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Testo del comunicato

Vedi allegato.

PRESS RELEASE

MASSIMO ZANETTI BEVERAGE GROUP SPA: THE BOARD OF DIRECTORS APPROVES THE FIRST HALF 2019 RESULTS

- REVENUES: EURO 439.5 MILLION COMPARED TO EURO 434.4 MILLION IN THE FIRST HALF OF 2018; +1.2% AT CURRENT EXCHANGE RATES, -1.8% AT CONSTANT EXCHANGE RATES. VOLUMES STABLE
- GROSS PROFIT: EURO 196.5 MILLION, +2.7% COMPARED TO EURO 191.2 MILLION IN THE FIRST HALF OF 2018 WITH THE MARGIN ON REVENUES OF 44.7% COMPARED TO 44.0% (+70 BASIS POINTS)
- EBITDA ADJUSTED AND EXCLUDING IFRS 16 EFFECTS *: EURO 31.0 MILLION, -3.4% COMPARED TO EURO 32.1 MILLION IN THE FIRST HALF OF 2018
- EBITDA: EURO 33.9 MILLION, +5.8% COMPARED TO EURO 32.1 MILLION IN THE FIRST HALF OF 2018
- NET PROFIT ADJUSTED AND EXCLUDING IFRS 16 EFFECTS *: EURO 5.1 MILLION, -29.2% COMPARED TO EURO 7.1 MILLION IN THE FIRST HALF OF 2018
- NET DEBT EXCLUDING IFRS 16 EFFECTS: EURO 205.6 MILLION COMPARED TO EURO 174.7 MILLION AT DECEMBER 31, 2018 (EURO 251.5 MILLION AT JUNE 30, 2019 INCLUDING IFRS 16 EFFECT)

Villorba, August 7, 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 Consolidated Results as of June 30, 2019.

MASSIMO ZANETTI, THE GROUP'S CHAIRMAN AND CHIEF EXECUTIVE OFFICER, SAID: "The first half of 2019 closed with a turnover up +1.2% at current exchange rates, a slight decline at constant exchange rates, mainly due to the trend in the price of the raw material, with a solid growth in the *Food Service* channel, driven by Asia Pacific and the Americas. I am also pleased to see that the endeavours made to develop new products, to meet the new market trends, are bringing the expected results: in particular I am referring to the development of sustainable products, such as bio-compostable capsules, and to the renewed range of Segafredo products that have been recently introduced in the Italian market.
This gradual improvement in the product mix has enabled us to report a gross profit up by 2.7% compared to the first half of 2018 and makes us confident about growth in the second part of the year, thanks to the marketing and communication initiatives envisaged, especially in Italy.
Based on the current results and the outlook, together with the strategies implemented, we confirm the expectations of profitability growth for the current year."

(*) before non-recurring items of Euro 1.8 million and excluding the effects of the adoption of IFRS 16 accounting standard. For additional information, please refer to the annex of this press release.

MASSIMO ZANETTI
BEVERAGE GROUP

VOLUMES

In the first six months of 2019, the roasted coffee sales volumes of Massimo Zanetti Beverage Group S.p.A. were equal to 62.1 thousand tons, in line with the same period of 2018.

This is a result of a positive impact from Northern Europe (+0.5 thousand tons) mainly in the Mass Market channels, from the Americas (+0.3 thousand tons) in the Private Label channel, Asia-Pacific (+0.5 thousand tons) and has been partially offset by the decrease of Southern Europe (-1.3 thousand tons) mainly in the Private Label and Mass Market channels, linked to the timing of the introduction of new Segafredo products in Italy.

CONSOLIDATED REVENUES

The Group's consolidated revenues amounted to Euro 439.5 million in the first half of 2019 showing an increase of Euro 5.0 million (+1.2%) compared to the first half of 2018. This increase is a result of:

- the foreign exchange rates (mainly Euro against the US dollars) had a positive impact of +2.9%
- the roasted coffee sales volumes, in line with the previous year
- partially offset by the decrease of roasted coffee sales price (-1.7%) as a consequence of the decrease of the cost of raw material (green coffee).

