



# INTERIM FINANCIAL REPORT

AS OF SEPTEMBER 30, 2019



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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 nine months ended September 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, the relevant changes that occurred during the period, and the significant events that have occurred affecting the results of 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 product line, distribution channel and geographic area. The top management periodically reviews the results to make decisions, allocate resources and define the strategy of the Group based on a single vision of the business, which, therefore, is represented by a single operating segment.

## Results of operations

### Introduction

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

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

### Results of operations for the nine months ended September 30, 2019

The following table sets forth the reclassified consolidated income statement for the nine months ended September 30, 2019 and 2018.

<i>(in thousands of Euro)</i>	Nine months ended September 30,				Change	
	2019	(*)	2018	(*)	2019-2018	
Revenue	666,867	100.0%	654,048	100.0%	12,819	2.0%
Raw, ancillary, and consumable materials and goods	(366,878)	-55.0%	(368,246)	-56.3%	1,368	-0.4%
<b>Gross Profit<sup>(1)</sup></b>	<b>299,989</b>	<b>45.0%</b>	<b>285,802</b>	<b>43.7%</b>	<b>14,187</b>	<b>5.0%</b>
Purchases of services, leases and rentals	(129,945)	-19.5%	(128,839)	-19.7%	(1,106)	0.9%
Personnel costs	(112,200)	-16.8%	(105,098)	-16.1%	(7,102)	6.8%
Other operating costs, net <sup>(2)</sup>	(739)	-0.1%	641	0.1%	(1,380)	>-100%
Impairment <sup>(3)</sup>	(1,233)	-0.2%	(1,918)	-0.3%	685	-35.7%
<b>EBITDA<sup>(1)</sup></b>	<b>55,872</b>	<b>8.4%</b>	<b>50,588</b>	<b>7.7%</b>	<b>5,284</b>	<b>10.4%</b>
Non-recurring items	2,352	0.4%	-	0.0%	2,352	100.0%
<b>Adjusted EBITDA<sup>(1)</sup></b>	<b>58,224</b>	<b>8.7%</b>	<b>50,588</b>	<b>7.7%</b>	<b>7,636</b>	<b>15.1%</b>
Depreciation and amortization <sup>(4)</sup>	(34,020)	-5.1%	(26,912)	-4.1%	(7,108)	26.4%
<b>Operating profit</b>	<b>21,852</b>	<b>3.3%</b>	<b>23,676</b>	<b>3.6%</b>	<b>(1,824)</b>	<b>-7.7%</b>
Net finance costs <sup>(5)</sup>	(7,061)	-1.1%	(4,992)	-0.8%	(2,069)	41.4%
Share of losses of companies accounted for using the equity method	(986)	-0.1%	(827)	-0.1%	(159)	19.2%
<b>Profit before tax</b>	<b>13,805</b>	<b>2.1%</b>	<b>17,857</b>	<b>2.7%</b>	<b>(4,052)</b>	<b>-22.7%</b>
Income tax expense	(5,688)	-0.9%	(5,472)	-0.8%	(216)	3.9%
<b>Profit for the period</b>	<b>8,117</b>	<b>1.2%</b>	<b>12,385</b>	<b>1.9%</b>	<b>(4,268)</b>	<b>-34.5%</b>

(\*) Percentage of revenue

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

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

## Revenue

**Revenue** amounted to Euro 666,867 thousand for the nine months ended September 30, 2019 an increase of Euro 12,819 thousand (+2.0%) compared to the nine months ended September 30, 2018. This change is mainly due to the combined effect of:

- decrease in the sales prices of roasted coffee and other items (-1.3%);
- increase in the volumes of roasted coffee sold (+0.6%);
- impact of foreign currency exchange rate fluctuations (+2.7%).

On a comparable basis, the decrease in revenue amounted to Euro 5,064 thousand and is mainly due to the change in “Roasted coffee sales”, which amounted to Euro 11,345 thousand, with a decrease of 2.0%. This change is, in turn, due to the combined effect of:

- the decrease in the sales prices of roasted coffee due to the lower purchase price of green coffee, and the different mix in the sales channels in 2019 and 2018, which in turn led to a decrease in revenues of 2.6%.
- the 0.6% increase in the volumes of roasted coffee sold, compared to the first nine months of 2018. In particular, the volumes of roasted coffee sold amounted to 94.0 thousand tons and 93.4 thousand tons for the nine months ended September 30, 2019 and 2018, respectively. This increase referred mainly to the Northern Europe (+0.9 thousand tons) in the Mass Market channels and the areas Asia-Pacific and Cafés (+0.9 thousand tons) in the Private Label and Mass Market, Americas was substantially stable (+0.2 thousand tons) and Southern Europe showed a negative trend (-1.4 thousand tons) mainly in the Mass Market channel.

Revenue for the nine months ended September 30, 2019 included, for Euro 9,203 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 nine months ended September 30, 2019 and 2018, by sales channel.

<i>(in thousands of Euro)</i>	Nine months ended September 30,				Change	
	2019	(*)	2018	(*)	2019-2018	
Food Service	160,335	24.0%	154,851	23.7%	5,484	3.5%
Mass Market	236,849	35.5%	240,406	36.8%	(3,557)	-1.5%
Private Label	222,677	33.4%	215,513	33.0%	7,164	3.3%
other	47,006	7.1%	43,278	6.5%	3,728	8.6%
<b>Total</b>	<b>666,867</b>	<b>100.0%</b>	<b>654,048</b>	<b>100.0%</b>	<b>12,819</b>	<b>2.0%</b>

(\*) Percentage of revenue.

The following table provides a breakdown of revenue for the nine months ended September 30, 2019 and 2018, by geographical area.

<i>(in thousands of Euro)</i>	Nine months ended September 30,				Change	
	2019	(*)	2018	(*)	2019-2018	
Americas	292,119	43.8%	288,428	44.1%	3,691	1.3%
Northern Europe	134,749	20.2%	133,053	20.3%	1,696	1.3%
Southern Europe	168,470	25.3%	174,802	26.7%	(6,332)	-3.6%
Asia-Pacific and Cafés (**)	71,529	10.7%	57,765	8.8%	13,764	23.8%
<b>Total</b>	<b>666,867</b>	<b>100.0%</b>	<b>654,048</b>	<b>100.0%</b>	<b>12,819</b>	<b>2.0%</b>

(\*) Percentage of revenue.

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

## Gross profit

**Gross Profit** amounted to Euro 299,989 thousand for the nine months ended September 30, 2019 an increase of Euro 14,187 thousand (+5.0%) compared to the nine months ended September 30, 2018.

