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Testo del comunicato

Vedi allegato.

PRESS RELEASE

MASSIMO ZANETTI BEVERAGE GROUP SPA: THE BOARD OF DIRECTORS APPROVES 2019 RESULTS, PROPOSED DIVIDEND 0.19 EUROS PER SHARE, PAY OUT 42.6%

MASSIMO ZANETTI, THE GROUP'S CHAIRMAN AND CHIEF EXECUTIVE OFFICER, SAID: 'In 2019, the turnover rose by 2.6% at current forex, highlighting a progressively improving trend over the recent months. Specifically, the Food Service and Mass Market channels improved in all the main markets in the fourth quarter of the year.
Sustainable products performed particularly well, including the San Marco bio-compostable capsules, which were awarded product of the year 2019 in France, our Bean Ground and Drunk Australian coffee, the first certified organic coffee in Australia which was crowned Certified Organic Non-Alcoholic Beverage of the Year 2019, and the new Segafredo Premium D'Arome Bio blend, which brought the Group back to head the rankings of the products for the year 2020 in France.
These new products also play an important role in the portfolio of products launched in 2019: almost 40% is organic, Rainforest and Fairtrade certified as the coffee grown in our plantation in Kauai (Hawaii).
The increase in volumes in a highly competitive environment led the expansion of the gross margin, which partially offset the investments in marketing to develop new products and to strengthen the commercial structures in APAC and in Europe.
Based on the results obtained and the positive expectations for the current year, we propose that, at the next Shareholders' Meeting, the shareholders approve the distribution of a gross dividend of Euro 0.19 per share, with a payout of 42.6 % on the consolidated profit for the year.'

- REVENUES: EURO 914.5 MILLION COMPARED TO EURO 891.2 MILLION OF 2018; +2.6% AT CURRENT EXCHANGE RATES, +0.2% AT CONSTANT EXCHANGE RATES. VOLUMES: +2.8%
- GROSS PROFIT: EURO 407.7 MILLION, +4.9% COMPARED TO EURO 388.8 MILLION 2018 WITH THE MARGIN ON REVENUES OF 44.6% COMPARED TO 43.6% (+100 BASIS POINTS)
- EBITDA ADJUSTED EURO 84.0 MILLION, +13.9% COMPARED TO 2018; EXCLUDING IFRS 16 EFFECTS *: EURO 73.8 MILLION, STABLE COMPARED TO EURO 73.7 MILLION OF 2018
- EBITDA: EURO 80.5 MILLION, +13.0% COMPARED TO 2018

(*) before non-recurring items of Euro 3.5 million and excluding the effects of the adoption of IFRS 16 accounting standard. For additional information, please refer to the annex of this press release.

- NET PROFIT ADJUSTED AND EXCLUDING IFRS 16 EFFECTS *: EURO 18.2 MILLION, -8.6% COMPARED TO 2018
- NET DEBT EXCLUDING IFRS 16 EFFECTS: EURO 219.3 MILLION COMPARED TO EURO 174.7 MILLION AT DECEMBER 31, 2018 (EURO 194.0 MILLION AT DECEMBER 31, 2019 EXCLUDING IFRS 16 EFFECT AND THE ACQUISITION OF CAFÉ PACAEMBU)
- PROPOSED DIVIDEND 0.19 EUROS PER SHARE, PAY OUT 42.6%

Villorba, March 5, 2020. The Board of Directors of Massimo Zanetti Beverage Group S.p.A., one of the leading brands worldwide in the production, processing and marketing of roasted coffee, listed on the Milan Stock Exchange (MZB.MI), approved today the draft consolidated results for the financial year ended 31 December 2019..

VOLUMES

In 2019 the roasted coffee sales volumes of Massimo Zanetti Beverage Group were equal to 130.9 thousand tons, +2.8% compared with 2018.
This is a result of a positive performance of all channels in the fourth quarter and of the positive contribution of the acquisitions of the year. With respect to the geographical areas, the increase related to the Americas (2.3 thousand tons), specifically in the Private Label and the Mass Market channels, Northern Europe (1.2 thousand tons), mainly in the Mass Market channel, and the Asia-Pacific and Cafés area (1.3 thousand tons), which grew in the Private Label and Food Service channels. Southern Europe, which recorded a decrease by 1.2 thousand tons, has progressively improved over the last few months of the year in the Mass Market channel and showed positive results in the Food Service and Private Label channels.