Revenue for the six months 2019 includes, for Euro 5.5 million, the impact deriving from the acquisition, done in February 2019, of the business and asset of a group of companies in Australia known as "The Bean Alliance" ("BAG").

REVENUES BY CHANNEL

The revenues from the Food Service channel, were up 1.9%, at constant exchange rates, compared with the first half of 2018, thanks to the performance in the Americas and in APAC, partially offset by the slight decrease in Europe, largely due to the strategy of selecting high traffic and high visibility customers.

Mass Market declined 5.8% compared with the first half of 2018, due to the weakness of the Americas and the timing effect of the Segafredo relaunch in the Italian Mass Market.

The Private Label revenues are explained by the slight decrease of roasted coffee sales price as a consequence of the reduction of the cost of green coffee.

	First half ended June 30				Change	
(in Thousand of Euro)	2019		2019		Current FX	Constant FX
Foodservice	105,346	24.0%	103,326	23.8%	2.0%	1.9%
Mass Market	155,098	35.2%	161,070	37.1%	-3.7%	-5.8%
Private Label	147,521	33.6%	140,810	32.4%	4.8%	-1.0%
Other	31,485	7.2%	29,205	6.7%	7.8%	4.1%
Total	**439,450**	**100.0%**	**434,411**	**100.0%**	**1.2%**	**-1.8%**

REVENUES BY REGION

Revenue in the Americas, at Euro 193.8 million (44.1% of the Group's revenue) in the first six months of 2019 was down 3.5% at constant exchange rates compared with the first half of 2018, attributable to the Mass Market channel, mainly due to the decline in the market in the cans category, the slight decline of Private Label channel, due to the slight decrease of roasted coffee sales price, partially compensated by the solid growth achieved in the Food Service channel.

Revenue generated in Northern Europe, stable at constant exchange rates compared to the first half of 2018, was linked to the slight decrease of roasted coffee sales price in the mass market channel.

Revenue in Southern Europe decreased by 6.2% compared with the first half of 2018, due to the sales prices adjustment in the Private Label and the timing of the introduction of new Segafredo products in the Italian Mass Market.

Asia-Pacific and Cafés, which also includes the revenue generated by the international network of cafés, posted revenue of Euro 46.6 million, with a growth of 15.8% at constant exchange rates compared with the first half of 2018, also reflecting the recent acquisition of BAG.

	First half ended June 30				Change	
(in Thousand of Euro)	2019		2019		Current FX	Constant FX
Americas	193,787	44.1%	189,463	43.6%	2.3%	-3.5%
Northern Europe	87,715	20.0%	87,545	20.2%	0.2%	+0.4%
Southern Europe	111,369	25.3%	118,712	27.3%	-6.2%	-6.2%
Asia-Pacific and Cafés	46,579	10.6%	38,691	8.9%	20.4%	+15.8%
Total	**439,450**	**100.0%**	**434,411**	**100.0%**	**1.2%**	**-1.8%**

GROSS PROFIT

Gross Profit in equal to Euro 196.5 million and shows an increase of Euro 5.2 million compared with the first half of 2018 (+2.7%). This increase is explained by the favorable impact of exchange rates (Euro 3.7 million compared with the first half of 2018) and by the increase in Gross Profit resulting from the sales of roasted coffee and other products (+2.2 million compared to the first six months of 2018).

The increase in Gross Profit from the sale of roasted coffee 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 percent of revenues the Gross Profit increased 70 basis points (from 44.0% of revenues to 44.7%).

Gross Profit for the six months ended June 30, 2019 includes Euro 3.1 million for the impact deriving from the acquisition of BAG.

EBITDA ADJUSTED

EBITDA adjusted amounts to Euro 35.7 million compared to Euro 32.1 million in the first half of 2018.

This result was oftributable to:

- the increase in Gross Profit, as mentioned above
- the increase in operating costs (of Euro 3.1 million) mainly driven by the personnel costs and costs for services, impacted also from the acquisition of BAG for Euro 2.5 million
- the positive impact of exchange rate fluctuations (Euro 0.5 million)
- and the positive impact of the adoption of the new accounting standard IFRS 16, applicable since January 1st, 2019 (amounting to Euro 4.7 million) as a result of lower costs for leased assets.

