also taking into account these recent and more favourable developments, has not made any provision.

8. Revenue

The tables in this note shows a breakdown of revenue, whose trends are illustrated in the management report.

The following table shows a breakdown of revenue by distribution channel:

	Three months ended March 31,	
(in thousands of Euro)	**2019**	**2018**
Foodservice	50,239	49,961
Mass Market	80,180	78,990
Private Label	71,896	68,299
Other	15,382	13,952
Total	**217,697**	**211,202**

The following table shows a breakdown of revenue by geographic area:

	Three months ended March 31,	
(in thousands of Euro)	**2019**	**2018**
Americas	96,320	91,707
Northern Europe	45,431	42,853
Southern Europe	53,258	57,258
Asia-Pacific and Cafés *	22,688	19,384
Total	**217,697**	**211,202**

(*) This geographic area includes the revenue generated by the international network of cafés

9. Amortization, Depreciation and Impairment

The following table shows a breakdown of amortization, depreciation and impairment:

	Three months ended March 31,	
(in thousands of Euro)	**2019**	**2018**
Depreciation of property, plant and equipment	7,621	7,564
Depreciation of right of use	2,106	-
Amortization of intangible assets	1,270	1,259
Depreciation of investment property	29	29
Allowances for doubtful accounts	181	396
Total	**11,207**	**9,248**

The lines include the depreciation of the right-of-use of asset for a total amount of Euro 2,106 thousand as detailed in the note *5 "Impacts from new accounting standards"*. These amounts are the effect of the adoption of IFR16 by the Group.

10. Earnings per share

The following table provides a breakdown of earnings per share:

	Three months ended March 31,	
(in thousands of Euro, unless otherwise indicated)	**2019**	**2018**
Average number of ordinary shares	34,300,000	34,300,000
Profit attributable to owners of the Parent	2,350	2,781
Basic and diluted earnings per share (in Euro)	**0.07**	**0.08**

Basic earnings per share and diluted earnings per share were the same for the three months ended March 31, 2019 and 2018 as there were no dilutive effects.

List of companies included in the Consolidated Condensed Interim Financial Statements