CONSOLIDATED REVENUES

The Group's consolidated revenues amounted to Euro 914.5 million in 2019 showing an increase of Euro 23.3 million (+2.6%) compared to 2018. This increase is a result of:

- the foreign exchange rates (mainly Euro against the US dollars) had a positive impact of +2.4%
- the roasted coffee sales volumes, +2.5% compared with the same period last year
- the decrease of roasted coffee sales price (-2.3%) as a consequence of the decrease of the cost of raw material (green coffee).

REVENUES BY CHANNEL

The revenues from the Food Service channel were up 4.1% at current exchange rates, +3.9% at constant exchange rates, compared with 2018, thanks to the performance of the fourth quarter, up 5.7% at current forex compared with the same period last year.

Mass Market increased 0.7% at current forex (-1.1% at constant FX) compared with 2018. The channel showed a progressive improvement in all the geographical areas in the last quarter (+6.8% compared to the fourth quarter of 2018), after a first half negatively affected by the weakness of the Americas and the timing effect of the introduction of the renewed Segafredo product range in Italy.

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

					Change	
(in Thousand of Euro)	2019		2018		Current FX	Constant FX
Foodservice	217,323	23.8%	208,784	23.4%	4.1%	3.9%
Mass Market	329,744	36.1%	327,362	36.7%	0.7%	-1.1%
Private Label	303,040	33.1%	294,875	33.1%	2.8%	-1.6%
Other	64,358	7.0%	60,182	6.8%	6.9%	3.0%
Total	**914,465**	**100.0%**	**891,203**	**100.0%**	**2.6%**	**0.2%**

REVENUES BY REGION

Revenue in the Americas, at Euro 405,7 million in 2019 was down 2.2% at constant exchange rates compared with 2018, attributable to the Private Label channel, due to the slight decrease of roasted coffee sales price, a consequence of the decrease of the cost of raw material (green coffee). The Mass Market shows an improving trend in the fourth quarter while the food service channel is up double digit.

Revenue generated in Northern Europe, increased 1.4% at constant exchange rates compared to 2018, showing a solid performance in the Mass Market in the second part of the year.

Revenue in Southern Europe decreased by 3.0% compared with 2018, due to the sales prices adjustment in the Private Label and the timing of the introduction of new Segafredo products in the Italian Mass Market.

Asia-Pacific and Cafés, which also includes the revenue generated by the international network of cafés, posted revenue of Euro 98.1 million, with a growth of 19.0% at constant exchange rates compared with 2018, also reflecting the Australian acquisition.

(in Thousand of Euro)	2019		2018		Change Current FX	Change Constant FX
Americas	405,700	44.4%	396,794	44.5%	2.2%	-2.2%
Northern Europe	182,876	20.0%	180,564	20.3%	1.3%	1.4%
Southern Europe	227,822	24.9%	234,950	26.4%	-3.0%	-3.0%
Asia-Pacific and Cafés	98,067	10.7%	78,895	8.9%	24.3%	19.0%
Total	**914,465**	**100.0%**	**891,203**	**100.0%**	**2.6%**	**0.2%**

GROSS PROFIT

Gross Profit at Euro 407.7 million shows an increase of Euro 18.9 million compared with 2018 (+4.9%). This increase is explained by the favourable impact of exchange rates (Euro 6.7 million compared with 2018) and by the increase in Gross Profit resulting from the sales of roasted coffee and other products.

The increase in Gross Profit from the sale of roasted coffee (+2.3%) is mainly due to the positive impact of the increase of volumes (+2.8%) partially compensated by the trends in sales and purchase prices respectively of roasted and green coffee and the different mix in the sales channels. In percent of revenues the Gross Profit increased 100 basis points (from 43.6% of revenues to 44.6%).

EBITDA ADJUSTED

EBITDA adjusted amounts to Euro 84.0 million compared to Euro 73.7 million of 2018.

This result was attributable to:

- the increase in Gross Profit, as mentioned above
- and the positive impact of the adoption of the new accounting standard IFRS 16, applicable since January 1st, 2019 (amounting to Euro 10.3 million) mainly as a result of lower costs for leased assets.
- the positive impact of exchange rate fluctuations (Euro 1.1 million)
- the increase in operating costs (of Euro 13.2 million) mainly driven by the personnel costs and costs for services, also impacted from the acquisitions, partly offset by lower depreciations.

EBITDA adjusted of 2019 excludes non-recurring costs of Euro 3.5 million, 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.

