Massimo Zanetti Beverage Group

H1 2019 Results Presentation

August 7, 2019

MASSIMO ZANETTI
BEVERAGE GROUP

H1 2019 HIGHLIGHTS

- Revenues increased by 1.2% at current exchange rates, -1.8% at constant exchange rates, mainly due to a slight reduction in sales prices - in particular in the Private Label channel - as a consequence of the decrease in raw material cost
- Gross Profit per kilo is in line with the first half of 2018, a positive performance in light of the increase in volumes in the Private Label channel and the reduction in sales prices due to the decrease in the cost of green coffee

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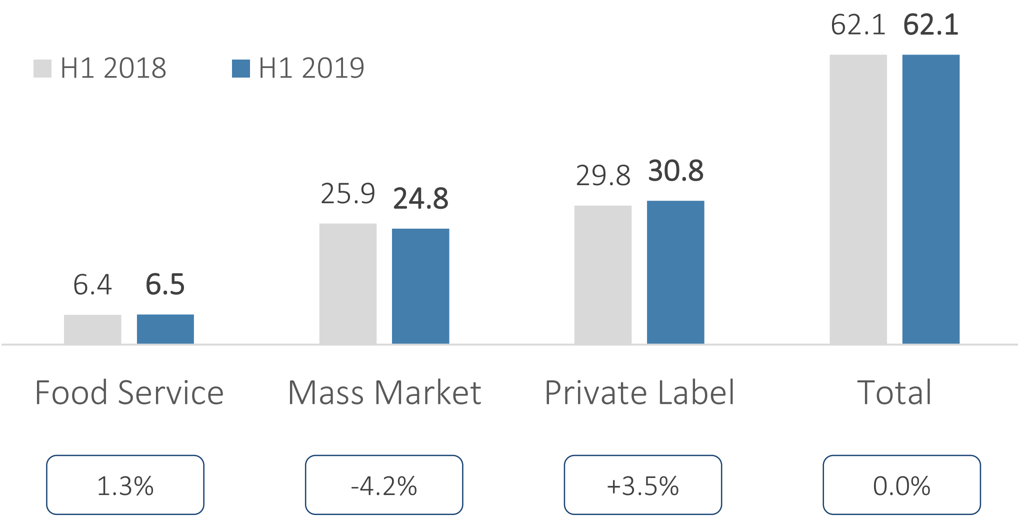
H1 2019 RESULTS

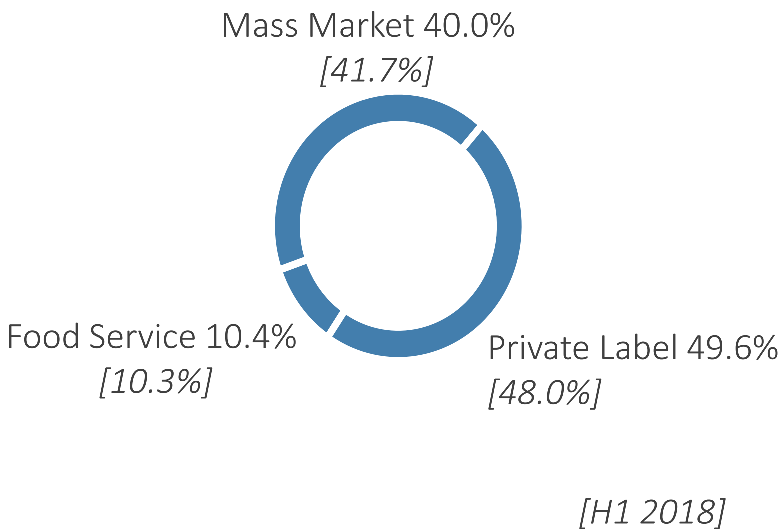
- Revenues: Euro 439.4 million, +1.2% at current FX, -1.8% at constant FX
- Volume: 62.096 tons, stable vs last year
- Gross Profit: Euro 196.5 million +2.7%, with the margin on revenues of 44.7%, compared with 44.0% of H1 2018, an increase of +70 basis points
- EBITDA adjusted and excluding the effects of IFRS 16 *: Euro 31.0 million -3.4%
- EBITDA: Euro 33.9 million, +5.8%
- Net income adjusted and excluding the effects of IFRS 16 *: Euro 5.1 million, -29.2%
- Net debt before IFRS 16 effect: Euro 205.6 million vs 174.7 million as of December 31, 2018; Euro 251.5 million including IFRS 16 effect

* before non-recurring items for Euro 1.8 million and excluding the effects of the adoption of IFRS 16 accounting standard which has been adopted since January 1, 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.

VOLUME BY CHANNEL

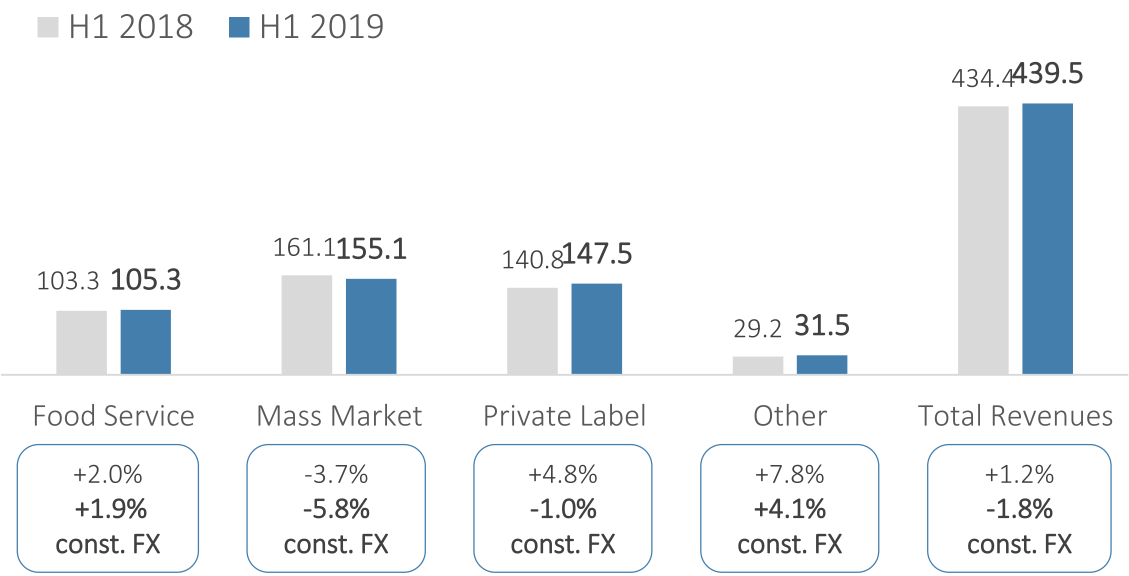
Roasted coffee volumes sold by distribution channel
Tons/000