This is mainly due to:

- impact of foreign currency exchange rate fluctuations (+1.9%)
- increase of the Gross Profit of roasted coffee and other products (+3.1%)

On a comparable basis, the *Gross Profit* showed an increase of Euro 8.681 thousand (+3.1%), mainly driven by the performance of roasted coffee (+2.1%). The increase of Gross Profit is mainly due to *i)* the positive impact of the sales and purchases prices of roasted coffee and green coffee, besides the different mix in the channels in 2019 and 2018 (+1.5%), as well as *ii)* the increase of volume of roasted coffee (+0.6%).

Gross Profit for the nine months ended September 30, 2019 includes, for Euro 5,190 thousand, the impact deriving from the acquisition of “BAG”.

#### *EBITDA and Adjusted EBITDA*

The following table provides reconciliation between **EBITDA** and profit for the nine months ended September 30, 2019 and 2018.

<i>(in thousands of Euro)</i>	Nine months ended September 30,				Change	
	2019	(*)	2018	(*)	2019-2018	
Profit for the period	8,117	1.2%	12,385	1.9%	(4,268)	-34.5%
Income tax expense	5,688	0.9%	5,472	0.8%	216	3.9%
Finance costs	7,590	1.1%	5,222	0.8%	2,368	45.3%
Finance income	(529)	-0.1%	(230)	0.0%	(299)	>100%
Share of losses of companies accounted for using the equity method	986	0.1%	827	0.1%	159	19.2%
Depreciation and amortization <sup>(1)</sup>	34,020	5.0%	26,912	4.1%	7,108	26.4%
<b>EBITDA<sup>(2)</sup></b>	<b>55,872</b>	<b>8.4%</b>	<b>50,588</b>	<b>7.7%</b>	<b>5,284</b>	<b>10.4%</b>

(\*) 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 55,872 thousand for the nine months ended September 30, 2019 showed an increase of Euro 5,284 thousand (+10.4%) compared with the same period of 2018 (Euro 50,588 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 7,286 thousand with a reduction of cost for use of third-party for Euro 9,157 thousand and a reduction of revenue from rental activity for Euro 1,871 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 744 thousand;
- the increase in operating costs that, net of exchange rate fluctuations and IFRS 16 effects, amounted to Euro 11,428 thousand and was substantially attributable to the higher costs for personnel and service (impacted also from the acquisition of the Australian company for Euro 3,880 thousand), partially offset by lower devaluation.

The following table provides reconciliation between EBITDA and **Adjusted EBITDA** for the nine months ended September 30, 2019 and 2018.

<i>(in thousands of Euro)</i>	Nine months ended September 30,				Change	
	2019	(*)	2018	(*)	2019-2018	
EBITDA <sup>(1)</sup>	55,872	8.4%	50,588	7.7%	5,284	10.4%
Costs associated with reorganisation	2,352	0.4%	-	0.0%	2,352	100.0%
<b>Adjusted EBITDA<sup>(1)</sup></b>	<b>58,224</b>	<b>8.8%</b>	<b>50,588</b>	<b>7.7%</b>	<b>7,636</b>	<b>15.1%</b>

(\*) Percentage of ‘Revenue’.

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



During the first nine months of 2019 the Group incurred non-recurring costs of Euro 2,352 thousand, mainly related to reorganisational 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 21,852 thousand for the nine months ended September 30, 2019, showing a decrease of Euro 1,824 thousand (-7.7%) compared to the nine months ended September 30, 2018. In addition to what previously described for EBITDA, this 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 6,661 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 8,117 thousand for the nine months ended September 30, 2019, decreased of Euro 4,268 thousand (-34.5%) compared to the nine months ended September 30, 2018. In addition to what was previously described for the operating profit, this decrease is also due to the combined effect of:

- the increase in net finance costs for Euro 2,069 thousand, mainly due to: *i)* the net impact deriving from the first application of IFRS 16 for Euro 960 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 450 thousand; *iii)* increase on interests expenses for Euro 727 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 159 thousand;
- the increase in income taxes amounting to Euro 216 thousand.

## Reclassified statement of financial position

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

<i>(in thousands of Euro)</i>	<b>As at September 30 2019</b>	<b>As at December 31 2018</b>
<b>Investments:</b>		
Intangible assets	207,420	182,799
Property, plant and equipment and investment properties <sup>(1)</sup>	265,495	219,898
Investments in joint ventures and associates	11,372	10,404
Non-current trade receivables	2,509	2,542
Deferred tax assets and other non-current assets <sup>(2)</sup>	36,436	25,183
<b>Non-current assets (A)</b>	<b>523,232</b>	<b>440,826</b>
<b>Net working capital (B)<sup>(3)</sup></b>	<b>113,072</b>	<b>94,437</b>
Employee benefits	(9,655)	(8,822)
Other non-current provisions	(2,970)	(3,190)
Deferred tax liabilities and other non-current liabilities <sup>(4)</sup>	(32,245)	(29,885)
<b>Non-current liabilities (C)</b>	<b>(44,870)</b>	<b>(41,897)</b>
<b>Net invested capital (A+B+C)</b>	<b>591,434</b>	<b>493,366</b>
<b>Sources:</b>		
Equity	331,690	318,648
Net Debt	259,744	174,718
<b>Sources of financing</b>	<b>591,434</b>	<b>493,366</b>

*Reconciliation between the reclassified statement of financial position and the condensed consolidated statement of financial position*

- (1) The item includes property, plant and equipment and investment properties.
- (2) The item 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 as at September 30, 2019 and December 31, 2018.

<i>(in thousands of Euro)</i>	<b>As at September 30 2019</b>	<b>As at December 31 2018</b>
Inventories	156,869	131,649
Trade receivables	119,518	120,832
Income tax assets	4,370	3,271
Other current assets <sup>(1)</sup>	19,594	15,603
Trade payables	(150,168)	(144,292)
Income tax liabilities	(2,041)	(1,664)
Other current liabilities	(35,070)	(30,962)
<b>Net working capital<sup>(2)</sup></b>	<b>113,072</b>	<b>94,437</b>

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

## Reclassified cash flow statement

The following table shows the reclassified cash flow statement for the nine months ended September 30, 2019 and 2018.