OPERATING INCOME (EBIT)

Operating income (EBIT) is equal to Euro 34.0 million, a decrease of 2.4 million compared to 2018. In addition to that disclosed about EBITDA, the decrease is mainly attributable to the increase in amortization and depreciation, equal to Euro 11.6 million. This is mainly a result of the first application of IFRS 16, from January 1, 2019, that raised amortization and depreciation by Euro 9.3 million and by the foreign rates fluctuations impact for Euro 0.6 million.

NET PROFIT

The net profit is equal to Euro 15.3 million, a decrease of Euro 4.6 million compared to 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 1.5 million, mainly due to: *i)* the impact deriving from the first application of IFRS 16 for Euro 1.3 million; *ii)* decrease of exchange losses for Euro 0.6 million; *iii)* higher interest charges for Euro 0.9 million.
- the increase in income taxes amounting to Euro 0.7 million.

NET DEBT

Net debt, excluding the effect of the IFRS 16 adoption, is equal to Euro 219.3 million compared to 174.7 million at December 31, 2018. This increase is mainly due to the following:

- Free Cash Flow with a positive impact of Euro 32.7 million in 2019;
- dividends paid amounting to Euro 6.7 million;
- interest paid of Euro 6.3 million;
- non-recurring investments equal to Euro 53.5 million includes the discounted value of potential earn-out and deferred payment deriving from acquisitions.

Excluding IFRS 16 effect and the acquisition of Café Pacaembu net debt would have amounted to Euro 194.0 million at December 31, 2019.

Lastly, the adoption of the new accounting standard IFRS 16 increased the Net Debt by Euro 47.2 million. As a result, the Net Debt as of December 31, 2019, after the adoption of IFRS 16, amounted to Euro 266.5 million.

FORECAST FOR OPERATIONS AND SIGNIFICANT SUBSEQUENT EVENTS

In view of the results achieved in 2019 and considering current trends, the expectations relating to the performance of the Group for 2020, assuming the absence of extraordinary transactions, are as follows:

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

- EBITDA adjusted in line with 2020

- Net debt is expected to be around Euro 250 million, assuming investments of Euro 50 million.

FINANCIAL STATEMENT OF THE PARENT COMPANY PROPOSED DIVIDEND, OTHER RESOLUTIONS AND CALLING OF THE SHAREHOLDERS' MEETING

The Board of Directors also approved the financial statements of the parent company, Massimo Zanetti Beverage Group S.p.A., the annual report on corporate governance and ownership structure and the 2019 Consolidated non-financial statement (pursuant to Italian d. Lgs. n. 245/2016).

Revenues of the parent company amount to Euro 12.3 million compared to Euro 10.6 million in 2018. The net profit for the year is Euro 9.4 million compared to Euro 7.8 million in 2018.

Equity amounts to Euro 162.4 million compared to Euro 160.1 million at December 31, 2018. Net debt is Euro 180.0 million (Euro 150.8 million at December 31, 2018).

The Board of directors resolved to propose to shareholders the distribution of a gross dividend of Euro 0.19 per ordinary share, for a total of approximately Euro 6,517,000.

If approved, the dividend will be paid on May 20, 2020 (ex-dividend date on May 18 and record date on May 19).

Furthermore, at the end of the Board of Directors' meeting, Pilar Braga resigned from her post of non-executive director of the Company, effective from March 6, 2020, to embark on a new professional path.

In accepting Pilar Braga's resignation, the Chairman, also on behalf of the entire Board of Directors, expressed his heartfelt gratitude to Pilar Braga for her dedication, commitment and professionalism which contributed to the growth of the Group. Based on the information provided to the Company, Pilar Braga does not hold directly or indirectly shares of the Company.

Finally, the Board of Directors decided to call the Shareholders in an ordinary meeting on **22 April 2020** also to renew the entire Board of Directors. Also for this reason, the Board of Directors decided not to co-opt a new director to replace Pilar Braga, pursuant to article 2386.

The shareholders were called in a meeting, including in an extraordinary session, to amend the By-laws and bring them into line with the new legal provisions on gender balance in the bodies of listed companies.

The notice of call of the Extraordinary and Ordinary Shareholders' Meeting of 22 April 2020 and all the relevant documents will be made available to the public, in accordance to the law, on the company website (www.mzb-group.com, section IR shareholder information/shareholders meeting), and at the registered office of Massimo Zanetti Beverage Group S.p.A. and through the storage mechanism www.emarketstorage.com.