EBITDA adjusted of the first six months of 2019 excludes non-recurring costs of Euro 1.8 million, mainly related to reorganisation plans launched at the subsidiaries as well as the re-launch of the Segafredo Zanetti brand in the Mass Market channel in Italy.

OPERATING INCOME (EBIT)

Operating income (EBIT) is equal to Euro 11.7 million, a decrease of 2.4 million compared to the first half of 2018. In addition to that disclosed about EBITDA, the decrease is mainly attributable to the increase in amortisation and depreciation, equal to Euro 4.2 million. This increase is mainly affected by the impact deriving from the first application of IFRS 16, from January 1, 2019, that raise amortisation and depreciation for Euro 4.4 million due to the new accounting of lease contracts.

NET PROFIT

The net profit is equal to Euro 3.5 million, a decrease of Euro 3,7 million compared to the six months ended June 30, 2018. In addition to what was previously described for the operating profit, this increase is also due to the combined effect of:

- the increase in net finance costs Euro 2.1 million, mainly due to: *i)* the impact deriving from the first application of IFRS 16 for Euro 0.6 million; *ii)* increase in net finance costs due to the fair value on derivatives for Euro 0.7 million; *iii)* increase on interests expenses for Euro 0.6 million;
- the increase in the shares of losses of companies accounted for using the equity method, amounting to Euro 0.4 million;
- the decrease in income taxes amounting to Euro 1.2 million, mainly due to the decrease of taxable income generated by the Group in the six months ended June 30, 2019 compared to 2018.

NET DEBT

Net debt, excluding the effect of the IFRS 16 adoption, is equal to Euro 205.5 million compared to 174.7 million at December 31, 2018.

During the first half, non-recurring investments were made for a total of Euro 22.3 million, compared to Euro 0.6 million in the first half 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 companies Cafés Nandi SA and Multicafès Industria de Cafè based in Amadora, near Lisbon.

Lastly, the adoption of the new accounting standard IFRS 16 increased the Net Debt by Euro 45.9 million. As a result, the Net Debt as of June 30, 2019, after the adoption of IFRS 16, amounted to Euro 251.5 million.

FORECAST FOR OPERATIONS AND SIGNIFICANT SUBSEQUENT EVENTS

In view of the results achieved in the first half 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 half 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%
- 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 HALF 2019 FINANCIAL RESULTS

The Group's First half 2019 results will be presented during the conference call to be held today at **5:45 CET**. To access the call, please use one of the following dial-in numbers: +1 718 7058 796 (US and Canada), +39 02 802 09 11 (Italy), +44 121 281 8004 (UK) ; +33 170 918 704 (France) and +39 02 802 09 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

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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

This document includes forward-looking statements, relative to future events and income and financial operating results of the Massimo Zanetti Beverage Group. These forecasts, by their nature, include an element of risk and uncertainty, since they depend on the outcome of future events and developments. The actual results may differ even quite significantly from those stated due to a multiplicity of factors.

MASSIMO ZANETTI
BEVERAGE GROUP

ANNEX

RECLASSIFIED CONSOLIDATED INCOME STATEMENT

	Six months ended June 30,				Change	
(in thousands of Euro)	**2019**	**(*)**	**2018**	**(*)**	**2019-2018**	
Revenue	439,450	100.0%	434,411	100.0%	5,039	1.2%
Raw, ancillary, and consumable materials and goods	(242,997)	-55.3%	(243,184)	-56.0%	187	-0.1%
Gross Profit	**196,453**	**44.7%**	**191,227**	**44.0%**	**5,226**	**2.7%**
Purchases of services, leases and rentals	(86,374)	-19.7%	(86,872)	-20.0%	498	-0.6%
Personnel costs	(74,896)	-17.0%	(70,951)	-16.3%	(3,945)	5.6%
Other operating costs, net	(199)	0.0%	365	0.1%	(564)	>-100%
Impairment	(1,080)	-0.2%	(1,719)	-0.4%	639	-37.2%
EBITDA	**33,904**	**7.7%**	**32,050**	**7.4%**	**1,854**	5.8%
Non recurring items	1,791	0.4%	-	0.0%	1,791	0.0%
EBITDA Adjusted	**35,695**	**8.1%**	**32,050**	**7.4%**	**3,645**	**11.4%**
Depreciation and amortization	(22,216)	-5.1%	(17,978)	-4.1%	(4,238)	23.6%
Operating profit	**11,688**	**2.7%**	**14,072**	**3.2%**	**(2,384)**	**-16.9%**
Net finance costs	(5,039)	-1.1%	(2,953)	-0.7%	(2,086)	70.6%
Share of losses of companies accounted for using the equity method	(1,055)	-0.2%	(669)	-0.2%	(386)	57.7%
Profit before tax	**5,594**	**1.3%**	**10,450**	**2.4%**	**(4,856)**	**-46.5%**
Income tax expense	(2,137)	-0.5%	(3,302)	-0.8%	1,165	-35.3%
Profit for the period	**3,457**	**0.8%**	**7,148**	**1.6%**	**(3,691)**	**-51.6%**