<i>(in thousands of Euro)</i>	Nine months ended September 30,	
	2019	2018
EBITDA Adjusted (1)	58,224	50,588
Non-recurring Items	(2,830)	(3,001)
Changes in Net Working Capital	(18,226)	(21,485)
Net recurring investments (2)	(23,569)	(20,691)
Income tax paid	(6,456)	(6,315)
Other operating items (3)	1,815	2,300
<b>Free Cash Flow (1)</b>	<b>8,958</b>	<b>1,396</b>
Net non-recurring investments (4)	(22,460)	(1,200)
Investments in financial receivables (5)	1,875	(3,121)
Interest paid	(5,239)	(4,506)
Net cash generated from financing activities	29,240	(2,101)
Cash outflow from leasing accounted under IFRS 16	(7,713)	-
Dividends paid	(6,657)	(5,898)
Exchange gains/(losses) on cash and cash equivalents	1,750	708
<b>Net increase in cash and cash equivalents</b>	<b>(246)</b>	<b>(14,722)</b>
Cash and cash equivalents at the beginning of the period	93,491	89,594
<b>Cash and cash equivalents at the end of the period</b>	<b>93,245</b>	<b>74,872</b>

*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 Adjusted
- (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** positive for Euro 8,958 thousand for the nine months ended September 30, 2019, showed an increase of Euro 7,562 thousand compared to the nine months ended September 30, 2018. This is mainly due to the first application of IFRS 16 (positive for Euro 7,286 thousand) and changes in net working capital.

The following table shows the breakdown of changes in net working capital for the nine months ended September 30, 2019 and 2018.

<i>(in thousands of Euro)</i>	Nine months ended September 30,	
	2019	2018
Changes in inventories	(21,236)	(9,622)
Changes in trade receivables	2,000	(2,824)
Changes in trade payables	3,017	(5,456)
Changes in other assets/liabilities	(1,582)	(3,092)
Payments of employee benefits	(425)	(491)
<b>Changes in net working capital</b>	<b>(18,226)</b>	<b>(21,485)</b>

**Changes in Net Working Capital**, with a negative balance of Euro 18,226 thousand for the nine months ended September 30, 2019 show a decrease of Euro 3,259 thousand compared to the nine months ended September 30, 2018.

This decrease is mainly due to the following items:

- the “changes in inventories” with a negative amount of Euro 21,236 thousand, reflecting the increase in the quantities of finished product and green coffee in stock connected to the expected sales of the coming months;
- the “changes in trade receivables”, with a positive amount of Euro 2,000 thousand;
- the “changes in trade payables”, with a positive amount of Euro 3,017 thousand.

**Net recurring investments** amounted to Euro 23,569 thousand for the nine months ended September 30, 2019, with an increase of Euro 2,878 thousand compared to the same period of 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 22,460 thousand and Euro 1.200 thousand for the nine months ended September 30, 2019 and 2018, respectively.

In the first nine 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 as well as the acquisition of Bon Beverages Maldives private limited, a local Maldivian distributor, for Euro 204 thousand. Refers to paragraph “Capital expenditure” for more details.

Moreover, the Group has made payments for Euro 1,500 thousand and Euro 1,200 thousand, respectively on first nine months ended September 30, 2019 and 2018 in favour of the company Virtus Pallacanestro Bologna S.S.D. a r.l. based in Bologna.

**Financing activities** generated cash amounting to Euro 29,240 thousand in the nine months ended September 30, 2019 compared to cash generated amounting to Euro 2,101 thousand in the nine months ended September 30, 2018. The cash generated in the nine months ended September 30, 2019 was mainly due to the combined effect of:

- cash collected through new issues of long-term loans amounting to Euro 27,687 thousand, net of the repayment of the instalments due;
- the increase in short-term loans of Euro 1,553 thousand.

**Net cash outflow from leasing accounted under IFRS 16** equal to Euro 7,713 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 Debt of the Group at September 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:

<i>(in thousands of Euro)</i>		As of September, 30	As of December, 31
		2019	2018
A	Cash and cash equivalents	(1,065)	(964)
B	Cash at bank	(92,180)	(92,527)
C	Securities held for trading	-	-
<b>D</b>	<b>Liquidity (A+B+C)</b>	<b>(93,245)</b>	<b>(93,491)</b>
<b>E</b>	<b>Current financial receivables</b>	<b>(5,660)</b>	<b>(3,728)</b>
F	Current loans	54,359	49,651
G	Current portion of non-current loans	64,963	45,243
H	Other current financial payables	15,478	1,743
<b>I</b>	<b>Current debt (F+G+H)</b>	<b>134,800</b>	<b>96,637</b>
<b>J</b>	<b>Net current debt (I+E+D)</b>	<b>35,895</b>	<b>(582)</b>
K	Non-current medium/long-term loans	180,777	172,796
L	Issued bonds	-	-
M	Other non-current financial payables	43,072	2,504
<b>N</b>	<b>Non-current debt (K+L+M)</b>	<b>223,849</b>	<b>175,300</b>
<b>O</b>	<b>Net debt (J+N)</b>	<b>259,744</b>	<b>174,718</b>

**Net Debt** amounted to Euro 259,774 thousand at September 30, 2019, an increase of Euro 85,026 thousand 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 50,066 thousand as well as current lease receivable for Euro 2,016 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 8,958 thousand in the nine months ended September 30, 2019;
- dividends paid amounting to Euro 6,657 thousand;
- interest paid of Euro 5,239 thousand for the nine months ended September 30, 2019;
- net non-recurring investments of Euro 22,460 thousand in the nine months ended September 30, 2019 and the discounted value of potential earn-out deriving from the Australian acquisition (Euro 5,988 thousand);
- the Euro/USD foreign currency exchange rate impact and other non-cash items.

## Capital expenditure

The following table sets forth capital expenditure in associates, business combinations, property, plant and equipment and intangible assets for the nine months ended September 30, 2019 and 2018:

<i>(in thousands of Euro)</i>	Nine months ended September 30			
	2019		2018	
	Capital expenditure	Cash-out	Capital expenditure	Cash-out
Business combinations, including those under common control	27,381	20,960	-	-
Investments in associates	1,500	1,500	1,200	1,200
Intangible assets	3,994	3,994	1,262	1,262
Property, plant and equipment	20,199	20,199	20,206	20,206
<b>Total</b>	<b>53,074</b>	<b>46,653</b>	<b>22,668</b>	<b>22,668</b>

### *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.

On February 11, 2019 Massimo Zanetti Beverage Iberia has finalized the acquisition of the Portuguese companies Cafés Nandi SA. and Multicafês 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 for an amount of Euro 204 thousand net cash.

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

### *Investments in associates*

In the nine months ended September 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 nine months ended September 30, 2018, it was equal to Euro 1,200 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 nine months ended September 30, 2019 mainly relates to bar equipment and asset under construction, amounting to Euro 12,865 thousand and to Euro 3,832 respectively.