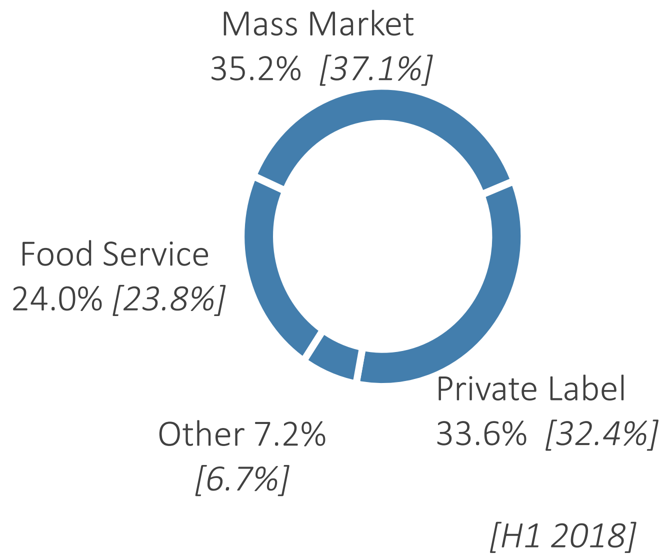




- Food Service: +1.3%, showing a positive performance of Americas and APAC
- Mass Market: -4.2%: mainly driven by the softness in US and by the timing effect on the re-launch of Segafredo Brand in Italy
- Private Label: +3.5% mainly led by the growth in Americas and APAC

REVENUES BY CHANNEL

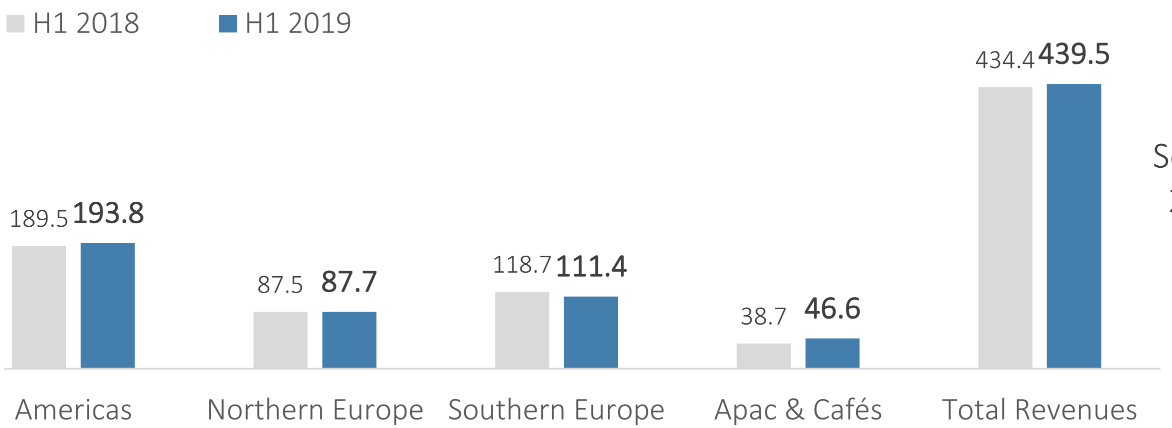




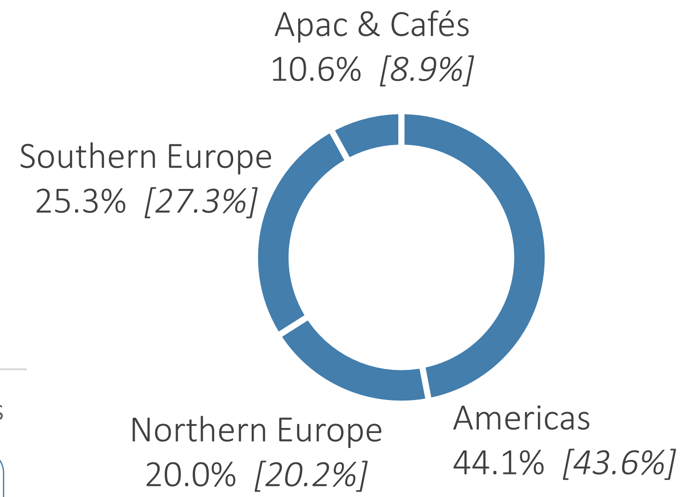
- Food Service channel increased 1.9%, mainly due to the positive performance in the Americas and in APAC
- Performance of the Mass Market and Private Label channels is explained by the softness in roasted coffee sales price reflecting the reduction of the green coffee cost

(Euro million)

REVENUES BY REGION



Americas	Northern Europe	Southern Europe	Apac & Cafés	Total Revenues
+2.3%	+0.2%	-6.2%	+20.4%	+1.2%
-3.5% const. FX	**+0.4% const. FX**	**-6.2% const. FX**	**+15.8% const. FX**	**-1.8% const. FX**



[H1 2018]

- Americas' revenues are mainly due to the decline in the Mass Market of the cans category, the slight decrease of the Private Label and the solid growth in the Food Service
- Northern Europe is driven by positive performance in the Mass Market and Private Label and stability in Food Service
- Revenue in Southern Europe is mainly driven by the timing effect of the Segafredo brand relaunch in the Italian Mass Market
- Asia-Pacific posted a solid revenue growth, also reflecting the recent acquisition of The Bean Alliance (“BAG”)

(Euro million)

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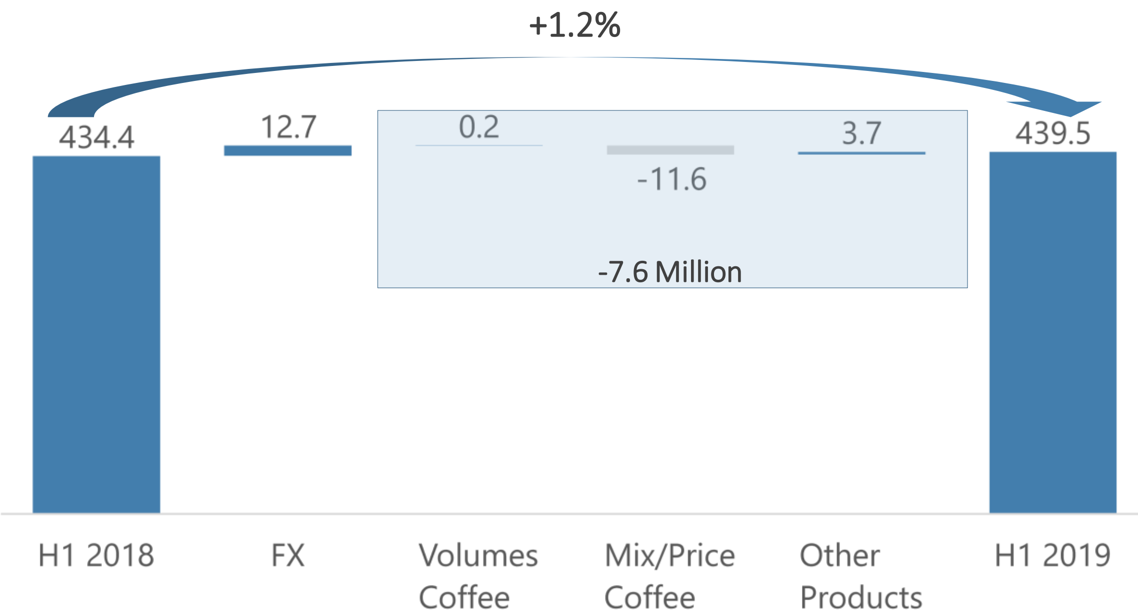
REVENUE BRIDGE