Company	Registered office	Reporting date	Share capital		Percentage held as at	
			Currency	Amount (000)	March 31, 2019	December 31, 2018
Massimo Zanetti Beverage S.A.	Ginevra	December 31	CHF	192.900	100%	100%
Segafredo Zanetti S.p.A.	Bologna	December 31	EUR	38.800	100%	100%
La San Marco S.p.A.	Gorizia	December 31	EUR	7.000	90%	90%
Segafredo Zanetti Sarl	Ginevra	December 31	CHF	20	100%	100%
Segafredo Zanetti Argentina S.A.	Buenos Aires	December 31	ARS	4.913	100%	100%
Segafredo Zanetti Australia Pty Ltd.	Sydney	December 31	AUD	4.400	100%	100%
Segafredo Zanetti Austria Gmbh	Salisburgo	December 31	EUR	727	100%	100%
Segafredo Zanetti Belgium S.A.	Bruxelles	December 31	EUR	3.892	100%	100%
Segafredo Zanetti (Brasil) Com. distr. de Cafè S.A.	Belo Horizonte	December 31	BRL	20.184	100%	100%
Segafredo Zanetti Chile S.A.	Santiago	December 31	CLP	25.000	100%	100%
Segafredo Zanetti Coffee System S.p.A.	Treviso	December 31	EUR	6.000	100%	100%
Segafredo Zanetti CR spol.sro	Praga	December 31	CSK	9.300	100%	100%
Segafredo Zanetti Deutschland Gmbh	Monaco	December 31	EUR	1.534	100%	100%
Segafredo Zanetti Espresso Worldwide Ltd.	Ginevra	December 31	CHF	30.000	98%	98%
Segafredo Zanetti Espresso Worldwide Japan Inc.	Tokyo	December 31	YEN	100.000	98%	98%
Segafredo Zanetti France S.A.S.	Rouen	December 31	EUR	8.500	100%	100%
Segafredo Zanetti Hellas S.A.	Atene	December 31	EUR	950	100%	100%
Segafredo Zanetti Hungaria KFT	Budapest	December 31	HUF	46.630	100%	100%
Tiktak/Segafredo Zanetti Nederland BV	Groningen	December 31	EUR	18	100%	100%
Segafredo Zanetti Poland Sp.z.o.o.	Bochnia	December 31	PLN	47.615	100%	100%
Segafredo Zanetti SR Spol S.r.o.	Bratislava	December 31	EUR	200	100%	100%
Segafredo Zanetti Trgovanje s kavo. d.o.o.	Ljubljana	December 31	EUR	651	100%	100%
Brodie Melrose Drysdale & CO Ltd.	Edimburgo	December 31	GBP	244	100%	100%
Brulerie des Cafés Corsica SAS	Ajaccio	December 31	EUR	152	100%	100%
Distribuidora Cafè Montaña S.A.	San Josè	December 31	CRC	304.010	100%	100%
Massimo Zanetti Beverage USA Inc.	Suffolk	December 31	USD	73.641	100%	100%
Meira Eesti Oü	Tallin	December 31	EUR	15	100%	100%
Meira Oy Ltd.	Helsinki	December 31	EUR	1.000	100%	100%
Puccinos Worldwide Ltd	Edimburgo	December 31	GBP	-	100%	100%
Massimo Zanetti Beverage Mexico SA de CV (*)	Mazatlán	December 31	MXN	1.806	50%	50%
MZB Cafes USA Inc	Suffolk	December 31	USD	-	100%	100%
Kauai Coffee Company LLC	Hawaii	December 31	USD	-	100%	100%
Massimo Zanetti Beverage USA Food Service LLC	Wilmington	December 31	USD	-	100%	100%
Segafredo Zanetti New Zealand Ltd	Auckland	December 31	NZD	-	100%	100%
Segafredo Zanetti Croatia d.o.o.	Zagreb	December 31	HRK	4.850	100%	100%
Massimo Zanetti Beverage Vietnam Company Ltd	Ben Cat district - Binh Duong	December 31	VND	21.000.000	100%	100%
Segafredo Zanetti (Thailand) Ltd	Bangkok	December 31	THB	15.300	100%	100%
Boncafe International Pte Ltd	Singapore	December 31	SGD	18.710	100%	100%
Boncafe (Cambodia) Ltd	Phnom Penh	December 31	KHR	108.000	100%	100%
Boncafe (M) Sendirian Berhad	Kuala Lumpur	December 31	MYR	200	100%	100%
Six Degrees Café Pte Ltd	Singapore	December 31	SGD	-	100%	100%
BeanToCup (Thailand) Ltd	Bangkok	December 31	THB	4.000	100%	100%
Boncafe Middle East Co LLC	Dubai	December 31	AED	300	100%	100%
Boncafe (Thailand) Ltd	Bangkok	December 31	THB	150.000	100%	100%
Massimo Zanetti Beverage (Thailand) Ltd	Bangkok	December 31	THB	30.000	100%	100%
Boncafe (Hong Kong) Ltd	Hong Kong	December 31	USD	500	100%	100%
Segafredo Zanetti Grandi Eventi S.r.l.	Bologna	December 31	EUR	20	100%	100%
Massimo Zanetti Beverage Services SRL (*)	Municipiul Brasov	December 31	RON	1	51%	51%
Boncafe Vietnam Company Ltd	Thuan An	December 31	VND	12.268.000	100%	100%
Massimo Zanetti Beverage USA (Canada), Inc.	Suffolk	December 31	USD	-	100%	100%
Massimo Zanetti Beverage Canada Investment ULC	Vancouver	December 31	CAD	-	100%	100%
Club Coffee LP (*)	Toronto	April 25	CAD	4.000	15%	15%
Massimo Zanetti Beverage Ibéria S.A.	Lisbona	December 31	EUR	40.000	100%	100%
Virtus pallacanestro Bologna SSD a.r.l. (*)	Bologna	June 30	EUR	2.901	37%	37%
PT Bon cafe Indonesia	Jakarta	December 31	IDR	2.525.000	67%	67%
Boncafe China Company Ltd	Shenzhen	December 31	USD	200	100%	100%
Bean Alliance Group PTY Ltd	Melbourne	December 31	AUD	15.000	100%	100%
Cafés Nandi SA	Lisbona	December 31	EUR	1.250	100%	n.a.
Multicafés Industria de Café	Lisbona	December 31	EUR	500	100%	n.a.