Capital expenditure in property, plant and equipment for the nine months ended September 30, 2018 mainly relates to bar equipment and industrial equipment, amounting to Euro 11,548 thousand and Euro 3,150 thousand, respectively.

### *Intangible assets*

Capital expenditure in intangible assets for the nine months ended September 30, 2019 and 2018 are equal to Euro 3,994 thousand and Euro 1,262 thousand respectively.

The capital expenditure in intangible asset of the period refers mainly for Euro 2.676 thousand to the increase of asset under construction related principally to the implementation of the Group ERP. Moreover, during the first nine 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 nine months ended September 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 Multicafês 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.
- Within the scope of the ordinary fund-raising activities, the Group entered into a medium-to-long term loan agreement with UBI Banca in September 2019 for an overall amount of Euro 20,000 thousand reaching maturity in 2023.

### **Subsequent events**

During October the Brazilian subsidiaries Segafredo Zanetti (Brasil) Com. Distr. de Cafè S.A. has acquired the company Cafè Pacaembu Ltda, based in San Paolo and operating in the production and marketing of roasted coffee.

### **Business outlook**

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

- a slight increase in revenues
- EBITDA *adjusted* increase of approximately +1%
- 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 is used as a primary indicator of profitability, since as it allows analysis of the profit margin of the Group, eliminating the effects of volatility due to non-recurring items or items unrelated to ordinary operations.

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

- Gross Profit is defined by the Group as the difference between revenue and 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, contract assets and other current assets (excluding financial assets), net of trade payables, income tax liabilities, 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**

With respect to the information provided in the notes to the consolidated condensed interim financial statements as at and for the nine months ended September 30, 2019 and the consolidated financial statements for the year ended December 31, 2018, it should be noted that no related-party transactions with unusual characteristics or of significant amount were carried out in the third quarter of 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](http://www.mzb-group.com).



**CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS AS AT AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019**

***Consolidated Condensed Interim Income Statement***

<i>(in thousands of Euro)</i>	Note	Nine months ended September 30,	
		2019	2018
Revenue	12	666,867	654,048
Other income		3,864	5,055
Raw, ancillary, and consumable materials and goods		(366,878)	(368,246)
Purchases of services, leases and rentals		(129,945)	(128,839)
Personnel costs		(112,200)	(105,098)
Other operating costs		(4,603)	(4,414)
Amortization, depreciation and impairment	13	(35,253)	(28,830)
<b>Operating profit</b>		<b>21,852</b>	<b>23,676</b>
Finance income		529	230
Finance costs		(7,590)	(5,222)
Share of losses of companies accounted for using the equity method		(986)	(827)
<b>Profit before tax</b>		<b>13,805</b>	<b>17,857</b>
Income tax expense		(5,688)	(5,472)
<b>Profit for the period</b>		<b>8,117</b>	<b>12,385</b>
<i>Profit attributable to:</i>			
<i>Non-controlling interests</i>		127	66
<i>Owners of the parent</i>		7,990	12,319
<b>Basic/diluted earnings per share (in Euro)</b>	14	<b>0.23</b>	<b>0.36</b>

***Consolidated Condensed Interim Statement of Comprehensive Income***

<i>(in thousands of Euro)</i>	Nine months ended September 30,	
	2019	2018
<b>Profit for the period</b>	<b>8,117</b>	<b>12,385</b>
Gains/(Losses) from cash flow hedges	(11)	1,856
Currency translation differences	11,777	4,073
<b>Items that may be subsequently reclassified to profit or loss</b>	<b>11,766</b>	<b>5,929</b>
Remeasurements of employee benefit obligations	(184)	108
<b>Items that will not be reclassified to profit or loss</b>	<b>(184)</b>	<b>108</b>
<b>Total comprehensive (loss)/income for the period</b>	<b>19,699</b>	<b>18,422</b>
Comprehensive income attributable to non-controlling interests	138	38
<b>Comprehensive (loss)/income attributable to owners of the parent</b>	<b>19,561</b>	<b>18,384</b>

***Consolidated Condensed Interim Statement of Financial Position***

<i>(in thousands of Euro)</i>	Note	As of September, 30	As of December 31
		2019	2018
Intangible assets		207,420	182,799
Property, plant and equipment		260,530	215,127
Investment properties		4,965	4,771
Investments in joint ventures and associates		11,372	10,404
Non-current trade receivables		2,509	2,542
Deferred tax assets		13,824	11,828
Non-current contract assets		6,709	6,781
Other non-current assets		15,903	6,574
<b>Total non-current assets</b>		<b>523,232</b>	<b>440,826</b>
Inventories		156,869	131,649
Trade receivables		119,518	120,832
Income tax assets		4,370	3,271
Current contract assets		4,057	3,759
Other current assets		21,197	15,572
Cash and cash equivalents		93,245	93,491
<b>Total current assets</b>		<b>399,256</b>	<b>368,574</b>
<b>Total assets</b>		<b>922,488</b>	<b>809,400</b>
Share capital		34,300	34,300
Other reserves		111,540	99,396
Retained earnings		183,969	183,069
<b>Total equity attributable to owners of the Parent</b>		<b>329,809</b>	<b>316,765</b>
Non-controlling interests		1,881	1,883
<b>Total equity</b>		<b>331,690</b>	<b>318,648</b>
Non-current borrowings	10	223,849	175,300
Employee benefits		9,655	8,822
Other non-current provisions	11	2,970	3,190
Deferred tax liabilities		28,404	26,863
Non-current contract liabilities		464	483
Other non-current liabilities		3,377	2,539
<b>Total non-current liabilities</b>		<b>268,719</b>	<b>217,197</b>
Current borrowings	10	134,800	96,637
Trade payables		150,168	144,292
Income tax liabilities		2,041	1,664
Current contract liabilities		1,666	946
Other current liabilities		33,404	30,016
<b>Total current liabilities</b>		<b>322,079</b>	<b>273,555</b>
<b>Total liabilities</b>		<b>590,798</b>	<b>490,752</b>
<b>Total equity and liabilities</b>		<b>922,488</b>	<b>809,400</b>