H1 2019 revenues performance, excluding FX, is explained by:

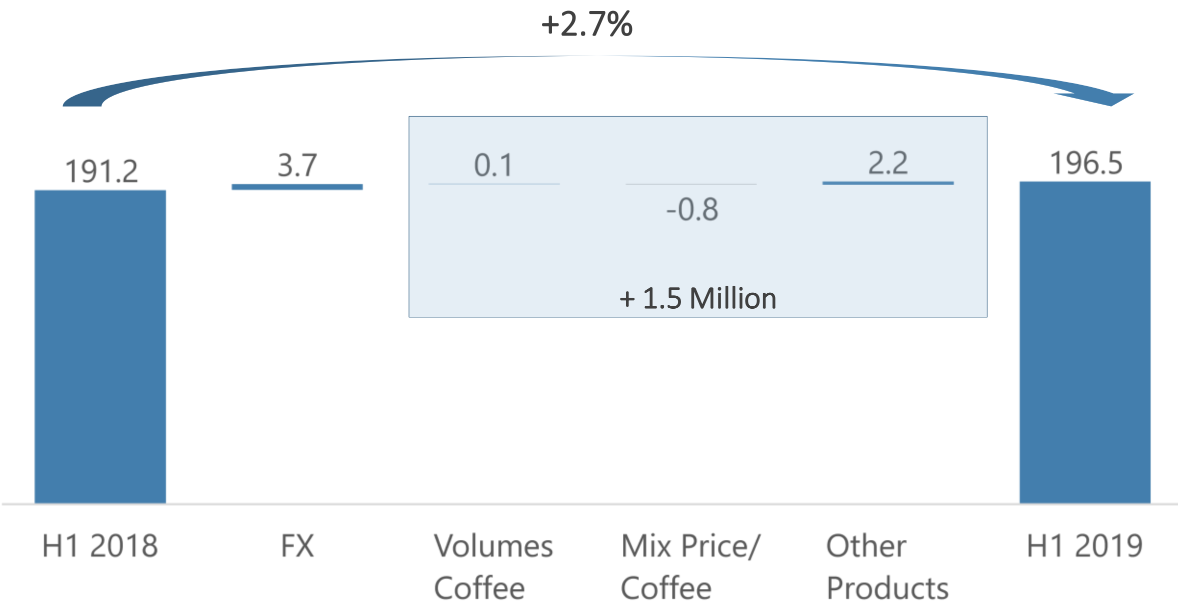
- increase in volumes for Euro 0.2 million;
- price mix negative for Euro 11.6 million, mostly related to the Private Label channel, as a result of the decrease in raw material cost;
- other products increasing for Euro 3.7 million.

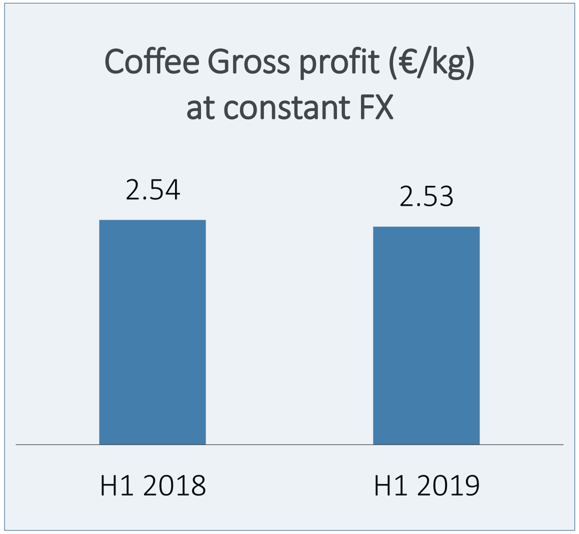
- H1 2019 revenues increased Euro 5.0 million (+1.2%)
- Excluding FX fluctuations, which had a positive impact of Euro 12.7 million, H1 2019 revenues decreased 1.8% (7.6 million) compared to H1 2018

- H1 2019 revenues includes Euro 5.5 million for the impact deriving from the acquisition, done in February, of the business and asset of a group of companies in Australia known as “The Bean Alliance” (“BAG”).

(Euro million)

GROSS PROFIT





Gross Profit increased by Euro 5.2 million (+2.7%):

- FX positively contributing for Euro 3.7 million
- Excluding FX, gross profit increased by Euro 1.5 million

Gross Profit per kilo is in line with the first half of 2018, a positive performance in light of the increase in volumes in the Private Label channel and the reduction in sales prices due to the decrease in the cost of green coffee. Gross Profit (%) increased 70 basis points (from 44.0% to 44.7%).
Gross profit in the first half of 2019 includes the contribution of BAG for Euro 3.1 million

(Euro million)

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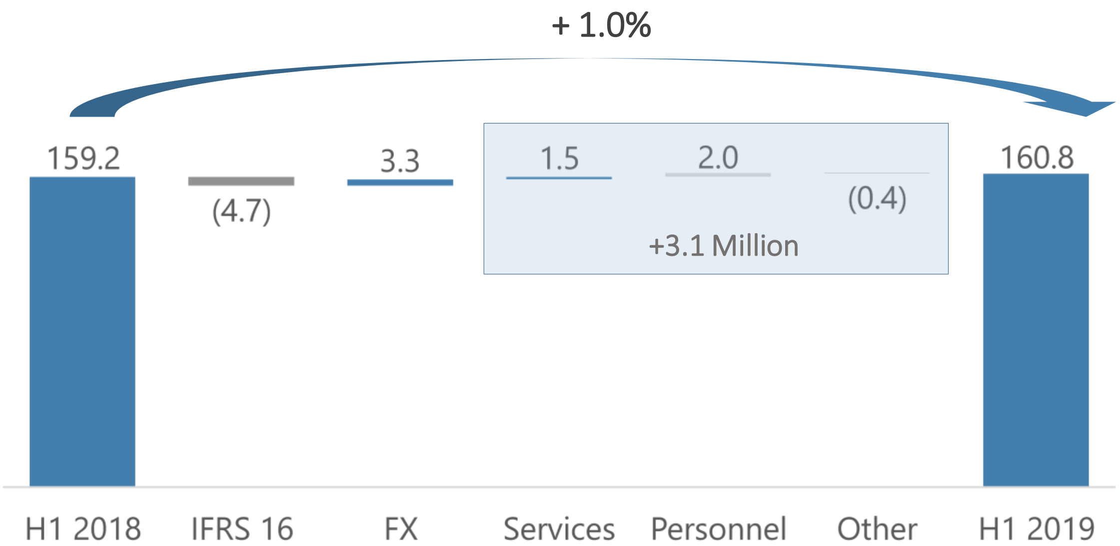
OPERATING EXPENSES