IFRS 16 has been adopted since January 1st, 2019. The effects of this adoption, in the first half of 2019, were: an increase in EBITDA of Euro 4.7 million, an increase in amortisation and depreciation of Euro 4.4 million, an increase in finance costs of Euro 0.6 million, a decrease of net profit of Euro 0.3 million, and an increase in the Net Debt of Euro 45.9 million.

Reclassified Consolidated balance sheet

(in thousands of Euro)	As of June 30, 2019	As of December 31, 2018
Investments:		
Intangible assets	204,987	182,799
Property, plant and equipment and investment properties	261,508	219,898
Investments in joint ventures and associates	10,820	10,404
Non-current trade receivables	2,551	2,542
Deferred tax assets and other non-current assets	38,510	25,183
Non-current assets (A)	**518,376**	**440,826**
Net working capital (B)	**102,305**	**94,437**
Employee benefits	(9,533)	(8,822)
Other non-current provisions	(3,041)	(3,190)
Deferred tax liabilities and other non-current liabilities	(35,908)	(29,885)
Non-current liabilities (C)	**(48,482)**	**(41,897)**
Net invested capital (A+B+C)	**572,199**	**493,366**
Sources:		
Equity	320,691	318,648
Net Financial Debt *	251,508	174,718
Sources of financing	**572,199**	**493,366**

(*) The adoption of the new accounting standard IFRS 16 increased the Net Financial Debt in the first half of 2019 by Euro 45.9 million.

Net working capital

(in thousands of Euro)	As of June 30, 2019	As of December 31, 2018
Inventories	148,325	131,649
Trade receivables	117,822	120,832
Income tax assets	3,851	3,271
Other current assets	17,525	15,603
Trade payables	(149,536)	(144,292)
Income tax liabilities	(1,515)	(1,664)
Other current liabilities	(34,167)	(30,962)
Net working capital	**102,305**	**94,437**

Reclassified Consolidated cash flow statement

(in thousands of Euro)	Six months ended June 30, 2019	2018
EBITDA Adjusted	**35,695**	**32,050**
Non-recurring Items	(2,064)	(1,851)
Changes in Net Working Capital	(10,293)	(4,835)
Net recurring investments	(16,474)	(13,411)
Income tax paid	(3,420)	(4,416)
Other operating items	1,485	2,062
Free Cash Flow	**4,929**	**9,599**
Net non-recurring investments	(22,256)	(600)
Investments in financial receivables	1,455	(1,246)
Interest paid	(3,491)	(2,898)
Net cash generated from financing activities	23,319	107
Net cash outflow from leasing accounted under IFRS 16	(4,930)	-
Dividends paid	(6,657)	(5,831)
Exchange gains/(losses) on cash and cash equivalents	383	581
Net increase in cash and cash equivalents	**(7,248)**	**(288)**
Cash and cash equivalents at the beginning of the period	93,491	89,594
Cash and cash equivalents at the end of the period	**86,243**	**89,306**

CHANGES IN NET WORKING CAPITAL

(in thousands of Euro)	Six months ended June 30, 2019	2018
Changes in inventories	(15,192)	(13,199)
Changes in trade receivables	2,192	1,482
Changes in trade payables	4,831	6,835
Changes in other assets/liabilities	(1,730)	463
Payments of employee benefits	(394)	(416)
Changes in net working capital	**(10,293)**	**(4,835)**

