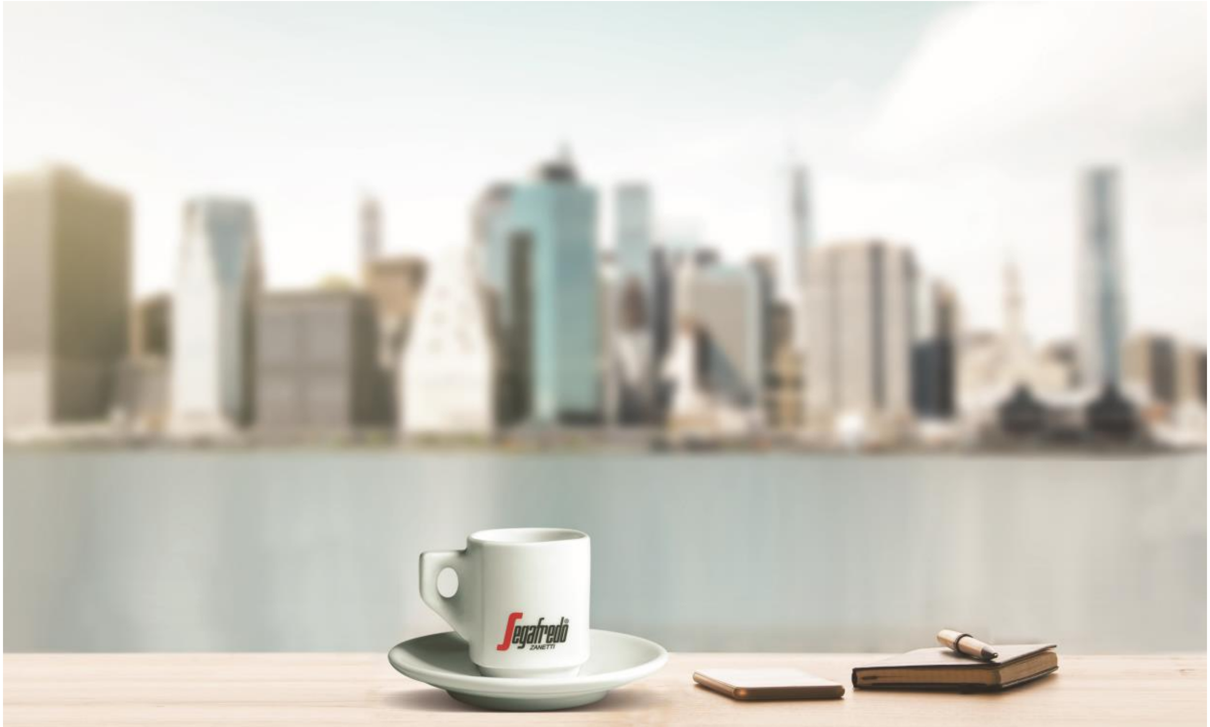

HALF-YEAR FINANCIAL REPORT

for the six months ended June 30, 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 Appointment and Remuneration Committee
(2) Member of the Appointment 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

Corporate Reporting Manager

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 six months ended June 30, 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 the period, and the significant 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 colonial 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) Food Service, 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 Food Service 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 Food Service 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, Portugal, Germany and Austria. The Group is also present, to a lesser extent, in other countries such as the Netherlands, Poland, 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 geographic area, product line and distribution channel. 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 six months, should not be considered representative of all or a portion of the full year.

Results of operations for the six months ended June 30, 2019

The following table sets forth the reclassified consolidated income statement for the six months ended June 30 in 2019 and in 2018:

	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*[(1)]**	**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[(2)]	(199)	0.0%	365	0.1%	(564)	>-100%
Impairment[(3)]	(1,080)	-0.2%	(1,719)	-0.4%	639	-37.2%
***EBITDA*[(1)]**	**33,904**	**7.7%**	**32,050**	**7.4%**	**1,854**	5.8%
Non recurring items	1,791	0.4%	-	0.0%	1,791	+100%
***EBITDA Adjusted*[(1)]**	**35,695**	**8.1%**	**32,050**	**7.4%**	**3,645**	**11.4%**
Depreciation and amortization[(4)]	(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)]	(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%**

(*) 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 amortization of intangible assets and depreciation of property, plant and equipment and investment properties
(5) Includes finance income and finance costs

Revenue

Revenue amounted to Euro 439,450 thousand for the six months ended June 30, 2019, increase of Euro 5,039 thousand (+1.2%) compared to the six months ended June 30, 2018. The increase is mainly due to:

- the exchange rate impact, mainly due to the fluctuations of the US dollar (+2.9%);
- the decrease in the sales prices of roasted coffee and other (-1.7%).

Net of the exchange rate fluctuations, the change in revenue is mainly due to the reduction in "Sales of roasted coffee", down by Euro 11,368 thousand (-3.0%). This decrease is mainly due to the reduction in the sales prices of roasted coffee as a result of the decrease in the average purchase price of green coffee, and by the effect of the different mix in the sales channels in 2019 and 2018. Overall those components led to a decrease in revenues of 3.0%.

The volumes of roasted coffee sold, equal to 62.1 thousand tons for the six months ended June 30, 2019, are in line with the same period of 2018. This is a result of a positive impact from the Americas (+0.3 thousand tons), Northern Europe (+0.5 thousand tons) and Asia-Pacific and Cafés area (+0.5 thousand tons) and negative impact from Southern Europe (-1.3 thousand tons) mainly in the Private Label and Mass Market channels.

Revenue for the six month ended June 30, 2019 includes, for Euro 5.506 thousand, 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”).

The following table provides a breakdown of revenue for the six months ended June 30, 2019 and 2018, by sales channel:

	Six months ended June 30,				**Change**	
(in thousands of Euro)	**2019**	**(*)**	**2018**	**(*)**	**2019-2018**	
Food Service	105,346	24.0%	103,326	23.8%	2,020	2.0%
Mass Market	155,098	35.2%	161,070	37.1%	(5,972)	-3.7%
Private Label	147,521	33.6%	140,810	32.4%	6,711	4.8%
Other	31,485	7.2%	29,205	6.7%	2,280	7.8%
Total	**439,450**	**100.0%**	**434,411**	**100.0%**	**5,039**	**1.2%**

(*) Percentage of revenue.

The following table provides a breakdown of revenue for the six months ended June 30, 2019 and 2018, by geographical area:

	Six months ended June 30,				**Change**	
(in thousands of Euro)	**2019**	**(*)**	**2018**	**(*)**	**2019-2018**	
Americas	193,787	44.1%	189,463	43.6%	4,324	2.3%
Northern Europe	87,715	20.0%	87,545	20.2%	170	0.2%
Southern Europe	111,369	25.3%	118,712	27.3%	(7,343)	-6.2%
Asia-Pacific and Cafés (**)	46,579	10.6%	38,691	8.9%	7,888	20.4%
Total	**439,450**	**100.0%**	**434,411**	**100.0%**	**5,039**	**1.2%**

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

Gross profit

Gross Profit equal to Euro 196,453 thousand for the six months ended June 30, 2019, shows an increase of Euro 5,226 thousand (+2.7%) compared to the six months ended June 30, 2018. This is due to:

- the impact of foreign currency exchange rate fluctuations (+2.0%);
- the increase in Gross Profit due to the sale of roasted coffee and other products (+0.7%).

Excluding the impact of exchange rate fluctuations, Gross Profit increases by Euro 1,477 thousand (+0.7%), mainly due to the positive contribution of other products sales (+1.1%) and the decrease of roasted coffee sales (-0.4%).
The performance of Gross Profit from the sale of roasted coffee is mainly due to the 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 (-0.4%).

Gross Profit for the six month ended June 30, 2019 includes, for Euro 3,057 thousand, the impact deriving from the acquisition of "BAG".

EBITDA and EBITDA Adjusted

The following table provides a reconciliation between EBITDA and profit for the six months ended June 30, 2019 and 2018:

	Six months ended June 30,				Change	
(in thousands of Euro)	**2019**	**(*)**	**2018**	**(*)**	**2019-2018**	
Profit for the period	3,457	0.8%	7,148	1.6%	(3,691)	-51.6%
Income tax expense	2,137	0.5%	3,302	0.8%	(1,165)	-35.3%
Finance costs	5,412	1.2%	3,115	0.7%	2,297	73.7%
Finance income	(373)	-0.1%	(162)	0.0%	(211)	>100%
Share of losses of companies accounted for using the equity method	1,055	0.2%	669	0.2%	386	57.7%
Depreciation and amortization (1)	22,216	5.0%	17,978	4.1%	4,238	23.6%
EBITDA (2)	**33,904**	**7.7%**	**32,050**	**7.4%**	**1,854**	**5.8%**

(*) 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 33,904 thousand for the six months ended June 30, 2019 showed an increase of Euro 1,854 thousand (+5.8%) compared to six months ended June 30, 2018 (Euro 32.050 thousand). The result is mainly due to the aforementioned factors affecting Gross Profit, and the combined effect of:

- the application of new standard IFRS 16, applicable from January 1, 2019, which affected positively the EBITDA for Euro 4,743 thousand with a reduction of cost for use of third-party for Euro 5,944 thousand and a reduction of revenue from rental activity for Euro 1,201 thousand. For further information reference should be made to note 7 - "*Impacts from new accounting standards*".
- the impact of positive exchange rate fluctuations amounting to Euro 479 thousand;
- the increase in operating costs that, net of exchange rate fluctuations and IFRS 16 effects, amounted to Euro 4,846 thousand and was substantially attributable to the higher costs for personnel and service (impacted also from the acquisition of the Australian company for Euro 2,485 thousand), partially offset by lower devaluation.