ORGANIC* OPERATING EXPENSES	H1 2018	H1 2019	Delta
Services	86.9	88.3	1.5
Personnel	71.0	72.9	2.0
Other costs	1.4	1.0	(0.4)
TOTAL	159.2	162.2	3.1

** organic: excluding FX and IFRS 16 impact*

- Operating expenses increased by Euro 1.6 million. First-time adoption of IFRS 16 - Leases positively impacted costs for Euro 4.7 million, while FX negatively affected costs for Euro 3.3 million.
- The Group incurred non-recurring costs totalling 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.
- The increase in organic operating expenses (of Euro 3.1 million) is partly due to the acquisitions (the contribution of BAG is Euro 2.5 million).

(Euro million)

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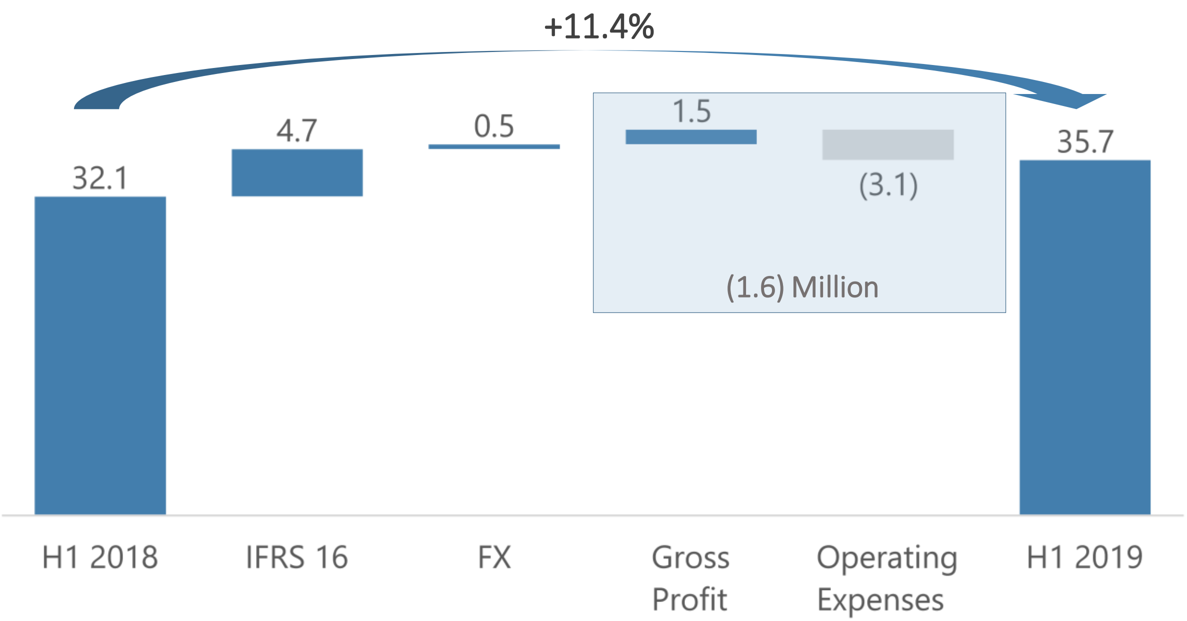
EBITDA adjusted



EBITDA adjusted increased by Euro 3.6 million, +11.4%.
Excluding the impact of IFRS 16 and FX, EBITDA decreased by Euro 1.6 million:

- Organic gross profit increased by Euro 1.5 million
- Organic operating expenses increased by Euro 3.1 million

As highlighted in the previous page EBITDA adjusted excludes non-recurring items of Euro 1.8 million

(Euro million)

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INCOME STATEMENT

Euro.million	H1 2019		H1 2018		Change	
Revenues	439.5	100.0%	434.4	100.0%	5.0	1.2%
Purchases of Goods	-243.0	-55.3%	-243.2	-56.0%	0.2	-0.1%
Gross Profit	**196.5**	**44.7%**	**191.2**	**44.0%**	**5.2**	**2.7%**
Services, leases and rentals	-86.4	-19.7%	-86.9	-20.0%	0.5	-0.6%
Personnel costs	-74.9	-17.0%	-71.0	-16.3%	-3.9	5.6%
Other operating cost	-0.2	0.0%	0.4	0.1%	-0.6	>-100%
Impairment	-1.1	-0.2%	-1.7	-0.4%	0.6	-37.2%
EBITDA	**33.9**	**7.7%**	**32.1**	**7.4%**	**1.9**	**5.8%**
Non recurring items	1.8	0.4%	0.0	0.0%	1.8	>100%
EBITDA Adjusted	**35.7**	**8.1%**	**32.1**	**7.4%**	**3.6**	**11.4%**
D&A	-22.2	-5.1%	-18.0	-4.1%	-4.2	23.6%
EBIT	**11.7**	**2.7%**	**14.1**	**3.2%**	**-2.4**	**-16.9%**
Net finance income (costs)	-5.0	-1.1%	-3.0	-0.7%	-2.1	70.6%
Profit (loss) on equity consolidated companies	-1.1	-0.2%	-0.7	-0.2%	-0.4	57.7%
Profit Before Tax	**5.6**	**1.3%**	**10.5**	**2.4%**	**-4.9**	**-46.5%**
Income Tax expense	-2.1	-0.5%	-3.3	-0.8%	1.2	-35.3%
Tax rate	38.2%		31.6%			
Net Income	**3.5**	**0.8%**	**7.1**	**1.6%**	**-3.7**	**-51.6%**

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FREE CASH FLOW AND CHANGE IN NET WORKING CAPITAL

(Euro. M)	H1 2019	H1 2018
EBITDA adj	35.7	32.1
Special Items (Cash effect)	(2.1)	(1.9)
Change in NWC	(10.3)	(4.8)
CAPEX	(16.5)	(13.4)
Taxes	(3.4)	(4.4)
Others	1.5	2.1
FREE CASH FLOW	4.9	9.6

(Euro. M)	H1 2019	H1 2018
Change in Inventories	(15.2)	(13.2)
Change in Trade Receivables	2.2	1.5
Change in Trade Payables	4.8	6.8
Change in Other Asset/Liabilities	(2.1)	0.0
Change in Net Working Capital	(10.3)	(4.8)

The Free Cash Flow was Euro 4.9 million, compared with a cash generation of Euro 9.6 million in H1 2018. This is mainly related to the Net Working Capital performance.