**Consolidated Condensed Interim Statement of Cash Flows**

	Note	Nine months ended September 30,	
		2019	2018
<i>(in thousands of Euro)</i>			
<b>Profit before tax</b>		<b>13,805</b>	<b>17,857</b>
<b>Adjustments for:</b>			
Amortization, depreciation and impairment	13	35,253	28,830
Provisions for employee benefits and other charges		469	567
Finance costs		7,061	4,992
Other non-monetary items		621	642
<b>Net cash generated from operating activities before changes in net working capital</b>		<b>57,209</b>	<b>52,888</b>
Decrease/(Increase) in inventories		(21,236)	(9,622)
Decrease/(Increase) in trade receivables		2,000	(2,824)
Increase/(Decrease) in trade payables		3,017	(5,456)
Changes in other assets/liabilities		(1,582)	(6,093)
Payments of employee benefits		(425)	(491)
Interest paid		(5,239)	(4,506)
Income tax paid		(6,456)	(6,315)
<b>Net cash generated from / (used in) operating activities</b>		<b>27,288</b>	<b>17,581</b>
Acquisition of subsidiary, net of cash acquired	8	(20,960)	-
Purchase of property, plant and equipment		(20,199)	(20,206)
Purchase of intangible assets		(3,994)	(1,262)
Proceeds from sale of property, plant and equipment		608	752
Proceeds from sale of intangible assets		16	25
Investments in joint ventures and associates		(1,500)	(1,200)
Changes in financial receivables		1,774	(3,215)
Interest received		101	94
<b>Net cash used in investing activities</b>		<b>(44,154)</b>	<b>(25,012)</b>
Proceeds from long-term borrowings	10	61,232	15,360
Repayment of long-term borrowings	10	(33,545)	(19,651)
Increase / (decrease) in short-term borrowings		1,553	2,190
Repayment of lease liabilities	7	(7,713)	-
Dividends paid		(6,657)	(5,898)
<b>Net cash generated from / (used in) financing activities</b>		<b>14,870</b>	<b>(7,999)</b>
Exchange gains/(losses) on cash and cash equivalents		1,750	708
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>(246)</b>	<b>(14,722)</b>
Cash and cash equivalents at the beginning of the period		93,491	89,594
<b>Cash and cash equivalents at the end of the period</b>		<b>93,245</b>	<b>74,872</b>

## Consolidated Condensed Interim Statement of Changes in Equity

<i>(in thousands of Euro)</i>	Share capital	Other reserves	Retained earnings	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total
<b>As of December 31, 2017</b>	<b>34,300</b>	<b>98,162</b>	<b>166,443</b>	<b>298,905</b>	<b>1,977</b>	<b>300,882</b>
Effect of the first application of IFRS 9	-	-	(2,953)	(2,953)	(17)	(2,970)
<b>As of January 01, 2018</b>	<b>34,300</b>	<b>98,162</b>	<b>163,490</b>	<b>295,952</b>	<b>1,960</b>	<b>297,912</b>
Profit for the period	-	-	12,319	12,319	66	12,385
Remeasurements of employee benefit obligations	-	-	117	117	(9)	108
Gain from cash flow hedges	-	1,856	-	1,856	-	1,856
Currency translation differences	-	4,092	-	4,092	(19)	4,073
<b>Total income for the period</b>	<b>-</b>	<b>5,948</b>	<b>12,436</b>	<b>18,384</b>	<b>38</b>	<b>18,422</b>
<i>Transaction with shareholders</i>						
Dividends paid	-	(5,831)	-	(5,831)	(168)	(5,999)
Reclassifications	-	336	(336)	-	-	-
<b>As of September 30, 2018</b>	<b>34,300</b>	<b>98,615</b>	<b>175,590</b>	<b>308,505</b>	<b>1,830</b>	<b>310,335</b>

<i>(in thousands of Euro)</i>	Share capital	Other reserves	Retained earnings	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total
<b>As of December 31, 2018</b>	<b>34,300</b>	<b>99,396</b>	<b>183,069</b>	<b>316,765</b>	<b>1,883</b>	<b>318,648</b>
Profit for the period	-	-	7,990	7,990	127	8,117
Remeasurements of employee benefit obligations	-	-	(184)	(184)	-	(184)
Loss from cash flow hedges	-	(11)	-	(11)	-	(11)
Currency translation differences	-	11,766	-	11,766	11	11,777
<b>Total income for the period</b>	<b>-</b>	<b>11,755</b>	<b>7,806</b>	<b>19,561</b>	<b>138</b>	<b>19,699</b>
<i>Transaction with Shareholders</i>						
Dividends paid	-	-	(6,517)	(6,517)	(140)	(6,657)
Reclassifications	-	389	(389)	-	-	-
<b>As of September 30, 2019</b>	<b>34,300</b>	<b>111,540</b>	<b>183,969</b>	<b>329,809</b>	<b>1,881</b>	<b>331,690</b>

## *Notes*

### **1. General information**

Massimo Zanetti Beverage Group S.p.A. (hereinafter the “**Company**” or the “**Parent 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, 53 - 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 other products, including coffee, tea, cocoa and spices.

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

The Group’s interim report as at September 30, 2019 was prepared in accordance with article 154 ter, paragraph 5 of Legislative Decree no. 58/98 - TUF (Consolidated Law on Finance) as amended, and also article 2.2.3, paragraph 3 of the Regulation on Markets Organised and Managed by Borsa Italiana S.p.A., and taking account of Notice 7587 of April 21, 2016 of Borsa Italiana S.p.A.

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

This interim report as of September 30, 2019 was prepared in accordance with the same accounting standards and basis of preparation as those used for the consolidated financial statements as at December 31, 2018, with exception of those expressly applicable to interim reports.

The interim report as of September 30, 2019 has been prepared and presented in Euro, which is the currency used in the countries where the Company mainly operates. Unless otherwise indicated, all the amounts included in this document are stated in thousands of Euro.

The interim report was approved by the Board of Directors on November 7, 2019 and is unaudited.

### **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 31 December 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 been 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 equity at a rate other than the rate applicable at the reporting date.