The following table provides a reconciliation between EBITDA and EBITDA Adjusted for the six months ended June 30, 2019 and 2018:

	Six months ended June 30,				Change	
(in thousands of Euro)	**2019**	**(*)**	**2018**	**(*)**	**2019-2018**	
EBITDA[1]	33,904	7.7%	32,050	7.4%	1,854	5.8%
Non recurring costs	1,791	0.4%	-	0.0%	1,791	100.0%
EBITDA Adjusted[1]	**35,695**	**8.1%**	**32,050**	**7.4%**	**3,645**	**11.4%**

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

During the first six months of 2019 the Group incurred non-recurring costs of Euro 1,791 thousand, 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 profit

Operating profit amounted to Euro 11,688 thousand for the six months ended June 30, 2019, a decrease of Euro 2,384 thousand (-16.9%) compared to the six months ended June 30, 2018. In addition to what previously described for EBITDA, this increase is attributable to the increase in amortisation and depreciation, equal to Euro 4,238 thousand. 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 4,421 thousand due to the new accounting of lease contracts. For more information reference should be made to note 7 - "*Impacts from new accounting standards*".

Profit for the period

Profit for the period amounted to Euro 3,457 thousand for the six months ended June 30, 2019, decrease of Euro 3,691 thousand (-51.6%) 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 2.086 thousand, mainly due to: *i)* the net impact deriving from the first application of IFRS 16 for Euro 639 thousand, refers to note 7 - "*Impacts from new accounting standards*" for further information; *ii)* increase in net finance costs due to the fair value on derivatives for Euro 702 thousand; *iii)* increase on interests expenses for Euro 634 thousand related to loans and third parties transaction;
- the increase in the shares of losses of companies accounted for using the equity method, amounting to Euro 386 thousand;
- the decrease in income taxes amounting to Euro 1.165 thousand, mainly due to the decrease of taxable income generated by the Group in the six months ended June 30, 2019 compared to 2018.

Reclassified statement of financial position

The following table shows the reclassified statement of financial position at June 30, 2019 and at December 31, 2018.

(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 (1)	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 (2)	38,510	25,183
Non-current assets (A)	**518,376**	**440,826**
Net working capital (B)(3)	**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 (4)	(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**

Reconciliation between the reclassified statement of financial position and the condensed consolidated statement of financial position
(1) Includes property, plant and equipment and investment properties
(2) Includes deferred tax assets, non-current contract assets and other non-current assets
(3) For additional information, refer to the “Non-GAAP” alternative performance indicators section.
(4) Includes deferred tax liabilities, non-current contract liabilities and other non-current liabilities

The following table shows the breakdown of the Group's Net Working Capital at June 30, 2019 and at December 31, 2018:

(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 (1)	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 (2)	**102,305**	**94,437**

(1) Other current assets exclude current financial receivables which are included in net financial 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 six months ended June 30, 2019 and 2018:

	Six months ended June 30,	
(in thousands of Euro)	**2019**	**2018**
EBITDA Adjusted (1)	**35,695**	**32,050**
Non-recurring Items	(2,064)	(1,851)
Changes in Net Working Capital	(10,293)	(4,835)
Net recurring investments (2)	(16,474)	(13,411)
Income tax paid	(3,420)	(4,416)
Other operating items (3)	1,485	2,062
Free Cash Flow (1)	**4,929**	**9,599**
Net non-recurring investments (4)	(22,256)	(600)
Investments in financial receivables (5)	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**

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 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 is positive for Euro 4,929 thousand in the six months ended June 30, 2019, compared with a positive value of Euro 9,599 thousand in the six months ended June 30, 2018. This variation is mainly due to the first application of IFRS 16 (positive for Euro 4,743 thousand) and changes in net working capital.

The following table shows the breakdown of changes in Net Working Capital for the six months ended June 30, 2019 and 2018:

	Six months ended June 30,	
(in thousands of Euro)	**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)**

Changes in Net Working Capital were negative for Euro 10,293 thousand for the six months ended June 30, 2019 compared with a negative amount of Euro 4,835 thousand for the six months ended June 30, 2018, mainly due to:

- changes in inventories, negative for Euro 15,192 thousand, reflecting the higher volumes of stocks of raw materials and finished products, in line with the sales of green coffee expected for the next months;
- changes in trade receivables, positive for Euro 2,192 thousand, mainly reflecting the trends of revenues for the period and an improvement of collection of payments;
- changes in trade payables, positive for Euro 4,831 thousand.

Net recurring investments amounted to Euro 16,474 thousand for the six months ended June 30, 2019, with an increase of Euro 3,063 thousand compared to the six months ended June 30, 2018 and refers to capital expenditure on intangible asset mainly related to the implementation of the Group ERP and to capital expenditure on tangible asset principally related to bar equipment and asset under construction.

Net non-recurring investments amounted to Euro 22,256 thousand and Euro 600 thousand for the six months ended June 30, 2019 and 2018, respectively.

In the first six 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" and of "Cafès Nandi SA" and "Multicafès Industria de Cafè" in Portugal, for a total amount of Euro 20,756 thousand. Refers to paragraph *"*Capital expenditure*"* for more details.

Moreover, the Group has made payments for Euro 1,500 thousand and Euro 600 thousand, respectively on first six months ended June 30, 2019 and 2018 in favor of the company Virtus Pallacanestro Bologna S.S.D. a r.l. based in Bologna.

Financing activities generated cash amounting to Euro 23,319 thousand in the six months ended June 30, 2019 compared to cash generated amounting to Euro 107 thousand in the six months ended June 30, 2018. The cash generated in the six months ended June 30, 2019 was mainly due to the combined effect of:

- cash collected through new issues of long-term loans amounting to Euro 19,125 thousand, net of the repayment of the instalments due;
- the increase in short-term loans of Euro 4,277 thousand.

Net cash outflow from leasing accounted under IFRS 16 equal to Euro 4,930 thousand represents the outflows of the Group for those leases accounted as finance under IFRS 16. Please refer to note 7 - "*Impacts from new accounting standards"* for more details.

Net Debt

The following table shows the breakdown of net financial debt of the Group at June 30, 2019 and at December 31, 2018, determined in accordance with the CONSOB Communication dated July 28, 2006, and in compliance with the ESMA Recommendation 2013/319:

		As of June 30,	As of December 31,
(in thousands of Euro)		**2019**	**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**

Net Debt amounted to Euro 251,508 thousand at June 30, 2019, an increase of Euro 76,790 compared to December 31, 2018. This increase is mainly due to the combined effect of the following:

- accounts of lease liability due to the adoption of IFRS 16 equal to Euro 47,922 thousand as well as current lease receivable for Euro 1,998 thousand related to subleasing contracts recognized as finance lease. Refers to note 7 - *"Impact deriving from new accounting standards"* for more details;
- Free Cash Flow positively impacting for Euro 4,929 thousand in the six months ended June 30, 2019;
- dividends paid amounting to Euro 6,657 thousand;
- interest paid of Euro 3,491 thousand for the six months ended June 30, 2019;
- net non-recurring investments of Euro 22,256 thousand in the six months ended June 30, 2019;
- the Euro/USD foreign currency exchange rate impact and other non-cash items.

Capital expenditure

The following table sets forth capital expenditure in business combinations, property, plant and equipment and intangible assets for the six months ended June 30, 2019 and 2018 net of the impact deriving from IFRS 16:

	Six months ended June 30,			
(in thousands of Euro)	**2019**		**2018**	
	Capital expenditure	**Cash-out**	**Capital expenditure**	**Cash-out**
Business combinations, including those under common control	27,160	20,756	-	-
Investments in associates	1,500	1,500	600	600
Intangible assets	2,729	2,729	949	949
Property, plant and equipment	14,189	14,189	12,960	12,960
Total non-current assets	**45,578**	**39,174**	**14,509**	**14,509**

Business combinations, including transactions 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” 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.

On February 11, 2019 Massimo Zanetti Beverage Iberia has finalized the acquisition of the Portuguese companies Cafés Nandi SA. and Multicafès Industria de Cafè, near to Lisbon, for a total consideration of Euro 6,575 thousand.

During April 2019 the Group has finalized the acquisition of Bon Beverages Maldives private limited, a small local distributor in the Maldives.

There were no investments in business combination in the first half of 2018.

Investments in associates

In the six months ended June 30, 2019, the Group made a disbursement to Virtus Pallacanestro Bologna S.S.D. a r.l., located in Bologna. The investment amounted to Euro 1.500 thousand; in the six months ended June 30, 2018, it was equal to Euro 600 thousand.

The Group is of the opinion that it exercises significant influence over the club and so it has been classified as an associated company and accounted for using the equity method.

Property, plant and equipment

Capital expenditure in property, plant and equipment for the six months ended June 30, 2019 mainly relates to bar equipment and assets under construction, amounting to Euro 9,249 thousand and Euro 2,323 thousand, respectively.