(Euro million)

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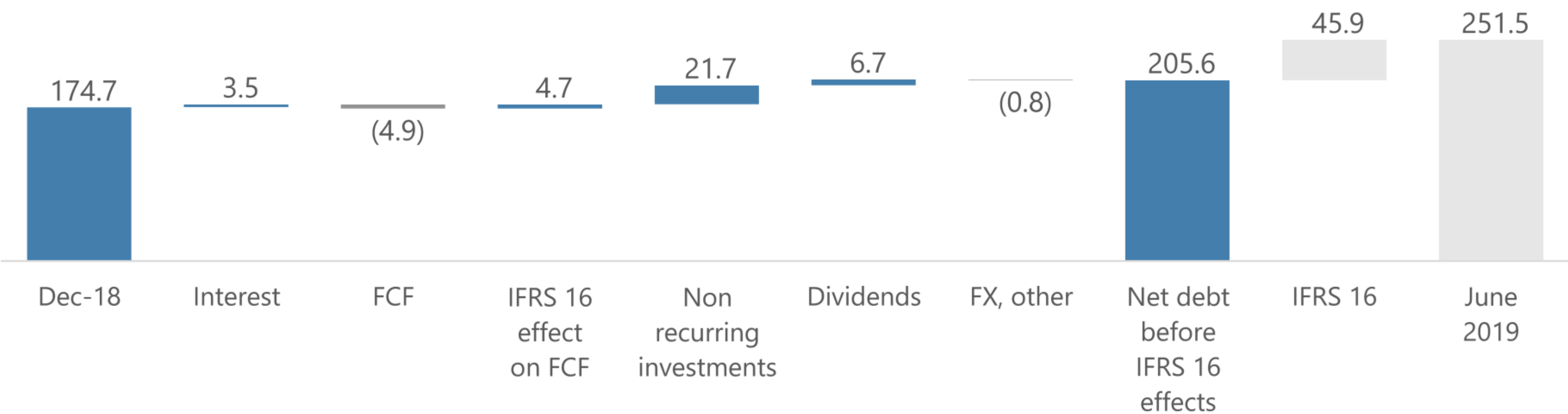
NET DEBT



Debt Profile	December 2018	June 2019
Fixed Interest Rate	49%	49%
Variable Interest Rate	51%	51%
EURO	89%	90%
USD	11%	10%

(Euro million)

OUTLOOK FOR FY 2019

In view of the results achieved in the First Half of 2019 and considering current trends as well as assuming the absence of M&A, excluding those already announced in the First Quarter 2019, management expectation for 2019 is:

- a slight increase in revenues driven by:
  - the improvement in product and channel mix
  - growth in volumes in line with market trends
- EBITDA *adjusted* increase 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.

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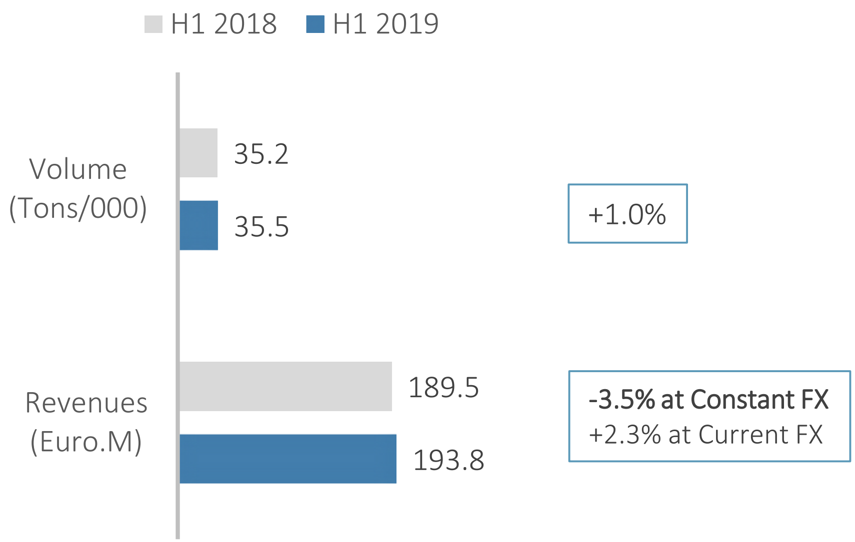
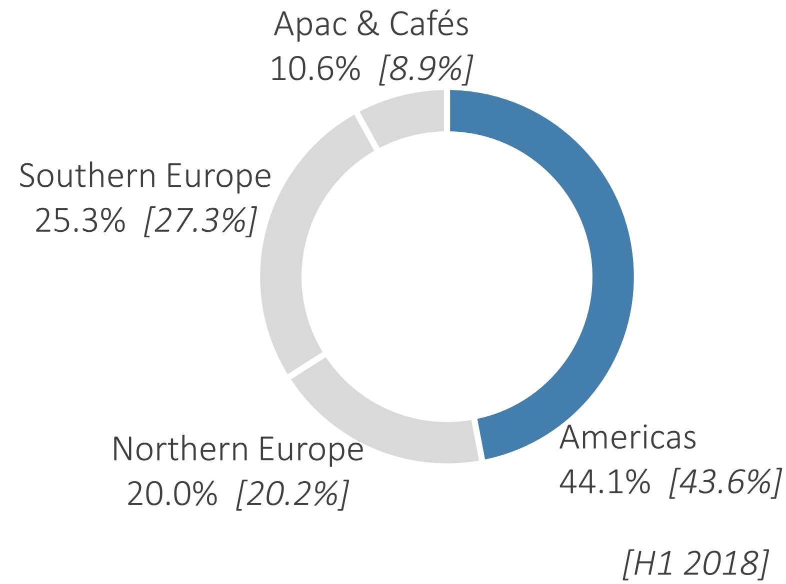
ANNEX


UUTUUS:
REILUN KAUPAN
KULTA KATRIINA
SUODATINKAHVI
BRYGGKAFFE
450 G
Kulta Katriina
REILU
PAAHTOASTE
FAIRTRADE
Reilun kaupan kahvi
meira

FOCUS ON AMERICAS





- Volume growth is driven by increases in the Food Service and Private Label. The Mass Market declined reflecting the canned coffee category weakness
- Food Service is up high single digit and has been able to improve the ASP
- Revenue declines (-3.5% at Constant FX) is a result of continuing lower green costs
- E-commerce sales continue to grow double digits with very strong performance on Kauai coffee and all single serve items