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

Currency	Average exchange rate		Exchange rate as of September 30,			Exchange rate as of December 31,		
	2019	2018	2019	2018	2017	2018	2017	
US Dollar	USD	1.12	1.19	1.09	1.16	1.18	1.15	1.20
United Arab Emirates Dinar	AED	4.13	4.39	4.00	4.25	4.34	4.21	4.40
Argentine Peso	ARS	49.85	29.74	62.40	46.05	20.66	43.16	22.93
Australian Dollar	AUD	1.61	1.58	1.61	1.60	1.51	1.62	1.53
Brazilian Real	BRL	4.36	4.30	4.53	4.65	3.76	4.44	3.97
Canadian Dollar	CAD	1.49	1.54	1.44	1.51	1.47	1.56	1.50
Swiss Franc	CHF	1.12	1.16	1.08	1.13	1.15	1.13	1.17
Chilean Peso	CLP	770.28	750.75	791.24	764.18	751.64	794.37	737.29
Costarican Colon	CRC	664.75	680.34	633.94	673.34	677.20	694.77	682.85
Czech Koruna	CZK	25.70	25.57	25.82	25.73	25.98	25.72	25.54
Danish Crown	DKK	7.46	7.45	7.47	7.46	7.44	7.47	7.44
Renminbi (Yuan)	CNY	7.71	n.a	7.78	n.a	n.a	7.88	n.a
British Pound	GBP	0.88	0.88	0.89	0.89	0.88	0.89	0.89
Hong Kong Dollar	HKD	8.81	9.37	8.54	9.06	9.22	8.97	9.37
Croatian Kuna	HRK	7.41	7.42	7.41	7.43	7.50	7.41	7.44
Hungarian Forint	HUF	323.00	317.44	334.83	324.37	310.67	320.98	310.33
Indonesian Rupiah	IDR	15,923.49	16,780.90	15,456.94	17,249.98	15,888.51	16,500.00	16,239.12
Japanese Yen	JPY	122.62	130.96	117.59	131.23	132.82	125.85	135.01
Mexican Peso	MXN	21.63	22.74	21.45	21.78	21.46	22.49	23.66
Malaysian Ringgit	MYR	4.65	4.77	4.56	4.79	4.98	4.73	4.85
Maldivian Rufiyaa	MVR	17.29	n.a	16.74	n.a	n.a	n.a	n.a
New Zealand Dollar	NZD	1.69	1.71	1.74	1.75	1.64	1.71	1.69
Polish Zloty	PLN	4.30	4.25	4.38	4.28	4.30	4.30	4.18
Romanian Leu	RON	4.74	4.65	4.75	4.66	4.60	4.66	4.66
Singapore Dollar	SGD	1.53	1.60	1.51	1.58	1.60	1.56	1.60
Thai Bhat	THB	35.18	38.40	33.32	37.45	39.34	37.05	39.12
Vietnamese Dong	VND	26,114.56	27,382.67	25,266.00	27,014.00	26,832.76	26,547.00	27,233.00

#### 4. Use of Estimates

The preparation of the Consolidated Condensed Interim Financial Statements as of September 30, 2019 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 as of September 30, 2019, 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.

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



## 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. The analysis of the financial and economic indicators and results for the period may therefore not be considered to be fully representative, and it would be incorrect to consider the indicators for the period as proportional to the year as a whole.

## 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:

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

<i>(in thousands of Euro)</i>	<u>As of December 31,</u> <b>2018</b>	<b>IFRS 16 effects</b>	<u>As of January 1,</u> <b>2019</b>
<i>Asset</i>			
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
<i>Liability</i>			
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 7,286 thousand, due to the reduction of use of third-party costs for Euro 9,157 thousand partially compensated by the decrease of revenue for renting activity of Euro 1,871 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 6,661 thousand as well as, the amount of finance income and expense for interests calculated on lease liabilities and lease receivables for Euro 960 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:

<i>(in thousands of Euro)</i>	<b>Book value</b>
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)
<b>Net asset acquired</b>	<b>1,616</b>
Consideration paid comprehensive of the earn-out	(20,585)
<b>Provisional goodwill</b>	<b>(18,969)</b>

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:

<i>(in thousands of Euro)</i>	<b>Book value</b>
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)
<b>Net asset acquired</b>	<b>4,499</b>
Consideration paid	(6,575)
<b>Provisional goodwill</b>	<b>(2,076)</b>

During April 2019 the Group has finalized also the acquisition of Bon Beverages Maldives private limited, a local distributor operating in Maldives which led to the booking of a provisional goodwill of Euro 159 thousand.

There were no investments in business combination in the first nine month 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 12 - Revenue.

## 10. Current and Non-current borrowings

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

<b>As of September 30, 2019</b> <i>(in thousands of Euro)</i>	<b>Less than 12 months</b>	<b>Between 1 and 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
Long-term borrowings	64,963	168,236	12,541	245,740
Short-term borrowings	47,825	-	-	47,825
Advances from factors and banks	6,534	-	-	6,534
Finance lease liabilities	13,544	27,561	11,582	52,687
Other financial liabilities	1,934	3,929	-	5,863
<b>Total</b>	<b>134,800</b>	<b>199,726</b>	<b>24,123</b>	<b>352,786</b>

<b>As of December 31, 2018</b> <i>(in thousands of Euro)</i>	<b>Less than 12 months</b>	<b>Between 1 and 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
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
<b>Total</b>	<b>96,637</b>	<b>171,049</b>	<b>4,251</b>	<b>271,937</b>

### *Long-term borrowings*

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

<b>Interest rate</b>	<b>Year</b>	<b>Initial principal amount</b> <i>(in thousands)</i>	<b>As of September 30</b>	<b>As of December 31</b>
			<b>2019</b> <i>(in thousands of Euro)</i>	<b>2018</b>
<b><i>denominated in Euro</i></b>				
Euribor 3M + 1.25%	2015	12,000	6,000	7,000
Euribor 6M + 1%	2016	5,000	-	1,124
Euribor 3M + 1.10%	2016	15,000	5,000	8,333
Euribor 6M + 1.35%	2016	50,000	45,000	50,000
Euribor 6M + 0.90%	2016	9,000	5,664	7,328
Euribor 6M + 1.05%	2016	50,000	34,889	44,861
Euribor 6M + 0.9%	2016	10,000	7,512	9,998
Euribor 3M + 0.75%	2016	10,000	5,645	7,514
Euribor 6M+1%	2016	10,000	6,246	7,489
0.80%	2017	10,000	9,988	9,988
Euribor 3M +0.85%	2017	15,000	12,853	14,988
Euribor 3M +1.05%	2017	10,000	5,565	7,055
Euribor 3M +0.75%	2018	15,000	14,376	14,987
Euribor 3M +0.95%	2019	15,000	14,966	-
Euribor 6M+1.25%	2019	20,000	19,944	-
Euribor 6M+1.125%	2019	6,000	6,000	-
Euribor 3M+1.55%	2019	20,000	19,980	-
Other loans	-	-	2,307	2,607
<b><i>subtotal</i></b>			<b>221,935</b>	<b>193,272</b>
<b><i>denominated in USD</i></b>				
6.5% /Libor 3M + 7.5%	2015	3,000	1,517	1,703
Libor 3M + 1.50%	2017	30,000	22,288	23,064
<b><i>subtotal</i></b>			<b>23,805</b>	<b>24,767</b>
<b>Total</b>			<b>245,740</b>	<b>218,039</b>
<i>of which non-current</i>			<i>180,777</i>	<i>172,796</i>
<i>of which current</i>			<i>64,963</i>	<i>45,243</i>

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 the group was in compliance with them as September 30, 2019 and December 31, 2018.