Capital expenditure in property, plant and equipment for the six months ended June 30, 2018 mainly relates to bar equipment and assets under construction, amounting to Euro 7,894 thousand and Euro 2,131 thousand, respectively.

Intangible assets

Capital expenditure in intangible assets for the six months ended June 30, 2019 and 2018 are equal to Euro 2,729 thousand and Euro 949 thousand respectively. The capital expenditure in intangible asset refers mainly for Euro 1.536 thousand to the increase of asset under construction related principally to the implementation of the Group ERP.

Moreover, during the first six month of 2019, the Portuguese company Massimo Zanetti Beverage Iberia acquired the client portfolio of one of its agents for a total of Euro 980 thousand.

Key events for the six months ended June 30, 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”. 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 companies Cafés Nandi SA. and Multicafès Industria de Cafè, 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, for single serves. The Portuguese company acquired also the client portfolio of one of its agents for a total of Euro 980 thousand in the first quarter of 2019.
  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;
- On March 22, 2019 has become effective the merge of both two new companies acquired in Massimo Zanetti Beverage Iberia with retroactive effect to January 1, 2019.
- 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.

Subsequent events

Please refer to Note 29 – “*Subsequent Events”* in the notes to the consolidated condensed interim financial report at June 30, 2019.

Business outlook

In view of the results achieved in the first half of 2019 and considering current trends as well as assuming the absence of extraordinary transactions, management expectations for 2019 are:

- a slight increase in revenues
- EBITDA *adjusted* increase of approximately 3%
- Net Debt of around Euro 195 million.

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

“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, which is appropriately adjusted when conditions apply, is used as a primary indicator of profitability, since 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 Purchases 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 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, current contract assets and other current assets (excluding financial assets), net of trade payables, income tax liabilities, current contract 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

For details regarding related-party transactions for the six months ended June 30, 2019, please refer to Note 28 – “*Related-Party Transactions”* of the notes to the consolidated condensed interim financial statements at June 30, 2019.

In accordance with the regulations on transactions with related parties introduced pursuant to Consob Resolution no. 17221 dated March 12, 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 July 15, 2015 and amended on August 28, 2015 and on June 18, 2018 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.

CONSOLIDATED CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2019

Consolidated Condensed Interim Income Statement

(in thousands of Euro)	Note	Six months ended June 30, 2019	Six months ended June 30, 2018
Revenue	**19**	439,450	434,411
Other income		2,720	3,297
Purchase of goods	**20**	(242,997)	(243,184)
Purchases of services, leases and rentals	**21**	(86,374)	(86,872)
Personnel costs	**22**	(74,896)	(70,951)
Other operating costs	**23**	(2,919)	(2,932)
Amortization, depreciation and impairment	**24**	(23,296)	(19,697)
Operating profit		**11,688**	**14,072**
Finance income	**25**	373	162
Finance costs	**25**	(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	**26**	(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)	**27**	**0.10**	**0.21**

Consolidated Condensed Interim Statement of Comprehensive Income

	Six months ended June 30,	
(in thousands of Euro)	**2019**	**2018**
Profit for the period	**3,457**	**7,148**
Gains/(Losses) from cash flow hedges	1,704	2,233
Currency translation differences	3,680	2,599
Items that may be subsequently reclassified to profit or loss	**5,384**	**4,832**
Remeasurements of employee benefit obligations	(140)	61
Items that will not be reclassified to profit or loss	**(140)**	**61**
Total comprehensive (loss)/income for the period	**8,701**	**12,041**
Comprehensive income attributable to non-controlling interests	86	73
Comprehensive (loss)/income attributable to owners of the parent	**8,615**	**11,968**

Consolidated Condensed interim statement of financial position

(in thousands of Euro)	**Note**	**As of June 30, 2019**	**As of December 31, 2018**
Intangible assets	**10**	204,987	182,799
Property, plant and equipment	**11**	256,512	215,127
Investment properties		4,996	4,771
Investments in joint ventures and associates	**12**	10,820	10,404
Non-current trade receivables	**13**	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	**13**	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	**14**	**320,691**	**318,648**
Non-current borrowings	**15**	215,036	175,300
Employee benefits		9,533	8,822
Other non-current provisions	**16**	3,041	3,190
Deferred tax liabilities		28,215	26,863
Non-current contract liabilities		466	483
Other non-current liabilities	**17**	7,227	2,539
Total non-current liabilities		**263,518**	**217,197**
Current borrowings	**15**	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	**17**	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 Flows

(in thousands of Euro)	Note	Six months ended June 30, 2019	Six months ended June 30, 2018
Profit before tax		**5,594**	**10,450**
Adjustments for:			
Amortization, depreciation and impairment	**24**	23,296	19,697
Provisions for employee benefits and other charges		376	479
Finance costs	**25**	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	**11**	(14,189)	(12,960)
Purchase of intangible assets	**10**	(2,729)	(949)
Proceeds from sale of property, plant and equipment	**11**	428	483
Proceeds from sale of intangible assets	**10**	16	15
Investments in joint ventures and associates	**12**	(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	**15**	41,345	15,360
Repayment of long-term borrowings	**15**	(22,220)	(12,176)
Increase / (decrease) in short-term borrowings	**14**	4,194	(3,077)
Repayment of lease liabilities	**15**	(4,930)	-
Dividends paid	**24**	(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**

Consolidated Condensed 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 of 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 of January 1, 2018	**34,300**	**98,162**	**163,490**	**295,952**	**1,960**	**297,912**
Profit for the period	-	-	7,092	7,092	56	**7,148**
Remeasurements of employee benefit obligations	-	-	56	56	5	**61**
Profit from cash flow hedges	-	2,233	-	2,233	-	**2,233**
Currency translation differences	-	2,587	-	2,587	12	**2,599**
Total income for the period	**-**	**4,820**	**7,148**	**11,968**	**73**	**12,041**
Transaction with Shareholders						
Dividends paid	-	(5,831)	-	(5,831)	(168)	**(5,999)**
Reclassifications	-	336	(336)	-	-	**-**
As of June 30, 2018	**34,300**	**97,487**	**170,302**	**302,089**	**1,865**	**303,954**

(in migliaia di Euro)	Share capital	Other reserves	Retained earnings	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total
As of December 31, 2018	**34,300**	**99,396**	**183,069**	**316,765**	**1,883**	**318,648**
Profit for the period	-	-	3,372	3,372	85	**3,457**
Remeasurements of employee benefit obligations	-	-	(140)	(140)	-	**(140)**
Profit from cash flow hedges	-	1,704	-	1,704	-	**1,704**
Currency translation differences	-	3,679	-	3,679		**3,679**
Total income for the period	**-**	**5,383**	**3,232**	**8,615**	**85**	**8,700**
Transaction with Shareholders						
Dividends paid	-	-	(6,517)	(6,517)	(140)	**(6,657)**
Reclassifications	-	389	(389)	-	-	**-**
As of June 30, 2019	**34,300**	**105,168**	**179,395**	**318,863**	**1,828**	**320,691**

Notes

1. General information

Massimo Zanetti Beverage Group S.p.A. (hereinafter the "**Company**") 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 June 3, 2015.

These consolidated condensed interim financial statements as at June 30, 2019 (the ''**Consolidated Condensed Interim Financial Statements**'') have been prepared by the Company in accordance with the provisions of Article 154 ter paragraph 2 of Legislative Decree no. 58/98 - T.U.F. as amended, and also of Art. 2.2.3 (3) of the Regulation on Markets Organised and Managed by Borsa Italiana S.p.A. and taking account of Notice no. 7587 of April 21, 2016 of Borsa Italiana S.p.A.

The Consolidated Condensed Interim Financial Statements as at June 30, 2019 have been prepared in accordance with IAS 34 – Interim Financial Reporting. IAS 34 permits a significantly lower amount of information to be included in interim financial statements from what is required for annual financial statements by International Financial Reporting Standards issued by the International Accounting Standards Board and approved by the European Union, given that the entity has prepared financial statements compliant with IFRS for the previous financial year. The Consolidated Condensed Interim Financial Statements should be read in conjunction with the Group's consolidated financial statements as at December 31, 2018 ("Consolidated Financial Statements") which were prepared in accordance with the IFRS as adopted by the European Union.

The Consolidated Condensed Interim Financial Statements have been prepared in Euro, the functional currency of the Company. Unless otherwise indicated, all the amounts included in this document are stated in thousands of Euro.

The Consolidated Condensed Interim Financial Statements were subject to a limited review by PricewaterhouseCoopers S.p.A. and were approved by the Board of Directors on August 7, 2019.

2. Accounting Policies

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, and can be found described therein.

The only exception are the accounting standards and criteria expressly applicable to interim reports, as well as the accounting principles and amendments in note 2.5 - "*Recently Issued Accounting Standards*" of the 2018 consolidated financial report, applicable, where possible, from January 1, 2019 after having being approved by the relevant authorities

In particular the recognition of income taxes is based on the best estimate of the actual tax rate expected for the full financial year.

The first implementation of the aforementioned accounting standards and amendments on the period to be closed as at December 31, 2019 has not implied any significant effect on the Group assets, liabilities, financial position and profit or loss with the exception of *IFRS 16 "Lease"*.

IFRS 16

IFRS 16 "Leases". On January 13, 2016, the IASB published IFRS 16 "Leases" ("IFRS 16") which replaces IAS 17 "Leases" and the related interpretations. IFRS 16 was endorsed by the European Union on October 31, 2017. It 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 disclosures for both lessors and lessees.