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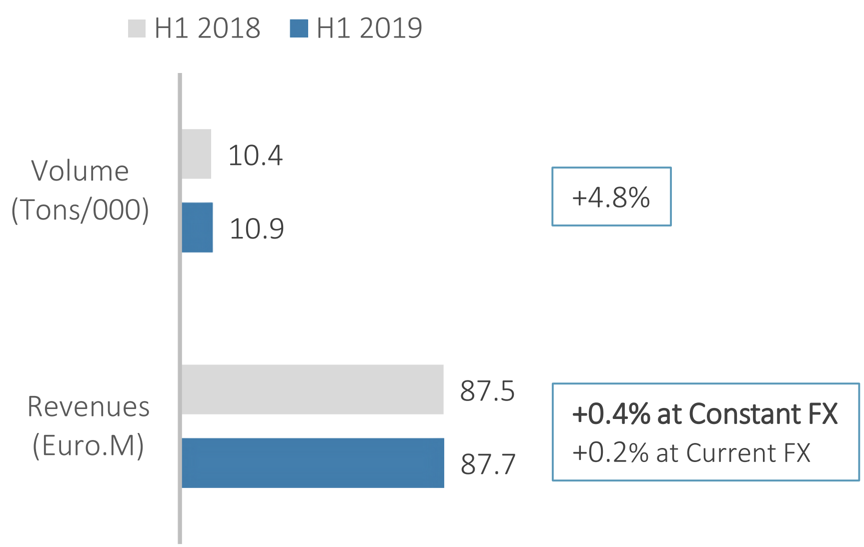
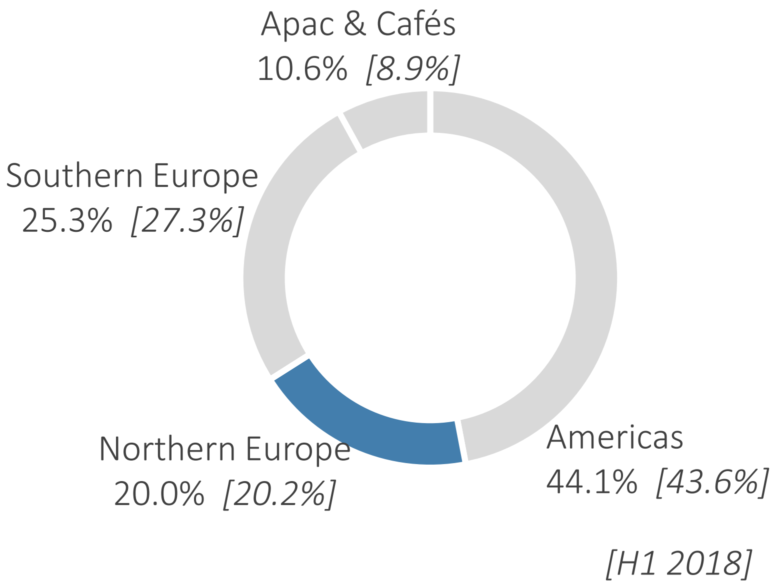
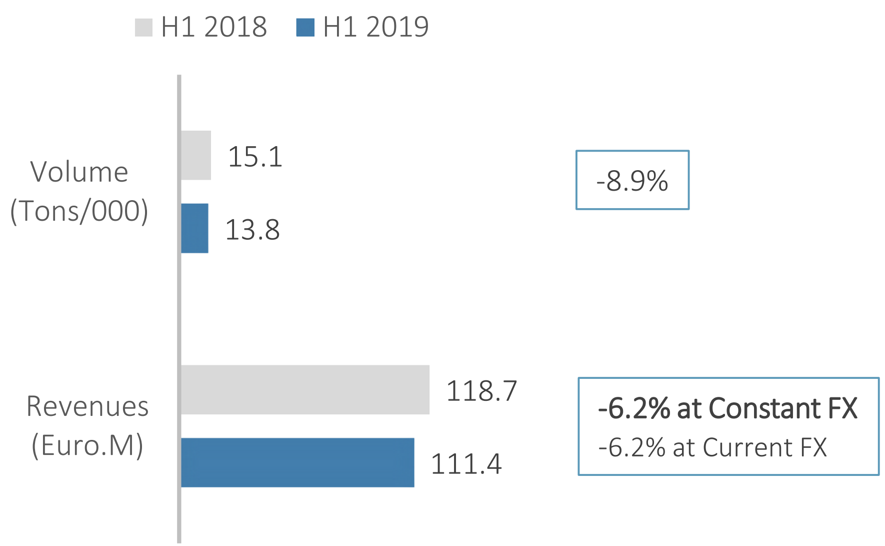
FOCUS ON NORTHERN EUROPE

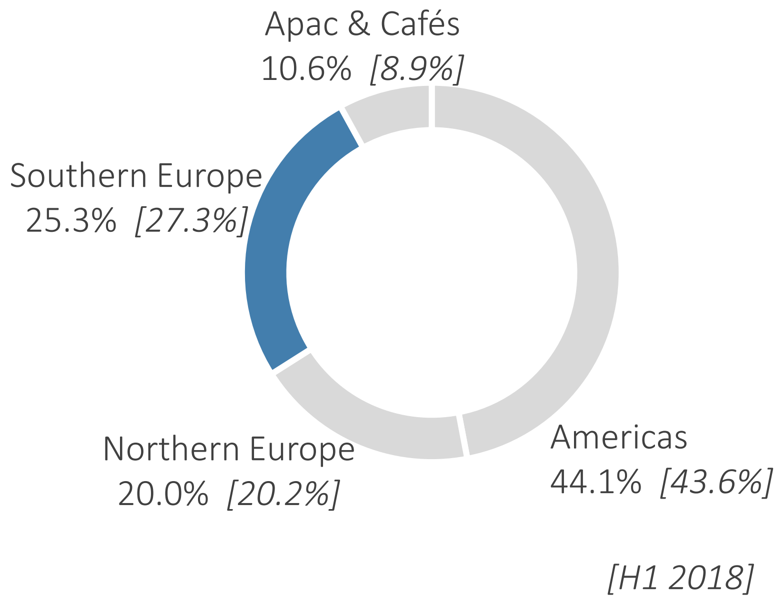




- Volume benefited from positive performance particularly in Mass Market channel thanks to new products, distribution expansion combined with media and promotional support
- Continued expansion in all markets of beans segment and of new premium products, particularly fair trade and organic products. In Finland Kulta Katrina is the leader in the organic segment; in the Netherlands SZ Organic and in the UK Brodies Fair Trade and Organic continue to trend strongly
- Segafredo compostable capsules have been successfully launched in the region

FOCUS ON SOUTHERN EUROPE





- Volume performance is mainly due to the timing effect on the Segafredo range relaunch in Italy, in the Mass Market channel
- In France the San Marco premium range is growing significantly and beating the market thanks to bio proposition and compostable capsules, awarded Product of the year 2019
- On May 2nd, Cafés Nandi SA and Multicafès Industria de Cafè have been merged into Massimo Zanetti Beverage Iberia and the industrial and commercial plans are proceeding in line with expectations.