Within the scope of the ordinary fund-raising activities, 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.

On the September 2019 the Group entered into a medium-to-long term loan agreement with UBI Banca for an overall amount of Euro 20,000 thousand reaching maturity in 2023.

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

<i>(in thousands of Euro)</i>	As of September, 30	As of December, 31
	2019	2018
<i>Principal amount of long-term borrowings</i>		
- at variable rate	236,440	208,754
- at fixed rate	10,000	10,000
Notional value of derivatives on interest rates	106,293	96,290
Long-term borrowings converted at fixed rate	47%	49%
Remaining portion of long-term borrowings at variable rate	53%	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, Interest Rate Swap agreements were entered into existing loans. In particular during the first nine months of 2019 the company entered in an interest rate swat contract covering a notional amount of Euro 20,000 which comply with the requirements to for hedge accounting set forth by IFRS 9 "Financial instruments: recognition and valuation".

Beside this, there is another interest rate swap derivative for a notional amount of Euro 11,365 thousand as at September 30, 2019 (Euro 11,790 as at December 31, 2018) accounted for hedge accounting.

It should be noted that with the exception of what described above, 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 IAS 39 "Financial instruments: recognition and valuation". For further information please refer to Note 3 "Interest rate risk" in the financial statements as at 31 December 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 52,687 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 50,066 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 Debt

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

(in thousands of Euro)		As of September, 30	As of December, 31
		2019	2018
A	Cash and cash equivalents	(1,065)	(964)
B	Cash at bank	(92,180)	(92,527)
C	Securities held for trading	-	-
<b>D</b>	<b>Liquidity (A+B+C)</b>	<b>(93,245)</b>	<b>(93,491)</b>
<b>E</b>	<b>Current financial receivables</b>	<b>(5,660)</b>	<b>(3,728)</b>
F	Current loans	54,359	49,651
G	Current portion of non-current loans	64,963	45,243
H	Other current financial payables	15,478	1,743
<b>I</b>	<b>Current debt (F+G+H)</b>	<b>134,800</b>	<b>96,637</b>
<b>J</b>	<b>Net current debt (I+E+D)</b>	<b>35,895</b>	<b>(582)</b>
K	Non-current medium/long-term loans	180,777	172,796
L	Issued bonds	-	-
M	Other non-current financial payables	43,072	2,504
<b>N</b>	<b>Non-current debt (K+L+M)</b>	<b>223,849</b>	<b>175,300</b>
<b>O</b>	<b>Net debt (J+N)</b>	<b>259,744</b>	<b>174,718</b>

### 11. 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, *Council for Education and Research on Toxics (“CERT”) v. Brad Barry LLC, et al* in the State of California. The lawsuit has its basis on a Californian 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 (“OEHHHA”) 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. The new rule, exempting the green beans roasting or the coffee brewing process from the obligations of *Proposition 65* was put in place October 1, 2019. However, the CERT appealed against the authority of the state agency to propose and implement such a regulation. The Group, also taking into account these recent developments, has not made any provision.

## 12. Revenue

The following table sets forth a breakdown of revenue by channel, the trends of which are illustrated in the interim management report:

<i>(in thousands of Euro)</i>	Nine months ended September 30,	
	2019	2018
Food Service	160,335	154,851
Mass Market	236,849	240,406
Private Label	222,677	215,513
Other	47,006	43,278
<b>Total</b>	<b>666,867</b>	<b>654,048</b>

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

<i>(in thousands of Euro)</i>	Nine months ended September 30,	
	2019	2018
Americas	292,119	288,428
Northern Europe	134,749	133,052
Southern Europe	168,470	174,803
Asia-Pacific and Cafés (*)	71,529	57,765
<b>Total</b>	<b>666,867</b>	<b>654,048</b>

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

Please refer to paragraph n. 7 – “Impacts from new accounting standards” for further detail related IFRS 15 effect on September 30, 2019.

## 13. Amortization, Depreciation and Impairment

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

<i>(in thousands of Euro)</i>	Nine months ended September 30,	
	2019	2018
Depreciation of property, plant and equipment	30,051	23,013
Amortization of intangible assets	3,875	3,811
Depreciation of investment property	94	88
Allowances for doubtful accounts	1,233	1,918
<b>Total</b>	<b>35,253</b>	<b>28,830</b>

## 14. Earnings per share

The following table provides a breakdown of earnings per share:

<i>(in thousands of Euro, unless otherwise indicated)</i>	Nine months ended September 30,	
	2019	2018
Average number of ordinary shares	34,300,000	34,300,000
Profit attributable to owners of the Parent	7,990	12,319
<b>Basic and diluted earnings per share (in Euro)</b>	<b>0.23</b>	<b>0.36</b>

Basic earnings per share and diluted earnings per share were the same for the nine months ended September 30, 2019 and 2018, as there were no dilutive options or other potentially dilutive ordinary shares.



## List of companies included in the Consolidated Condensed Interim Financial Statements

Company	Registered office	Reporting date	Currency	Share capital Amount (000)	Percentage held as of	
					September 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 Café 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	CZK	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 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 kavov. 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 Café Montaña S.A.	San José	December 31	CRC	304,010	100%	100%
Massimo Zanetti Beverage USA Inc.	Wilmington	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	Wilmington	December 31	USD	-	100%	100%
Kauai Coffee Company LLC	Wilmington	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	Ho Chi Minh City	December 31	VND	12,268,000	100%	100%
Massimo Zanetti Beverage USA (Canada), Inc.	Wilmington	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.
Massimo Zanetti Beverage S.A.	Ginevra	December 31	CHF	192,900	100%	100%