The Group apply IFRS 16 as of January 1, 2019 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 application (1 January), adjusted to reflect the prepayments and accrued expenses related to back- and front-loaded lease payments recognised on said date. The Group apply the exemptions provided for by the standard with respect to leases with a term of less than 12 months, including contracts whose residual term at the action date is below 12 months, and related to assets of a low unit value.

Lease liabilities will be measured at the present value of the residual lease payments at the date of the first-time adoption 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 impact deriving from the application of IFRS 16 are shown in the note 7 - "*Impacts from new accounting standards*".

3. 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 those generated by translating opening assets and liabilities 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 June 30,			Exchange rate as of December 31,	
		2019	2018	2019	2018	2017	2018	2017
US Dollar	USD	1.13	1.21	1.14	1.17	1.14	1.15	1.20
United Arab Emirates Dinar	AED	4.15	4.45	4.18	4.28	4.19	4.21	4.40
Argentine Peso	ARS	46.81	26.03	48.57	32.70	18.89	43.16	22.93
Australian Dollar	AUD	1.60	1.57	1.62	1.58	1.49	1.62	1.53
Brazilian Real	BRL	4.34	4.14	4.35	4.49	3.76	4.44	3.97
Canadian Dollar	CAD	1.49	1.54	1.51	1.55	1.48	1.56	1.50
Swiss Franc	CHF	1.13	1.17	1.11	1.16	1.09	1.13	1.17
Chilean Peso	CLP	763.13	740.17	773.85	757.26	758.21	794.37	737.29
Costarican Colon	CRC	677.63	687.79	663.10	661.65	652.15	694.77	682.85
Czech Koruna	CZK	25.68	25.50	25.45	26.02	26.20	25.72	25.54
Danish Crown	DKK	7.47	7.45	7.46	7.45	7.44	7.47	7.44
Renminbi (Yuan)	CNY	7.67	n.a	7.82	n.a	n.a	7.88	n.a.
British Pound	GBP	0.87	0.88	0.90	0.89	0.88	0.89	0.89
Hong Kong Dollar	HKD	8.86	9.49	8.89	9.15	8.91	8.97	9.37
Croatian Kuna	HRK	7.42	7.42	7.40	7.39	7.41	7.41	7.44
Hungarian Forint	HUF	320.39	314.09	323.39	329.77	308.97	320.98	310.33
Indonesian Rupiah	IDR	16,035.90	16,671.74	16,083.35	16,654.04	15,209.30	16,500.00	16,239.12
Japanese Yen	JPY	124.29	131.61	122.60	129.04	127.75	125.85	135.01
Mexican Peso	MXN	21.65	23.08	21.82	22.88	20.58	22.49	23.66
Malaysian Ringgit	MYR	4.65	4.77	4.71	4.71	4.90	4.73	4.85
Maldivian Rufiyaa	MVR	17.38	n.a	17.18	n.a	n.a	n.a	n.a
New Zealand Dollar	NZD	1.68	1.69	1.70	1.72	1.56	1.71	1.69
Polish Zloty	PLN	4.29	4.22	4.25	4.37	4.23	4.30	4.18
Romanian Leu	RON	4.74	4.65	4.73	4.66	4.55	4.66	4.66
Singapore Dollar	SGD	1.54	1.61	1.54	1.59	1.57	1.56	1.60
Thai Bhat	THB	35.70	38.42	34.90	38.57	38.74	37.05	39.12
Vietnamese Dong	VND	26,269.33	27,565.50	26,527.00	26,746.00	25,938.35	26,547.00	27,233.00

4. Use of Estimates

The preparation of the Consolidated Condensed Interim Financial Statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and disclosure of contingent liabilities. Actual results may differ from these estimates and assumptions.

In preparing these Consolidated Condensed Interim Financial Statements, the significant estimates and assumptions made by management in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those applied to the Consolidated Financial Statements.

5. Management of Financial Risks

The activities of the Group are exposed to the following risks: market risk (including in particular, interest rate risk, foreign exchange rate risk and price risk), credit risk, liquidity risk and capital risk.
The Consolidated Condensed Interim Financial Statements do not include all the information and notes on financial risk management required in the preparation of the Consolidated Financial Statements and they should be read in conjunction with the Consolidated Financial Statements as of December 31, 2018.

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

Market risk

The Group is exposed to market risks associated with interest rates, exchange rates and green coffee prices.

There have been no significant changes in the policies, strategies or instruments used to manage interest rate risk, exchange rate risk and green coffee price risk since December 31, 2018.

Exchange rate risk

In order to reduce the exchange rate risk deriving from foreign currency denominated assets, liabilities and cash flows, the Group arranges forward contracts to hedge future cash flows denominated in currencies other than Euro. The instruments adopted by the Group satisfy the criteria necessary to be recognized in accordance with hedge accounting rules.
The notional value of forward contracts outstanding as at June 30, 2019 was Euro 35,792 thousand (Euro 31,852 thousand as at December 31, 2018). Forward contracts outstanding as at June 30, 2019 had a positive fair value of Euro 858 thousand (negative fair value of Euro 1,150 thousand as at December 31,2018).

Price risk of green coffee

In the ordinary course of business, the Group is exposed to the risk of fluctuations in the price of green coffee, its principal raw material. The Group reduces risk deriving from fluctuations in the price of green coffee by entering into forward contracts for the purchase of green coffee that fix the price of expected future purchases. The maturity of such contracts is generally four to six months. For further details, see Note 28 - *Related Party Transactions*.
For accounting purposes, changes in the fair value of such contracts:

- are not accounted for when the “own use exemption” conditions apply (as explained above under *Forward purchase and sale of green coffee)*; or

- are accounted for in the income statement, when the “own use exemption” conditions do not apply (as such forwards are not linked to subsequent physical delivery but rather are net settlement mechanisms) when they are qualified as hedge contracts;

- are accounted for in the income statement, when the “own use exemption” conditions do not apply (as such forwards are not linked to subsequent physical delivery but rather are net settlement mechanisms) as they do not qualify as hedge contracts.

The Group's contractual obligations for which the own use exemption conditions applied amounted to Euro 226,372 thousand as at June 30, 2019 (Euro 190,992 thousand as at December 31, 2018).

Liquidity risk

Taking into account Note 15 – *Current and Non-Current Borrowings*, there were changes in the expected cash flows, in particular, non-current borrowings, compared to December 31, 2018.

As at June 30, 2019, the Group had credit lines available from various financial institutions (that are renewable annually and can be revoked at short notice), amounting to a total of Euro 237,153 thousand (Euro 236,783 thousand as at December 31, 2018).
The undrawn portion of such credit lines at June 30, 2019 totalled Euro 182,111 thousand (Euro 189,732 thousand at December 31, 2018).

Additionally, it is noted that:

- there are different sources of funding from various financial institutions;
- there is not a significant concentration of liquidity risk in terms of financial assets or sources of financing.

Fair value

The fair value of financial instruments listed in an active market is based on their market prices at the reporting date. The fair value of financial instruments not listed in an active market is determined using measurement techniques based on a series of methods and assumptions linked to market conditions at the reporting date.

The following table shows the fair value hierarchy of financial instruments:

As of June 30, 2019 *(in thousands of Euro)*	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Derivatives on commodities	-	1,317	-	1,317
Derivatives on exchange rates	-	858	-	858
Total	**-**	**2,175**	**-**	**2,175**
Liabilities				
Derivatives on commodities	-	-	-	-
Derivatives on interest rates		2,416	-	2,416
Total	**-**	**2,416**	**-**	**2,416**

As of December 31, 2018	Level 1	Level 2	Level 3	Total
(in thousands of Euro)				
Assets				
Derivatives on commodities	-	1,150	-	1,150
Total	**-**	**1,150**	**-**	**1,150**
Liabilities				
Derivatives on commodities	-	1,590	-	1,590
Derivatives on interest rates		1,426	-	1,426
Total	**-**	**3,016**	**-**	**3,016**

Level 1: Fair value is determined with reference to the (unadjusted) listed prices in active markets of identical financial instruments.

Level 2: Fair value is determined using measurement techniques based on inputs observable in active markets.

Level 3: Fair value is determined using measurement techniques based on inputs that are not observable.

There were no transfers between levels for the six months ended June 30, 2019 or the year ended December 31, 2018. Similarly, there were no changes in the valuation techniques used. Transfers in the fair value hierarchy levels 2 and 3 are analysed at each reporting date.

Valuation techniques used to derive Level 2 fair values

The fair value of derivative instruments in place as at June 30, 2019 and December 31, 2018 is measured in accordance with Level 2.

Financial instruments with a Level 2 fair value include derivatives that qualify for hedge accounting and other derivative instruments designed to reduce exposure to economic risks. Derivative instruments include forward foreign exchange contracts and interest rate swaps.

The fair value of forward foreign exchange contracts is determined using forward exchange rates quoted on active markets. The fair value of interest rate swaps is determined using a forward curve of interest rates based on market yield curves.

The fair value of trade receivables and other financial assets, trade payables, other payables and other financial liabilities, which are classified as current in the statement of financial position, are measured at amortized cost. The fair value of such assets and liabilities does not differ materially from their carrying amounts as at June 30, 2019 and December 31, 2018, as they relate primarily to balances generated from normal operations that will be settled in the short term.