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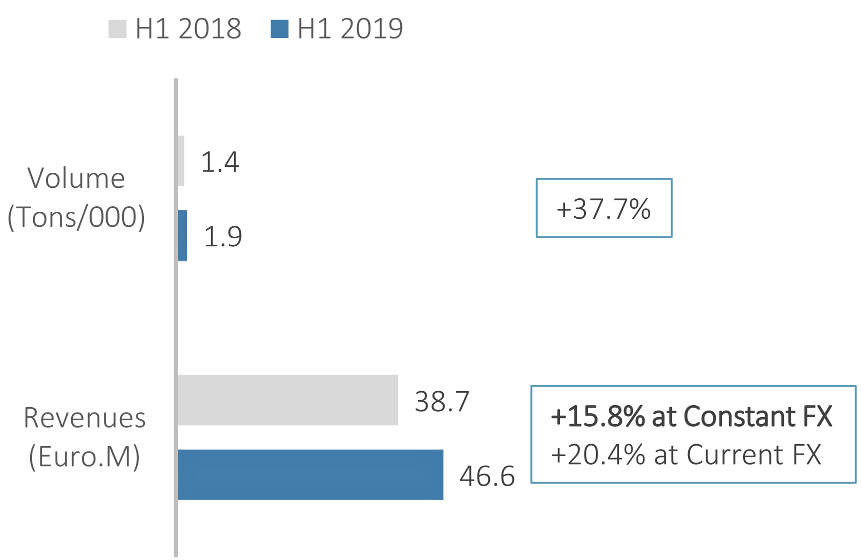
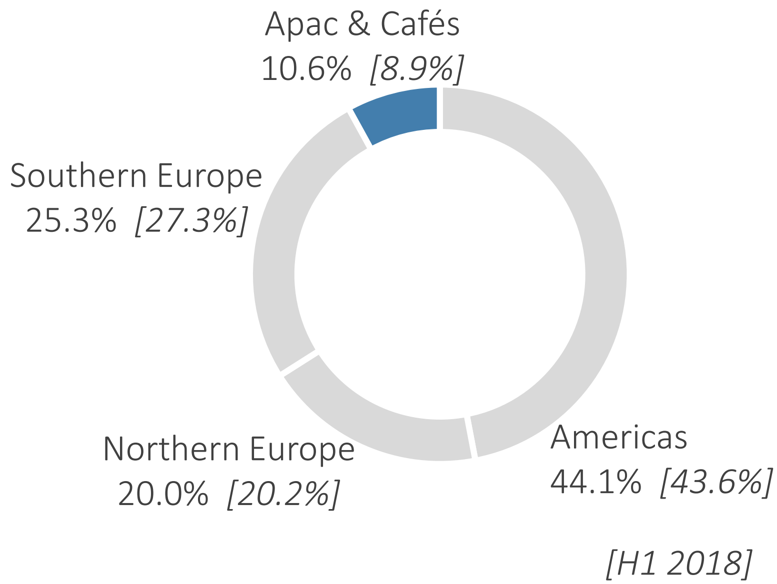
FOCUS ON ASIA PACIFIC AND CAFÉS





- Volume and sales increased in all distribution channels, thanks also to the contribution of Bean Alliance Group, “BAG” (Euro 5.5 million sales in 5 months of 2019).
- In particular the Food Service channel, which represents around 50% of sales, is delivering solid results. On a comparable basis (excluding BAG), is growing high single digit driven by Thailand and Indonesia.
- APAC main countries are: Thailand (around 30% of the sales of the region), Australia 25%, Japan 11%, Middle East 9%, Singapore 9%

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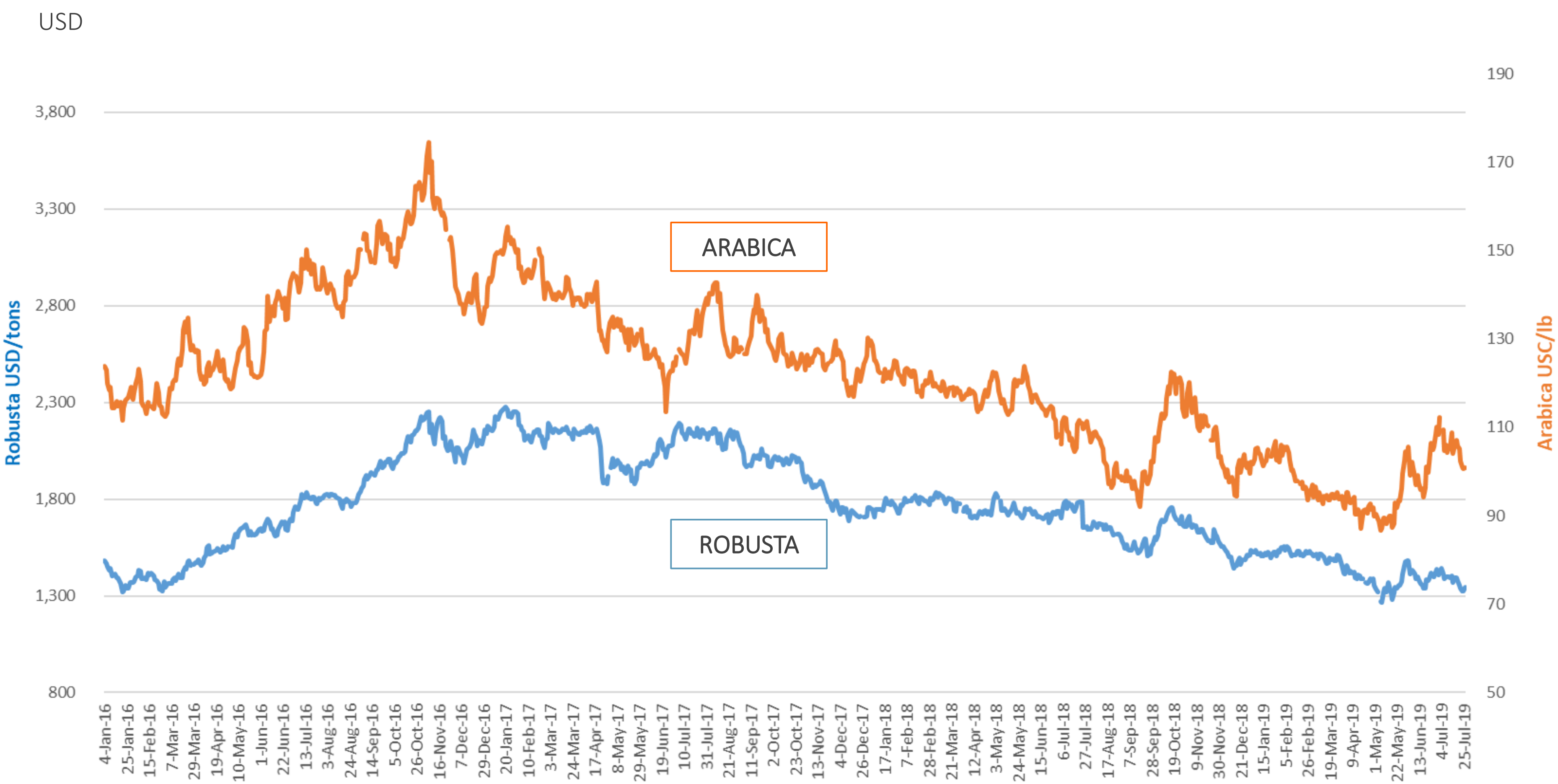
GREEN COFFEE PRICE