NET DEBT

(in thousands of Euro)		As of June 30, 2019	As of December 31, 2018
A	Cash and cash equivalents	(846)	(964)
B	Cash at bank	(85,397)	(92,527)
C	Securities held for trading	-	-
D	**Liquidity (A+B+C)**	**(86,243)**	**(93,491)**
E	**Current financial receivables**	**(5,536)**	**(3,728)**
F	Current loans	55,180	49,651
G	Current portion of non-current medium/long-term loans	60,255	45,243
H	Other current financial payables	12,816	1,743
I	**Current debt (F+G+H)**	**128,251**	**96,637**
J	**Net current debt (I+E+D)**	**36,472**	**(582)**
K	Non-current medium/long-term loans	177,044	172,796
L	Issued bonds	-	-
M	Other non-current financial payables	37,992	2,504
N	**Non-current debt (K+L+M)**	**215,036**	**175,300**
O	**Net financial debt (J+N) ***	**251,508**	**174,718**

(*) The adoption of the new accounting standard IFRS 16 increased the Net Financial Debt in the first half of 2019 by Euro 45.9 million.

CONSOLIDATED CONDENSED INTERIM INCOME STATEMENT

	Six months ended June 30,	
(in thousands of Euro)	2019	2018
Revenue	439,450	434,411
Other income	2,720	3,297
Purchase of goods	(242,997)	(243,184)
Purchases of services, leases and rentals	(86,374)	(86,872)
Personnel costs	(74,896)	(70,951)
Other operating costs	(2,919)	(2,932)
Amortization, depreciation and impairment	(23,296)	(19,697)
Operating profit	**11,688**	**14,072**
Finance income	373	162
Finance costs	(5,412)	(3,115)
Share of losses of companies accounted for using the equity method	(1,055)	(669)
Profit before tax	**5,594**	**10,450**
Income tax expense	(2,137)	(3,302)
Profit for the period	**3,457**	**7,148**
Profit attributable to:		
Non-controlling interests	*85*	*56*
Owners of the parent	*3,372*	*7,092*
Basic/diluted earnings per share (in Euro)	**0.10**	**0.21**

CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

	As of June 30,	As of December 31,
(in thousands of Euro)	**2019**	**2018**
Intangible assets	204,987	182,799
Property, plant and equipment	256,512	215,127
Investment properties	4,996	4,771
Investments in joint ventures and associates	10,820	10,404
Non-current trade receivables	2,551	2,542
Deferred tax assets	14,467	11,828
Non-current contract assets	6,905	6,781
Other non-current assets	17,138	6,574
Total non-current assets	**518,376**	**440,826**
Inventories	148,325	131,649
Trade receivables	117,822	120,832
Income tax assets	3,851	3,271
Current contract assets	4,095	3,759
Other current assets	18,966	15,572
Cash and cash equivalents	86,243	93,491
Total current assets	**379,302**	**368,574**
Total assets	**897,678**	**809,400**
Share capital	34,300	34,300
Other reserves	105,168	99,396
Retained earnings	179,395	183,069
Total equity attributable to owners of the Parent	**318,863**	**316,765**
Non-controlling interests	1,828	1,883
Total equity	**320,691**	**318,648**
Non-current borrowings	215,036	175,300
Employee benefits	9,533	8,822
Other non-current provisions	3,041	3,190
Deferred tax liabilities	28,215	26,863
Non-current contract liabilities	466	483
Other non-current liabilities	7,227	2,539
Total non-current liabilities	**263,518**	**217,197**
Current borrowings	128,251	96,637
Trade payables	149,536	144,292
Income tax liabilities	1,515	1,664
Current contract liabilities	1,571	946
Other current liabilities	32,596	30,016
Total current liabilities	**313,469**	**273,555**
Total liabilities	**576,987**	**490,752**
Total equity and liabilities	**897,678**	**809,400**