6. 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. For that reason, the interim financial position and results of operations should not be considered representative of all or a portion of the full year.

7. 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 January 1, 2019.

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 at 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 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**
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 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:

	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.

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

The application of IFRS 16 in the Consolidated Condensed Interim Income Statements as at 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.

8. Business combinations

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” 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	992
Deferred tax assets	381
Employee benefits	(326)
Non-current borrowings	(1,391)
Current borrowings	(133)
Other current liabilities	(417)
Net asset acquired	**1,616**
Consideration paid comprehensive of the earn-out	(20,585)
Provisional goodwill	**(18,969)**

On February 11, 2019 Massimo Zanetti Beverage Iberia has completed the acquisition of the Portuguese companies Cafés Nandi SA. and Multicafès Industria de Cafè, 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	(443)
Other non-current liabilities	(12)
Current borrowings	(32)
Trade payables	(20)
Other current liabilities	(93)
Net asset acquired	**4,499**
Consideration paid	(6,575)
Provisional goodwill	**(2,076)**

There were no investments in business combination in the first half of 2018.

9. Operating Segments

IFRS 8 defines an operating segment as a component of an entity: *i)* that engages in business activities from which it may earn revenues and incur expenses; *ii)* whose operating results are reviewed regularly by the entity's chief operating decision maker; and *iii)* for which discrete financial information is available. For the purposes of IFRS 8, the Group has a single operating segment.

Details of revenue by product line, distribution channel and geographical area are provided in Note 19 – "*Revenue*".

10. Intangible Assets

The following table sets forth the changes in property, plant and equipment for the six months ended June 30, 2019:

(in thousands of Euro)	**Goodwill**	**Trademarks, licenses, and similar**	**Customer related assets**	**Software and other immaterial assets**	**Asset under construction**	**Total**
As of December 31, 2018	**115,702**	**60,090**	**2,342**	**2,800**	**1,865**	***182,799***
Of which:						
- historical cost	*115,702*	*71,847*	*5,330*	*20,877*	*1,865*	***215,621***
- accumulated depreciation	-	*(11,757)*	*(2,988)*	*(18,077)*	-	***(32,822)***
Change in scope of consolidation	*21,045*	-	-	*34*	-	**21,079**
Capital expenditure	-	18	1,012	163	1,536	**2,729**
Disposals	-	(16)	-	-	-	**(16)**
Amortization	-	(1,507)	(391)	(671)	-	**(2,569)**
Reclassification	-	-	-	128	(128)	**-**
Exchange differences	773	330	9	(147)	-	**965**
As of June 30, 2019	**137,520**	**58,915**	**2,972**	**2,307**	**3,273**	**204,987**
Of which:						
- historical cost	*137,520*	*72,265*	*6,360*	*20,271*	*3,273*	***239,689***
- accumulated depreciation	-	*(13,350)*	*(3,388)*	*(17,964)*	-	***(34,702)***

Capital expenditure in intangible assets for the six months ended June 30, 2019, equal to Euro 2,729 thousand, refers for Euro 1,536 at the increase of asset under construction mainly related to the implementation of the Group ERP and for Euro 980 thousand to the acquisition done by the Portuguese company Massimo Zanetti Beverage Iberia of the client portfolio of one of its agents.

Capital expenditure in intangible assets for the six months ended June 30, 2018 equal to Euro 949 thousand are mainly related to the implementation of the Group ERP.

As at June 30, 2019, no impairment indicators were identified regarding the CGUs requiring allocation of goodwill and consequently, no impairment tests were performed.

11. Property, Plant and Equipment

The following table sets forth the changes in property, plant and equipment for the period:

(in thousands of Euro)	**Land and buildings**	**Plant and machinery**	**Industrial and commercial equipment and other assets**	**Bar equipment**	**Asset under construction**	**Total**
As of December 31, 2018	**78,532**	**64,436**	**23,026**	**46,971**	**2,162**	**215,127**
Of which:						
- historical cost	*121,830*	*154,894*	*80,931*	*182,209*	*2,162*	***542,026***
- accumulated depreciation	*(43,298)*	*(90,458)*	*(57,905)*	*(135,238)*	*-*	***(326,899)***
First application IFRS 16	29,469	22	4,600	7	-	**34,098**
Change in scope of consolidation	4,524	1,382	276	630	-	**6,812**
Capital expenditure	2,894	1,014	3,829	9,249	2,323	**19,309**
Disposals	-	-	(161)	(137)	-	**(298)**
Amortization	(4,796)	(3,426)	(3,608)	(7,754)	-	**(19,584)**
Remeasurement IFRS 16	66	-	(70)	-	-	**(4)**
Reclassifications	(184)	982	362	(10)	(1,438)	**(288)**
Exchange differences	249	421	138	519	13	**1,340**
As of June 30, 2019	**110,754**	**64,831**	**28,392**	**49,475**	**3,060**	**256,512**
Of which:						
- historical cost	*158,581*	*160,511*	*89,015*	*191,350*	*3,060*	***602,517***
- accumulated depreciation	*(47,827)*	*(95,680)*	*(60,623)*	*(141,875)*	*-*	***(346,005)***

Property, Plant and Equipment contain also the asset deriving from the application of IFRS 16 (considering also those assets previously recognized as finance lease under IAS 17) that at shown in the table below:

	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
Total	**41,570**	**39,782**

For further detail relating the adoption of IFRS 16 please refers to the note 7 – "*Impacts from new accounting standards*".

Bar equipment includes coffee machines, grinders and company-branded products. Bar equipment is generally provided free of charge to customers in the Food Service channel mainly in Italy, France, Portugal, Germany and Austria. This equipment is of a commercial nature and is designed to build customer loyalty.

Additions to property, plant and equipment in the six months ended June 30, 2018 amounted to Euro 12,960 thousand and related mainly to the following categories: *i)* Bar equipment amounting to Euro 7,894 thousand; *ii)* Assets under construction amounting to Euro 1,442 thousand; *iii)* Industrial and commercial equipment and other assets amounting to Euro 2,131 thousand.

12. Investments in joint ventures and associates

The following table shows the changes in this item for the period in question:

(in thousands of Euro)	Investments in joint ventures and associates
As of December 31, 2018	**10,404**
Increases	1,500
Profit for the Period	(1,055)
Exchange differences	(29)
As of June 30, 2019	**10,820**

In the six months ended June 30, 2019, the Group made a disbursement to Virtus Pallacanestro Bologna S.S.D. a r.l., located in Bologna. The investment amounted to Euro 1.500 thousand; in the six months ended June 30, 2018, it was equal to Euro 600 thousand.

The Group is of the opinion that it exercises significant influence over the club and so it has been classified as an associated company and accounted for using the equity method.

13. Current and non-current trade receivables

The following table shows current and non current trade receivables details:

	As of June 30,	As of December 31,
(in thousands of Euro)	2019	2018
Current trade receivables and other receivables	133,704	136,763
Current provision for impairment of trade receivables	(15,882)	(15,931)
Total trade receivables	**117,822**	**120,832**
Non-current trade receivables and other receivables from customers	7,700	7,867
Non-current provision for impairment of trade receivables	(5,149)	(5,325)
Total non-current trade receivables	**2,551**	**2,542**
Total current and non-current trade receivables	**120,373**	**123,374**

The following table sets forth the changes in the provision for impairment of trade receivables:

(in thousands of Euro)	Provision for impairment of trade receivables	Non-current provision for impairment of trade receivables
As of December 31, 2018	**15,931**	**5,325**
Change in scope of consolidation	135	-
Accruals	626	502
Releases	(48)	-
Utilizations	(771)	(678)
Exchange differences	9	-
As of June 30, 2019	**15,882**	**5,149**

14. Equity

Share capital

As at June 30, 2019, the issued and fully paid share capital of the Parent amounted to Euro 34,300 thousand and consists of 34,300,000 ordinary shares without nominal value.

On April 10, 2019 the Shareholders' Meeting of Massimo Zanetti Beverage Group S.p.A. approved the financial statements for 2018 and resolved to distribute a dividend of € 0.19 per share. The total dividend of Euro 6,517 thousand, was paid in May.

Other reserves and retained earnings

Other reserves and retained earnings are detailed in the following table.