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ASSET & LIABILITIES

Euro.million	H1 2019	2018
Intangible assets	205.0	182.8
Property, plant and equipment and investment properties	261.5	219.9
Investments in joint ventures and associates	10.8	10.4
Non current advances and trade receivables	2.6	2.5
Deferred tax assets and other non current assets	38.5	25.2
Non current assets	**518.4**	**440.8**
Net working capital	102.3	94.4
Employee benefits	(9.5)	(8.8)
Other non current provisions	(3.0)	(3.2)
Deferred tax liabilities and other non current liabilities	(35.9)	(29.9)
Non current liabilities	**(48.5)**	**(41.9)**
Net Invested Capital	**572.2**	**493.4**
Equity	320.7	318.6
Net debt (*)	251.5	174.7
Sources of financing	**572.2**	**493.4**

(*) The adoption of the new accounting standard IFRS 16 increased the Net Debt of the H1 2019 by Euro 45.9 million.

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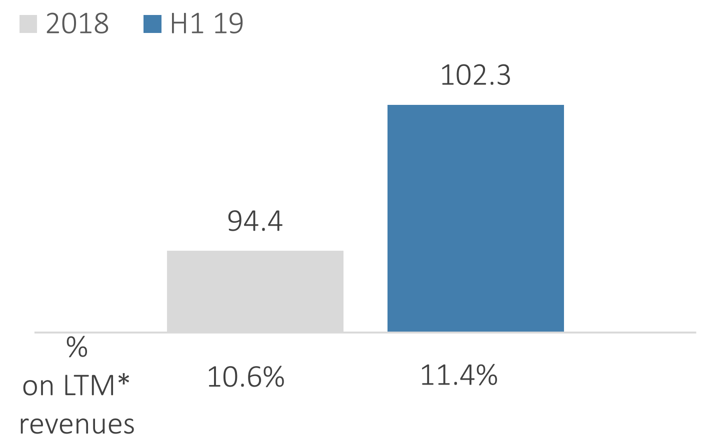
NET WORKING CAPITAL

Euro.million	H1 2019	2018
Inventories	148.3	131.6
Trade receivables	117.8	120.8
Income tax assets	3.9	3.3
Other current assets	17.5	15.6
Trade payables	(149.5)	(144.3)
Income tax liabilities	(1.5)	(1.7)
Other current liabilities	(34.2)	(31.0)
Net working capital	**102.3**	**94.4**
% on LTM revenues	11.4%	10.6%

Net working capital
Euro.million



** LTM: Last Twelve Months*

CASH FLOW

Euro.million	H1 2019	2018
EBITDA adj	**35.7**	**32.1**
Non recurring items paid	(2.1)	(1.9)
Change in Net Working Capital	(10.3)	(4.8)
Net recurring investments	(16.5)	(13.4)
Income tax paid	(3.4)	(4.4)
Other operating items	1.5	2.1
Free Cash Flow	**4.9**	**9.6**
Net non recurring investments	(22.3)	(0.6)
Investments in financial receivables	1.5	(1.2)
Interest paid	(3.5)	(2.9)
Net cash generated from financing activities	23.3	0.1
Net cash outflow from leasing accounted under IFRS 16	(4.9)	-
Dividends	(6.7)	(5.8)
Exchange gains/(losses) on cash and cash equivalents	0.4	0.6
Net increase in cash and cash equivalents	**(7.2)**	**(0.3)**
Cash and cash equivalents at the beginning of the year	93.5	89.6
Cash and cash equivalents at the end of the year	**86.2**	**89.3**

NET DEBT

Euro.million		H1 2019	2018
Cash and cash equivalent	A	(0.8)	(1.0)
Cash at bank	B	(85.4)	(92.5)
Securities held for trading	C	-	-
Liquidity (A+B+C)	**D**	**(86.2)**	**(93.5)**
Current financial receivables	**E**	**(5.5)**	**(3.7)**
Current loans	F	55.2	49.7
Current portion of non current loans	G	60.3	45.2
Other current financial payables	H	12.8	1.7
Current Indebtedness (F+G+H)	**I**	**128.3**	**96.6**
Net current indebtedness (I+E+D)	**J**	**36.5**	**(0.6)**
Non current loans	K	177.0	172.8
Issued Bonds	L	-	-
Other non current financial payables	M	38.0	2.5
Non current indebtedness (K+L+M)	**N**	**215.0**	**175.3**
Net debt (J+N)	**O**	**251.5**	**174.7**

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IMPACTS FROM NEW ACCOUNTING STANDARDS – IFRS 16 (page 1/3)

- 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%.

IMPACTS FROM NEW ACCOUNTING STANDARDS – IFRS 16 (page 2/3)

- The table here 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 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)

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BEVERAGE GROUP

IMPACTS FROM NEW ACCOUNTING STANDARDS – IFRS 16 (page 3/3)

- “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.
- 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 of June 30, 2019 as well as, the amount of finance income and expense for interests calculated on lease liabilities and lease receivables for Euro 639 thousand.

NOTE AND DISCLAIMER

Figures are reported under IAS/IFRS. Certain statements made in this presentation are forward looking statements. Such statements are based on current expectations and are subject to a number of risks and uncertainties that could cause actual results to differ materially from any expected future results in forward looking statements. This announcement does not constitute an invitation to underwrite, subscribe for or otherwise acquire or dispose of any Massimo Zanetti Beverage Group S.p.A. shares. Any reference to past performance is not a guide to future performance.

BOARD OF DIRECTORS

Chairman and CEO	Massimo Zanetti
Director	Matteo Zanetti
Director	Laura Zanetti
Director	Leonardo Rossi
Director	Massimo Mambelli
Director	Maria Pilar Braga
Indipendent Director	Sabrina Delle Curti
Indipendent Director	Mara Vanzetta
Indipendent Director	Giorgio Valerio

SHAREHOLDERS

M. ZANETTI INDUSTRIES SA	68.047%	23,339,963
Market	31.953%	10,960,037
Total N. of Shares	100.000%	34,300,000

2019 FINANCIAL CALENDAR - UPCOMING EVENTS

November 7	Nine Months 2019

INVESTOR RELATIONS investors@mzb-group.com

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Pascal Héritier - Chief Operating Officer
Leonardo Rossi - Chief Financial Officer

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