Consolidated Condensed Income Statement pursuant to Consob Resolution no, 15519 dated 27 July 2006

	Three months ended March 31,			
(in thousands of Euro)	**2019**	***of which related parties***	**2018**	***of which related parties***
Revenue	217,697	102	211,202	97
Other income	1,364	53	1,732	-
Raw, ancillary, and consumable materials and goods	(120,675)	(38,856)	(118,014)	(40,271)
Purchases of services, leases and rentals	(42,399)	(978)	(42,812)	(403)
Personnel costs	(37,261)	(1,491)	(35,000)	(1,865)
Other operating costs	(1,381)		(1,499)	
Amortization, depreciation and impairment	(11,207)		(9,248)	
Operating profit	**6,138**		**6,361**	
Finance income	199	6	54	3
Finance costs	(2,362)	(452)	(2,039)	(270)
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 year	**2,398**		**2,797**	
Profit attributable to:				
Non-controlling interests	*48*		*16*	
Owners of the Parent	*2,350*		*2,781*	
Basic and diluted earnings per share (in Euro)	**0.07**		**0.08**	

Consolidated Condensed Statement of Financial Position pursuant to Consob Resolution no, 15519 dated 27 July 2006

	As at March 31,		As at December 31,	
(in thousands of Euro)	**2019**	*of which related parties*	**2018**	*of which related parties*
Intangible assets	206,046		182,799	
Property, plant and equipment	256,923		215,127	
Investment properties	4,742		4,771	
Investments in joint venture	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	512	6,574	437
Total non-current assets	**516,855**		**440,826**	
Inventories	145,568		131,649	
Trade receivables	118,210	119	120,832	105
Income tax assets	3,619		3,271	
Other current assets	3,939		3,759	
Current contract assets	25,096	89	15,572	88
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	
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	500	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	56	96,637	
Trade payables	144,226	42,381	144,292	44,822
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 Statement of Cash Flows pursuant to Consob Resolution no, 15519 dated 27 July 2006

	Three months ended March 31,			
(in thousands of Euro)	**2019**	*of which related parties*	**2018**	*of which related parties*
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	446	1,985	267
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	(14)	3,896	(22)
Changes in trade payables	(1,169)	(2,515)	(1,195)	2,024
Changes in other assets/liabilities	(1,838)	(76)	454	(270)
Payments of employee benefits	(254)		(105)	
Interest paid	(1,758)	(452)	(1,768)	(270)
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	
Changes in financial receivables	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	26	383	
Repayment of long-term borrowings	(12,636)		(7,155)	
Increase / (decrease) in short-term borrowings	2,714		3,617	
Net cash generated/(used in) from financing activities	**31,510**		**(3,155)**	
Exchange gains/(losses) on cash and cash equivalents	793		(908)	
Net increase/(decrease) 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**	

Declaration of the Manager on the Interim Report as at March 31, 2019 pursuant to Article 154-bis, paragraph 2 of Legislative Decree no, 58/98 as amended and supplemented

Declaration by the Manager in Charge of the Company's Financial Reports

Pursuant to art. 154-bis, paragraph 2 of TUF, Leonardo Rossi, Manager in Charge of the Financial Reports, certifies that the accounting information contained in the present interim financial report at March 31, 2019 corresponds to the underlying documentary and accounting records.

Villorba (TV), May 09, 2019

Manager in Charge of the Company's
Financial Reports
Leonardo Rossi