(in thousands of Euro)	*Legal reserve*	*Share premium reserve*	*Other reserves*	*Cash flow hedge*	*Net investment hedge*	*Translation reserve*	**Total other reserves**	*Retained earnings*
As of December 31, 2017	**4,196**	**62,918**	**41,647**	**(1,441)**	**(8,578)**	**(580)**	**98,162**	**166,443**
Effect of the first application of IFRS 9	-	-	-	-	-	-	**-**	**(2,953)**
As of January 1, 2018	**4,196**	**62,918**	**41,647**	**(1,441)**	**(8,578)**	**(580)**	**98,162**	**163,490**
Remeasurements of employee benefit obligations - gross	-	-	-	-	-	-	**-**	**75**
Tax on remeasurements of employee benefit obligations	-	-	-	-	-	-	**-**	**(19)**
Cash flow hedge: fair value losses in the period - gross	-	-	-	3,141	-	-	**3,141**	**-**
Tax on fair value gains in the period from cash flow hedges	-	-	-	(908)	-	-	**(908)**	**-**
Currency translation differences	-	-	-	-	-	2,587	**2,587**	**-**
Dividends paid to non-controlling interests	-	-	(5,831)	-	-	-	**(5,831)**	**-**
Profit for the period	-	-	-	-	-	-	**-**	**7,092**
Reclassifications	336	-	-	-	-	-	**336**	**(336)**
As of June 30, 2018	**4,532**	**62,918**	**35,816**	**792**	**(8,578)**	**2,007**	**97,487**	**170,302**

(in thousands of Euro)	*Legal reserve*	*Share premium reserve*	*Other reserves*	*Cash flow hedge*	*Net investment hedge*	*Translation reserve*	**Total other reserves**	*Retained earnings*
As of December 31, 2018	**4,532**	**62,918**	**35,816**	**(667)**	**(8,578)**	**5,375**	**99,396**	**183,069**
Remeasurements of employee benefit obligations - gross	-	-	-	-	-	-	**-**	**(178)**
Tax on remeasurements of employee benefit obligations	-	-	-	-	-	-	**-**	**38**
Cash flow hedge: fair value losses in the period - gross	-	-	-	2,223	-	-	**2,223**	**-**
Tax on fair value gains in the period from cash flow hedges	-	-	-	(519)	-	-	**(519)**	**-**
Currency translation differences	-	-	-	-	-	3,679	**3,679**	**-**
Dividends paid to non-controlling interests	-	-	-	-	-	-	**-**	**(6,517)**
Profit for the period	-	-	-	-	-	-	**-**	**3,372**
Reclassifications	389	-	-	-	-	-	**389**	**(389)**
As of June 30, 2019	**4,921**	**62,918**	**35,816**	**1,037**	**(8,578)**	**9,054**	**105,168**	**179,395**

15. Current and Non-current borrowings

The following tables provide a breakdown of current and non-current borrowings at June 30, 2019 and December 31, 2018.

As of June 30, 2019 *(in thousands of Euro)*	**Less than 12 months**	**Between 1 and 5 years**	**Over 5 years**	**Total**
Long-term borrowings	60,255	161,790	15,254	237,299
Short-term borrowings	48,607	-	-	48,607
Advances from factors and banks	6,573	-	-	6,573
Finance lease liabilities	12,816	25,599	12,393	50,808
Total	**128,251**	**187,389**	**27,647**	**343,287**

As of 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**

Long-term borrowings

The following table provides details of the main long-term borrowings in place as at June 30, 2019 and December 31, 2018:

Interest rate	**Year**	**Initial principal amount** *(in thousands)*	**As of June 30, 2019**	**As of December 31, 2018**
			(in thousands of Euro)	
denominated in Euro				
Euribor 3M + 1,25%	2015	12,000	6,333	7,000
Euribor 6M + 1%	2016	5,000	282	1,124
Euribor 3M + 1,10%	2016	15,000	6,667	8,333
Euribor 6M + 1,35%	2016	50,000	47,500	50,000
Euribor 6M + 0,90%	2016	9,000	5,663	7,328
Euribor 6M + 1,05%	2016	50,000	39,879	44,861
Euribor 6M + 0,9%	2016	10,000	7,513	9,998
Euribor 3M + 0,75%	2016	10,000	6,269	7,514
Euribor 6M+1%	2016	10,000	6,243	7,489
0,80%	2017	10,000	9,988	9,988
Euribor 3M +0,85%	2017	15,000	12,850	14,988
Euribor 3M +1,05%	2017	10,000	6,063	7,055
Euribor 3M +0,75%	2018	15,000	14,988	14,987
Euribor 3M +0,95%	2019	15,000	14,963	-
Euribor 6M+1,25%	2019	20,000	19,942	-
Euribor 6M+1,125%	2019	6,000	6,000	-
Other loans	-	-	2,668	2,607
		subtotal	**213,811**	**193,272**
denominated in USD				
6,5% /Libor 3M + 7,5%	2015	3,000	1,535	1,703
Libor 3M + 1,50%	2017	30,000	21,953	23,064
		subtotal	**23,488**	**24,767**
Total			**237,299**	**218,039**
of which non-current			*177,044*	*172,796*
of which current			*60,255*	*45,243*

The Group's loan contracts require compliance with the so-called negative pledge and financial covenant commitments considered standard international practice for such agreements.

These covenants are constantly monitored by the Group's management and were complied with as at June 30, 2019 and December 31, 2018.

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 of June 30,	**As of December 31,**
(in thousands of Euro)	**2019**	**2018**
Principal amount of long-term borrowings		
- at variable rate	228,028	208,754
- at fixed rate	10,000	10,000
Notional value of derivatives on interest rates	107,716	96,290
Long-term borrowings converted at fixed rate	49%	49%
Remaining portion of long-term borrowings at variable rate	51%	51%
Long-term borrowings denominated in Euro	90%	89%
Long-term borrowings denominated in USD	10%	11%

In order to reduce the Group's exposure to interest rate fluctuations, during the first six months of 2019, the Group enter into an interest rate swap for 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 11,203 thousand as of June 30, 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 factors or other banks in relation to trade receivables assigned during the year that do not meet the criteria established for the de-recognition of the financial asset.

Finance lease liabilities

Finance lease liabilities equal to Euro 50.808 thousand, include in addition to the finance lease liabilities accounted till January 1, 2019 in accordance to IAS 17, also the lease liabilities recognized based on IFRS 16 and equal to Euro 47.922 thousand.
In fact, due to the adoption of IFRS 16, starting from January 1, 2019, for contracts previously classified as operating leases, it is necessary to recognize *i)* an asset, representative of the right-of-use and *ii)* a liability, representative of the obligation to make lease payments under the contract.

For more information please refer to note 7 – "*Impacts from new accounting standards*".

Net financial debt

The following table shows the breakdown of net financial debt of the Group at June 30, 2019 and December 31, 2018, determined in accordance with CONSOB communication dated July 28, 2006 and ESMA/2013/319 Recommendation:

		As of June 30,	As of December 31,
(in thousands of Euro)		**2019**	**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 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**

16. Other non-current provisions

The following table sets forth a breakdown of other non-current provisions:

(in thousands of Euro)	**Provision for agents' termination indemnities**	**Provisions for other charges**	**Total**
As of December 31, 2018	**1,658**	**1,532**	**3,190**
Accruals	17	46	**63**
Utilizations	(1)	(43)	**(44)**
Releases	-	(170)	**(170)**
Exchange differences	2	-	**2**
As of June 30, 2019	**1,676**	**1,365**	**3,041**

17. Other Current and Non-Current Liabilities

The following table shows a breakdown other current and non current liabilities:

(in thousands of Euro)	**As of June 30, 2019**	**As of December 31, 2018**
Derivatives on interest rates	1,973	1,119
Current derivatives on commodities	-	26
Non-current financial guarantee contracts	1,170	1,170
Other non-current liabilities	4,084	224
Other non-current liabilities	**7,227**	**2,539**
Payables to personnel	10,912	10,071
Payables to social security institutions	4,111	4,088
Other tax payables	5,681	5,313
Current financial guarantee contracts	830	830
Payables to agents	887	797
Derivatives on interest rates	443	307
Derivatives on commodities	-	1,564
Other current liabilities	9,732	7,046
Total other current liabilities	**32,596**	**30,016**

Please refer to Note 5 – "*Fair Value*" for further details regarding liabilities related to derivative instruments.

Financial guarantee contracts refer to the effects of financial guarantees (in the form of discounted bills of exchange) issued in favour of Claris Factor S.p.A. and MBFacta in relation to loans provided by the latter to Group customers. Such guarantees are part of a broader business arrangement with customers, and with bars in Italy. As at June 30, 2019, total loans made to customers by Claris Factor SpA which are covered by Group guarantees amounted to Euro 12,283 thousand (Euro 12,445 thousand as at December 31, 2018).

Please note that "Other non-current liabilities" and "Other current liabilities" include the payable for the potential ear-out of The Bean Alliance Group PTY Ltd, which will be paid in three annual instalments, starting from January 31, 2020, on the occurrence of specific annual qualitative and quantitative targets.

18. 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 October 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.

19. Revenue

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

	Six months ended June 30,	
(in thousands of Euro)	**2019**	**2018**
Food Service	105,346	103,326
Mass Market	155,098	161,070
Private Label	147,521	140,810
Other	31,485	29,205
Total	**439,450**	**434,411**

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

	Six months ended June 30,	
(in thousands of Euro)	**2019**	**2018**
Americas	193,787	189,463
Northern Europe	87,715	87,545
Southern Europe	111,369	118,712
Asia-Pacific and Cafés (*)	46,579	38,691
Total	**439,450**	**434,411**

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

20. Purchases of Goods

The following table shows a breakdown of Purchases of Goods:

	Six months ended June 30,	
(in thousands of Euro)	**2019**	**2018**
Purchases of raw materials	181,671	189,384
Purchases of finished goods	29,305	23,868
Purchases of packaging and other	32,021	29,932
Total	**242,997**	**243,184**

21. Purchases of Services, Leases and Rentals

The following table sets forth a breakdown of purchases of services, leases and rentals:

	Six months ended June 30,	
(in thousands of Euro)	**2019**	**2018**
Advertising and promotions	22,615	22,695
Transportation costs	12,593	11,923
Agent commissions and other	7,757	7,390
Maintenance, repair and support	9,353	8,993
Leases and rentals	2,300	6,903
Utilities	7,045	6,869
Travel expenses and fuel	5,419	4,663
Consultancy and collaborations	6,203	5,424
Temporary workers	1,650	1,613
Insurance	1,451	1,316
Outsourced processing	1,389	1,345
Other services	8,599	7,738
Total	**86,374**	**86,872**

The decrease of the “Leases and rentals” is mainly due to the application of IFRS 16, which implied a reduction of these costs for Euro 5,944 thousand.