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOW

	Six months ended June 30,	
(in thousands of Euro)	2019	2018
Profit before tax	**5,594**	**10,450**
Adjustments for:		
Amortization, depreciation and impairment	23,296	19,697
Provisions for employee benefits and other charges	376	479
Finance costs	5,039	2,953
Other non-monetary items	811	533
Net cash generated from operating activities before changes in net working capital	**35,116**	**34,112**
Decrease/(Increase) in inventories	(15,192)	(13,199)
Decrease/(Increase) in trade receivables	2,192	1,482
Increase/(Decrease) in trade payables	4,831	6,835
Changes in other assets/liabilities	(1,730)	(1,388)
Payments of employee benefits	(394)	(416)
Interest paid	(3,491)	(2,898)
Income tax paid	(3,420)	(4,416)
Net cash generated from / (used in) operating activities	**17,912**	**20,112**
Acquisition of subsidiary, net of cash acquired	(20,756)	-
Purchase of property, plant and equipment	(14,189)	(12,960)
Purchase of intangible assets	(2,729)	(949)
Proceeds from sale of property, plant and equipment	428	483
Proceeds from sale of intangible assets	16	15
Investments in joint ventures and associates	(1,500)	(600)
Changes in financial receivables	1,384	(1,306)
Interest received	71	60
Net cash used in investing activities	**(37,275)**	**(15,257)**
Proceeds from long-term borrowings	41,345	15,360
Repayment of long-term borrowings	(22,220)	(12,176)
Increase / (decrease) in short-term borrowings	4,194	(3,077)
Repayment of lease liabilities	(4,930)	-
Dividends paid	(6,657)	(5,831)
Net cash generated from / (used in) financing activities	**11,732**	**(5,724)**
Exchange gains/(losses) on cash and cash equivalents	383	581
Net increase (decrease) in cash and cash equivalents	**(7,248)**	**(288)**
Cash and cash equivalents at the beginning of the period	93,491	89,594
Cash and cash equivalents at the end of the period	**86,243**	**89,306**

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.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Reliance on previous assessments on whether leases are onerous;
- The accounting for operating leases with a remaining lease term of less than 12 months as of January 1, 2019 as "Short-term leases";
- The accounting for operating leases for which the underlying asset is low value as "Low value leases";
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application;
- The use of hindsight in determine the lease term where the contract contains options to extend or terminate the lease.

The group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessments made applying IAS 17 – Leasing and IFRIC 4 - Determining whether an Arrangement contains a Lease.

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 weighted average lessee's discount rate used by the Group to measure the carrying amount of lease liabilities on January 1, 2019 was 3.74%.

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

(in thousands of Euro)	As of January 1, 2019
Operating lease commitments as of December 31, 2018	50,154
Discount effects	(6,124)
Finance lease liabilities as of 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 of January 1, 2019	**48,649**
Of which:	
-non-current lease financial liability	*37,906*
-current lease financial liability	*10,744*

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

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

	As of December 31,	IFRS 16 effects	As of January 1,
(in thousands of Euro)	2018		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)

"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.

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

The table below shows the impact on Property, Plant and Equipment of IFRS 16 as of June 30, 2019 compared to the amounts at January 1, 2019 (considering also those assets previously recognized as finance lease under IAS 17):

	As of June 30,	As of January 1,
(in thousands of Euro)	**2019**	**2019**
Land and buildings	33,248	32,101
Plant and machinery	799	908
Industrial and commercial equipment and other assets	7,493	6,735
Bar equipment	30	38
As of June 30, 2019	**41,570**	**39,782**

The adoption of the IFRS 16 required also the recognition of lease financial liabilities of Euro 47,922 thousand as of June 30, 2019, representative of the obligation to make the payments envisaged by the contract and lease receivables for Euro 1,998 thousand. The net impact on Net Debt is Euro 45,924 thousand.

The application of IFRS 16 in the Consolidated Condensed Interim Income Statements as of June 30, 2019 increase the EBITDA of Euro 4,743 thousand, due to the reduction of use of third-party costs for Euro 5,944 thousand partially compensated by the decrease of revenue for renting activity of Euro 1,201 thousand due to subleasing contracts recognized as finance lease.

The application of IFRS 16 increase also the amount of depreciation of the right-of-use accounted among the depreciation of tangible asset for Euro 4,421 thousand as well as, the amount of finance income and expense for interests calculated on lease liabilities and lease receivables for Euro 639 thousand.

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