(\*) Consolidated with equity method

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

<i>(in thousands of Euro)</i>	<b>Nine months ended September 30,</b>			
	<b>2019</b>	<i>of which related parties</i>	<b>2018</b>	<i>of which related parties</i>
Revenue	666,867	200	654,048	354
Other income	3,864	211	5,055	-
Raw, ancillary, and consumable materials and goods	(366,878)	(115,789)	(368,246)	(121,798)
Purchases of services, leases and rentals	(129,945)	(2,385)	(128,839)	(1,414)
Personnel costs	(112,200)	(4,297)	(105,098)	(5,084)
Other operating costs	(4,603)		(4,414)	
Amortization, depreciation and impairment	(35,253)		(28,830)	
<b>Operating profit</b>	<b>21,852</b>		<b>23,676</b>	
Finance income	529	16	230	10
Finance costs	(7,590)	(1,412)	(5,222)	(886)
Share of losses of companies accounted for using the equity method	(986)		(827)	
<b>Profit before tax</b>	<b>13,805</b>		<b>17,857</b>	
Income tax expense	(5,688)		(5,472)	
<b>Profit for the year</b>	<b>8,117</b>		<b>12,385</b>	
<i>Profit attributable to:</i>				
<i>Non-controlling interests</i>	<i>127</i>		<i>66</i>	
<i>Owners of the parent</i>	<i>7,990</i>		<i>12,319</i>	
	-		-	
<b>Basic and diluted earnings per share (in Euro)</b>	<b>0,23</b>		<b>0,36</b>	

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

<i>(in thousands of Euro)</i>	As at September 30		As at December 31	
	2019	<i>of which related parties</i>	2018	<i>of which related parties</i>
Intangible assets	207,420		182,799	
Property, plant and equipment	260,530		215,127	
Investment properties	4,965		4,771	
Investments in joint venture	11,372		10,404	
Non-current trade receivables	2,509		2,542	
Deferred tax assets	13,824		11,828	
Non-current contract assets	6,709		6,781	
Other non-current assets	15,903	537	6,574	437
<b>Total non-current assets</b>	<b>523,232</b>		<b>440,826</b>	
Inventories	156,869		131,649	
Trade receivables	119,518	136	120,832	105
Income tax assets	4,370		3,271	
Current contract assets	4,057		3,759	
Other current assets	21,197	105	15,572	88
Cash and cash equivalents	93,245		93,491	
<b>Total current assets</b>	<b>399,256</b>		<b>368,574</b>	
<b>Total assets</b>	<b>922,488</b>		<b>809,400</b>	
Share capital	34,300		34,300	
Other reserves	111,540		99,396	
Retained earnings	183,969		183,069	
<b>Equity attributable to owners of the Parent</b>	<b>329,809</b>		<b>316,765</b>	
Non-controlling interests	1,881		1,883	
<b>Total equity</b>	<b>331,690</b>		<b>318,648</b>	
Non-current borrowings	223,849	491	175,300	
Employee benefits	9,655		8,822	
Other non-current provisions	2,970		3,190	
Deferred tax liabilities	28,404		26,863	
Non-current contract liabilities	464		483	
Other non-current liabilities	3,377		2,539	
<b>Total non-current liabilities</b>	<b>268,719</b>		<b>217,197</b>	
Current borrowings	134,800	57	96,637	
Trade payables	150,168	39,575	144,292	44,822
Income tax liabilities	2,041		1,664	
Current contract liabilities	1,666		946	
Other current liabilities	33,404		30,016	
<b>Total current liabilities</b>	<b>322,079</b>		<b>273,555</b>	
<b>Total liabilities</b>	<b>590,798</b>		<b>490,752</b>	
<b>Total equity and liabilities</b>	<b>922,488</b>		<b>809,400</b>	

**Consolidated Condensed Statement of Cash Flows pursuant to Consob Resolution no. 15519 dated 27 July 2006**

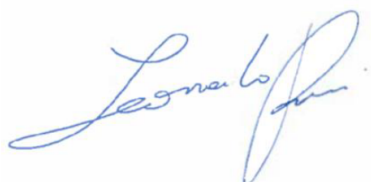
<i>(in thousands of Euro)</i>	<b>Nine months ended September 30,</b>			
	<b>2019</b>	<i>of which related parties</i>	<b>2018</b>	<i>of which related parties</i>
<b>Profit before tax</b>	<b>13,805</b>		<b>17,857</b>	
<b>Adjustments for:</b>				
Amortization, depreciation and impairment	35,253		28,830	
Provisions for employee benefits and other charges	469		567	
Finance costs	7,061	1,396	4,992	876
Other non-monetary items	621		642	
<b>Net cash generated from operating activities before changes in net working capital</b>	<b>57,209</b>		<b>52,888</b>	
Changes in inventories	(21,236)		(9,622)	
Changes in trade receivables	2,000	(31)	(2,824)	133
Changes in trade payables	3,017	(5,496)	(5,456)	6,166
Changes in other assets/liabilities	(1,582)	(117)	(6,093)	(389)
Payments of employee benefits	(425)		(491)	
Interest paid	(5,239)	(1,412)	(4,506)	(886)
Income tax paid	(6,456)		(6,315)	
<b>Net cash generated from operating activities</b>	<b>27,288</b>		<b>17,581</b>	
Acquisition of subsidiary, net of cash acquired	(20,960)		-	
Purchase of property, plant and equipment	(20,199)		(20,206)	
Purchase of intangible assets	(3,994)		(1,262)	
Proceeds from sale of property, plant and equipment	608		752	
Proceeds from sale of intangible assets	16		25	
Investments in joint ventures and associates	(1,500)		(1,200)	
Changes in financial receivables	1,774		(3,215)	
Interest received	101		94	
<b>Net cash used in investing activities</b>	<b>(44,154)</b>		<b>(25,012)</b>	
Proceeds from long-term borrowings	61,232		15,360	
Repayment of long-term borrowings	(33,545)		(19,651)	
Increase / (decrease) in short-term borrowings	1,553		2,190	
Dividends paid	(6,657)	(47)	(5,898)	-
<b>Net cash (used)/generated from financing activities</b>	<b>14,870</b>		<b>(7,999)</b>	
Exchange gains/(losses) on cash and cash equivalents	1,750		708	
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(246)</b>		<b>(14,722)</b>	
Cash and cash equivalents at the beginning of the period	93,491		89,594	
<b>Cash and cash equivalents at the end of the period</b>	<b>93,245</b>		<b>74,872</b>	

**Declaration of the Manager in charge of the preparation of the corporate accounting documents on the Interim Report as at 30 September 2016 pursuant to Article 154-bis, paragraph 2 of Legislative Decree no. 58/98 as amended and supplemented**

Pursuant to art. 154-bis, paragraph 2 of TUF, Leonardo Rossi, Manager in Charge of the Financial Reports, certifies that the accounting information contained in the present interim financial report at September 30, 2019 corresponds to the underlying documentary and accounting records.

Villorba (TV), November 7, 2019

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

A handwritten signature in blue ink, appearing to read 'Leonardo Rossi', is positioned below the typed name. The signature is fluid and cursive, with a large initial 'L' and a distinct 'R'.