Furthermore, it should be noted that the Leases and rental costs refer mainly to leasing contracts with short term or low asset value, as well as to the rental payments which were not eligible to be accounted as right of use on the basis of the practical expedient adopted by the Group. For more details please see note *n. 7 "Impacts from new accounting standards"*.

In the six months ended at June 30, 2019, "Purchases of Services, Leases and Rentals" included of Euro 1,109 thousand of non-recurring costs mainly related to reorganization plans launched at the subsidiaries as well as the re-launch of the Segafredo Zanetti brand in the Mass Market channel in Italy.

22. Personnel Costs

The following table shows a breakdown of Personnel Costs:

	Six months ended June 30,	
(in thousands of Euro)	**2019**	**2018**
Wages and salaries	60,486	57,716
Social security contributions	10,503	9,709
Directors' fees	1,487	1,509
Contributions to pension funds	834	549
Other personnel-related costs	1,586	1,468
Total	**74,896**	**70,951**

In the first six months of 2019, Personnel costs include Euro 385 thousand for costs connected mainly with some project to improve the efficiency in various subsidiaries.

23. Other Operating Costs

The following table shows a breakdown of Other Operating Costs:

	Six months ended June 30,	
(in thousands of Euro)	**2019**	**2018**
Indirect taxes and levies	1,775	1,803
Other costs	1,251	907
Accruals of provisions	(107)	222
Total	**2,919**	**2,932**

In the first six months of 2019, other operating costs include Euro 297 thousand for costs connected mainly with some project to improve the efficiency in various subsidiaries.

24. Amortization, Depreciation and Impairment

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

	Six months ended June 30,	
(in thousands of Euro)	**2019**	**2018**
Depreciation of property, plant and equipment	19,584	15,395
Amortization of intangible assets	2,569	2,524
Depreciation of investment property	63	59
Allowances for doubtful accounts	1,080	1,719
Total	**23,296**	**19,697**

In the first six months of 2019, the depreciation of property, plant and equipment includes the depreciation on the right of use for Euro 4,421 thousand deriving from the adoption of IFRS 16 as explained in the note note *n. 7 "Impacts from new accounting standards"*.

25. Finance Income and Costs

The following table shows a breakdown of Finance Income and Costs:

	Six months ended June 30,	
(in thousands of Euro)	**2019**	**2018**
Interest expense	2,390	2,169
Interest expense to related parties	1,033	620
Interest expense on leasing contracts	903	53
Net foreign exchange gains	(18)	(184)
Net fair value gains on derivative financial instruments	753	51
Other finance costs	351	406
Total finance costs	**5,412**	**3,115**
Finance income	(373)	(162)
Total net finance expense	**5,039**	**2,953**

Finance income and costs includes interest expense on leasing contract for Euro 903 thousand calculated on lease financial liabilities net of interest income on leasing contracts for Euro 218 thousand includes in the amount of finance income and deriving from the lease financial receivable.

These amounts derive from the application of IFRS 16 as described in the note *n. 7 "Impacts from new accounting standards"*.

26. Income Tax Expense

The following table shows a breakdown of Income Tax Expense:

	Six months ended June 30,	
(in thousands of Euro)	**2019**	**2018**
Current income tax	4,412	2,716
Deferred tax	(2,275)	586
Total	**2,137**	**3,302**

27. Earnings per share

The following table provides a breakdown of earnings per share:

	Six months ended June 30,	
(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	3,372	7,092
Basic and diluted earnings per share (in Euro)	**0.10**	**0.21**

Basic earnings per share and diluted earnings per share were the same for the six months ended June 30, 2019, as they were in the same period of 2018, as there were no dilutive options.

28. Related Party Transactions

Related parties are recognized in accordance with IAS 24. Related party transactions are mainly of a commercial and financial nature and are conducted under normal market terms and conditions; there is however, no guarantee that similar transactions had been entered into between or with third parties, such third parties would have negotiated or entered into the contracts under the same conditions or in the same manner.

The transactions with related parties described below result in benefits arising from the use of common services and shared competencies, Group-level synergies and common policy and strategy in financial matters. In particular, for the six months ended June 30, 2019 and the year ended December 31, 2018, related party transactions were entered into in the following areas:

- purchase and sale of green coffee;
- provision of professional and other services;
- issue of loans and guarantees;
- management of shared services.

The Group has entered into transactions with the following related parties:

- entities which are controlled directly or indirectly by MZ Industries or Mr. Massimo Zanetti ("**Entities under Common Control**");
- joint ventures and associates ("**JV and Associates**"); and
- Group directors with strategic responsibilities and, in particular, members of the Board of Directors ("**Key Management**").

The following table shows the income statement effects of related party transactions for the six months ended June 30, 2019 and 2018 as well as the statement of financial position balances resulting from related party transactions for the six months ended June 30, 2019 and for December 31, 2018:

(in thousands of Euro)	**Entities under Common Control**	**JV and associates**	**Key Management**	**Total related parties**	**Financial statements line item**	**Percentage of financial statements line item**
Impact of transactions on income statement						
Revenue						
Six Month ended June 30, 2019	43	105	-	**148**	439,450	**0.0%**
Six Month ended June 30, 2018	46	194	-	**239**	434,411	**0.1%**
Other revenue						
Six Month ended June 30, 2019	-	127	-	**127**	2,720	**4.7%**
Six Month ended June 30, 2018	-	-	-	**-**	3,297	**0.0%**
Purchase of goods						
Six Month ended June 30, 2019	75,069	616	-	**75,685**	242,997	**31.1%**
Six Month ended June 30, 2018	82,187	558	-	**82,745**	243,184	**34.0%**
Purchases of services, leases and rentals						
Six Month ended June 30, 2019	439	1,535	-	**1,974**	86,374	**2.3%**
Six Month ended June 30, 2018	271	792	-	**1,063**	86,872	**1.2%**
Personnel costs						
Six Month ended June 30, 2019	-	-	2,712	**2,712**	74,896	**3.6%**
Six Month ended June 30, 2018	-	-	4,001	**4,001**	70,951	**5.6%**
Finance income						
Six Month ended June 30, 2019	-	11	-	**11**	373	**2.9%**
Six Month ended June 30, 2018	-	6	-	**6**	162	**3.7%**
Finance costs						
Six Month ended June 30, 2019	1,032	-	-	**1,032**	5,412	**19.1%**
Six Month ended June 30, 2018	620	-	-	**620**	3,115	**19.9%**
Impact of transactions on statement of financial position						
Trade receivables						
As of June 30, 2019	38	98	-	**136**	117,822	**0.1%**
As of December 31, 2018	28	77	-	**105**	120,832	**0.1%**
Other non-current assets						
As of June 30, 2019	77	460	-	**537**	17,138	**3.1%**
As of December 31, 2018	77	360	-	**437**	6,574	**6.6%**
Other current assets						
As of June 30, 2019	5	100	-	**105**	18,966	**0.6%**
As of December 31, 2018	2	86	-	**88**	15,572	**0.6%**
Non-current borrowings						
As of June 30, 2019	491	-	-	**491**	215,036	**0.2%**
As of December 31, 2018	-	-	-	**-**	175,300	**0.0%**
Current borrowings						
As of June 30, 2019	57	-	-	**57**	128,251	**0.0%**
As of December 31, 2018	-	-	-	**-**	96,637	**0.0%**
Trade payables						
As of June 30, 2019	39,539	36	-	**39,575**	149,536	**26.5%**
As of December 31, 2018	44,678	144	-	**44,822**	144,292	**31.1%**

The following table shows certain other information, resulting from related party transactions, as at June 30, 2019 and December 31, 2018:

(in thousands of Euro)	**Entities under Common Control**	**Total related parties**	**Total**	**Percentage of Total**
Commitments				
As of June 30, 2019	138,293	**138,293**	226,372	**61.1%**
As of December 31, 2018	89,397	**89,397**	190,992	**46.8%**

Entities under Common Control

The following table shows the income statement effects of transactions with Entities under Common Control for the six months ended June 30, 2019 and 2018, as well as the statement of financial position balances resulting from transactions with Entities under Common Control by financial statement line item for and at June 30, 2019 and December 31, 2018:

(in thousands of Euro)	Cofiroasters SA	Other entities *Green Coffee*	Doge SpA	Hotel Cipriani	Other	Total Entities under Common Control	Financial statements line item	Percentage of financial statements line item
Impact of transactions on income statement								
Revenue								
Six Month ended June 30, 2019	-	6	12	1	24	**43**	439,450	**0.0%**
Six Month ended June 30, 2018	1	7	12	2	24	**46**	434,411	**0.0%**
Purchase of goods								
Six Month ended June 30, 2019	72,833	2,236	-	-	-	**75,069**	242,997	**30.9%**
Six Month ended June 30, 2018	77,658	4,529	-	-	-	**82,187**	243,184	**33.8%**
Purchases of services, leases and rentals								
Six Month ended June 30, 2019	239	1	-	33	166	**439**	86,374	**0.5%**
Six Month ended June 30, 2018	35	2	40	31	163	**271**	86,872	**0.3%**
Finance costs								
Six Month ended June 30, 2019	1,032	-	-	-	-	**1,032**	5,412	**19.1%**
Six Month ended June 30, 2018	620	-	-	-	-	**620**	3,115	**19.9%**
Impact of transactions on statement of financial position								
Trade receivables								
As of June 30, 2019	-	-	30	8	-	**38**	117,822	**0.0%**
As of December 31, 2018	-	-	14	14	-	**28**	120,832	**0.0%**
Other non-current assets								
As of June 30, 2019	-	-	-	77	-	**77**	17,138	**0.4%**
As of December 31, 2018	-	-	-	77	-	**77**	6,574	**1.2%**
Other current assets								
As of June 30, 2019	-	2	-	3	-	**5**	18,966	**0.0%**
As of December 31, 2018	-	2	-	-	-	**2**	15,572	**0.0%**
Non-current borrowings								
As of June 30, 2019	-	-	491	-	-	**491**	215,036	**0.2%**
As of December 31, 2018	-	-	-	-	-	**-**	175,300	**0.0%**
Current borrowings								
As of June 30, 2019	-	-	57	-	-	**57**	128,251	**0.0%**
As of December 31, 2018	-	-	-	-	-	**-**	96,637	**0.0%**
Trade payables								
As of June 30, 2019	38,739	800	-	-	-	**39,539**	149,536	**26.4%**
As of December 31, 2018	42,708	1,969	-	1	-	**44,678**	144,292	**31.0%**

The following table shows certain other information, resulting from transactions with Entities under Common Control, as at June 30, 2019 and December 31, 2018.

(in thousands of Euro)	Cofiroasters SA	Total Entities under Common Control	Total	Percentage of total
Commitments				
As of June 30, 2019	138,293	**138,293**	226,372	**61.1%**
As of December 31, 2018	89,397	**89,397**	190,992	**46.8%**

Cofiroasters S.A. and other green coffee companies

(a) Purchase of green coffee from Cofiroasters S.A.

Cofiroasters S.A. purchases green coffee from producers and sells it to both to Group entities and to other customers (mainly through purchase and sale on the New York and London coffee commodity markets) and organizes the transport of green coffee from production locations to destination ports or directly to roasting plants.

Group purchases of green coffee from Cofiroasters S.A. are based on individual orders placed by individual Group entities as required by the "*European contract for Coffee*" as adopted by the *European Coffee Federation*.

Group purchases of green coffee from Cofiroasters account for raw material costs included in "Purchases of Raw, ancillary, and consumable materials and goods" totalling Euro 72,833 thousand for the six months ended June 30, 2019 (Euro 77,658 thousand for the six months ended June 30, 2018). Payables to Cofiroasters SA included among Trade payables amounted to Euro 38,739 thousand at June 30, 2019 (Euro 42,708 thousand at December 31, 2018).

(b) Commitments to purchase green coffee from Cofiroasters S.A.

In order to mitigate risks relating to the price of green coffee, Group entities make forward purchases of green coffee thereby fixing the price of future purchases. Commitments to purchase green coffee from Cofiroasters S.A. not reflected in the financial statements as at June 30, 2019 totalled Euro 138,293 thousand (Euro 89,397 thousand as at December 31, 2018).

JV and Associates

In the six months ended June 30, 2019, through its subsidiary Massimo Zanetti Beverage USA Inc., the Group performed the following related party transactions with the associate Club Coffee:

- Re-invoicing of services for USD 133 thousand (Euro 115 thousand);
- purchases classified under the item "Raw, ancillary, and consumable materials" for an amount of USD 687 thousand (Euro 608 thousand);

Key Management

Key Management include members of the Company's Board of Directors who also carry out executive roles within other Group entities.

Key Management compensation amounted to Euro 2,712 thousand and Euro 4,001 thousand for the six months ended June 30, 2019 and 2018, respectively.

29. Subsequent Events

There were no further significant events after the end of the half year.

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)	June 30, 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	50,000	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%
Boncafe Maldives	Male	December 31	MVR	5,850	100%	n.a.

(*) Consolidated with equity method

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

	Six months ended June 30,			
(in thousands of Euro)	**2019**	***of which related parties***	**2018**	***of which related parties***
Revenue	439,450	148	434,411	240
Other income	2,720	127	3,297	-
Purchase of goods	(242,997)	(75,685)	(243,184)	(82,745)
Purchases of services, leases and rentals	(86,374)	(1,974)	(86,872)	(1,063)
Personnel costs	(74,896)	(2,712)	(70,951)	(4,001)
Other operating costs	(2,919)		(2,932)	
Amortization, depreciation and impairment	(23,296)		(19,697)	
Operating profit	**11,688**		**14,072**	
Finance income	373	11	162	6
Finance costs	(5,412)	(1,032)	(3,115)	(620)
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 year	**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 Statement of Financial Position pursuant to Consob Resolution no. 15519 dated July 27, 2006

	As of June 30,		As of December 31,	
(in thousands of Euro)	**2019**	*of which related parties*	**2018**	*of which related parties*
Intangible assets	204,987		182,799	
Property, plant and equipment	256,512		215,127	
Investment properties	4,996		4,771	
Investments in joint venture	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	537	6,574	437
Total non-current assets	**518,376**		**440,826**	
Inventories	148,325		131,649	
Trade receivables	117,822	136	120,832	105
Income tax assets	3,851		3,271	
Current contract assets	4,095		3,759	
Other current assets	18,966	105	15,572	88
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	
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	491	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	57	96,637	
Trade payables	149,536	39,575	144,292	44,822
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 Statement of Cash Flows pursuant to Consob Resolution no. 15519 dated 27 July 2006

	Six months ended June 30,			
(in thousands of Euro)	**2019**	***of which related parties***	**2018**	***of which related parties***
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	1,021	2,953	614
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	(31)	1,482	132
Increase/(Decrease) in trade payables	4,831	(5,316)	6,835	6,813
Changes in other assets/liabilities	(1,730)	(117)	(1,388)	(412)
Payments of employee benefits	(394)		(416)	
Interest paid	(3,491)	(1,032)	(2,898)	(620)
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)	(27)	-	
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**	

Certification of the Consolidated Condensed Interim Financial Statements pursuant to Article 81-ter of Consob Regulation No. 11971 of May 14, 1999, as amended

1. We, the undersigned, Massimo Zanetti, in his capacity as Chairman and Chief Executive Officer, and Leonardo Rossi, in his capacity as Manager in Charge of the Financial Reports of Massimo Zanetti Beverage Group S.p.A., hereby declare, pursuant to the provisions of Article 154-bis, paragraphs 3 and 4, of Italian Legislative Decree No. 58 of 24 February 1998,:

   • the adequacy in relation to the company features and
   • the effective application

   of the administrative and accounting procedures for preparing the consolidated condensed interim financial statements, for the semester ended June 30, 2019.

2. The assessment of the adequacy of the administrative and accounting procedures used in preparing the consolidated condensed interim financial statements, for the semester ended June 30, 2019 was based on a process defined by Massimo Zanetti Beverage Group S.p.A. in accordance with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission, an internationally-accepted reference framework.

3. The undersigned further declare that:

   3.1 the consolidated condensed interim financial statements:

   a) have been prepared in accordance with applicable International Financial Reporting Standards, as endorsed by the European Union through Regulation (EC) No. 1606/2002 of European Parliament and Council on 19 July 2002;

   b) reflect the accounting books and records; and

   c) provide a true and fair view of the assets, liabilities, profit or loss and financial position of the issuer and the companies included in the consolidation area.

   3.2 the interim Report on Operations includes a reliable analysis of the significant events that occurred during the first six months of the financial year and the impact of such events on the Company's consolidated condensed interim financial statements, along with a description of the main risks and uncertainties to which the Group is exposed. Furthermore, the interim Report on Operations contains a reliable analysis of significant related party transactions.

Villorba (TV), 7th August 2019

Massimo Zanetti
Chairman and Chief Executive Officer

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

Review Report on Consolidated Condensed Interim Financial Statements as at June 30, 2019

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REVIEW REPORT ON CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

To the shareholders of
Massimo Zanetti Beverage Group SpA

Foreword

We have reviewed the accompanying consolidated condensed interim financial statements of Massimo Zanetti Beverage Group SpA and its subsidiaries (hereinafter also "MZB Group") as of 30 June 2019, comprising the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity, the cashflow statement and related notes. The directors of Massimo Zanetti Beverage Group SpA are responsible for the preparation of the consolidated condensed interim financial statements in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these consolidated condensed interim financial statements based on our review.

Scope of review

We conducted our work in accordance with the criteria for a review recommended by Consob in Resolution No. 10867 of 31 July 1997. A review of consolidated condensed interim financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than a full-scope audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the consolidated condensed interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated condensed interim financial statements of the MZB Group as of 30 June 2019 are not prepared, in all material respects, in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Treviso, 8 August 2019

PricewaterhouseCoopers SpA

Signed by

Filippo Zagagnin
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers

PricewaterhouseCoopers SpA

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