CONFERENCE CALL TO PRESENT 2019 FINANCIAL RESULTS

2019 results will be presented during the conference call to be held today at **5:45 CET**. To access the call, please use one of the following dial-in numbers: +1 718 7058 796 (US and Canada), +39 02 802 09 11 (Italy), +44 121 281 8004 (UK) ; +33 170 918 704 (France) and +39 02 802 09 27 (Press).

Digital Playback service will be available for 8 days, dialling the following numbers: +1 718 705 8797 (US and Canada), +39 02 72495 (Italy), +44 1 212 818 005 (UK) with the following passcode: **902#**

The presentation will be available before the conference call on the company website www.mzb-group.com and on the storage system (www.emarketstorage.com). The recording file will be available on the company website.

DECLARATION BY THE MANAGER IN CHARGE OF THE COMPANY'S FINANCIAL REPORTS

The Manager in charge of the Company's financial reports, Leonardo Rossi, pursuant to paragraph 2 of Article 154-bis of Italy's Consolidated Law on Finance (TUF), declares that, based on his knowledge, the accounting information contained in this press release corresponds to the documented results, books and accounting records.

FOR MORE INFORMATION

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MASSIMO ZANETTI BEVERAGE GROUP S.P.A.

Massimo Zanetti Beverage Group S.p.A. is a world leader in the production, processing and marketing of roasted coffee, distributed in about 110 countries. The Group manages the different activities, from procurement to consumption, operating 18 facilities across Europe, Asia and the Americas, and through a global network of about 400 coffee shops in 50 countries. Moreover, Massimo Zanetti Beverage Group completes the range of its products through the sale of professional coffee machines "La San Marco" and complementary products, such as tea, cocoa, chocolate and top-quality spices.

DISCLAIMER

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

ANNEX

RECLASSIFIED CONSOLIDATED INCOME STATEMENT

	For the year ended December 31,				Change	
(in thousands of Euro)	2019		2018		2019-2018	
Revenue	914,465	100.0%	891,203	100.0%	23,262	2.6%
Raw, ancillary, and consumable materials and goods	(506,775)	-55.4%	(502,407)	-56.4%	(4,368)	0.9%
Gross Profit	**407,690**	**44.6%**	**388,796**	**43.6%**	**18,894**	**4.9%**
Purchases of services, leases and rentals	(174,408)	-19.1%	(174,125)	-19.5%	(283)	0.2%
Personnel costs	(152,039)	-16.6%	(142,316)	-16.0%	(9,723)	6.8%
Other operating costs, net	164	0.0%	640	0.1%	(476)	-74.4%
Impairment	(926)	-0.1%	(1,743)	-0.2%	817	-46.9%
EBITDA	**80,481**	**8.8%**	**71,252**	**8.0%**	**9,229**	**13.0%**
Non-recurring charges	3,538	0.4%	2,494	0.3%	1,044	41.9%
Adjusted EBITDA	**84,019**	**9.2%**	**73,746**	**8.3%**	**10,273**	**13.9%**
Depreciation and amortization	(46,500)	-5.1%	(34,862)	-3.9%	(11,638)	33.4%
Operating profit	**33,981**	**3.7%**	**36,390**	**4.1%**	**(2,409)**	**-6.6%**
Net finance expense	(8,709)	-1.0%	(7,259)	-0.8%	(1,450)	20.0%
Share of losses of companies accounted for using the equity method	(863)	-0.1%	(879)	-0.1%	16	-1.8%
Profit before tax	**24,409**	**2.7%**	**28,252**	**3.2%**	**(3,843)**	**-13.6%**
Income tax expense	(9,097)	-1.0%	(8,355)	-0.9%	(742)	8.9%
Profit for the period	**15,312**	**1.7%**	**19,897**	**2.2%**	**(4,585)**	**-23.0%**

IFRS 16 has been adopted since January 1st, 2019. The effects of this adoption in 2019, were: an increase in EBITDA of Euro 10.3 million, an increase in amortisation and depreciation of Euro 9.3 million, an increase in finance costs of Euro 1.3 million, a decrease of net profit of Euro 0.2 million, and an increase in the Net Debt of Euro 47.2 million.

RECLASSIFIED CONSOLIDATED BALANCE SHEET

	As of December 31,	
(in thousands of Euro)	2019	2018
Investments:		
Intangible assets	227,016	182,799
Property, plant and equipment and investment properties	270,370	219,898
Investments in joint ventures and associates	11,166	10,404
Non-current trade receivables	2,949	2,542
Deferred tax assets and other non-current assets	35,423	25,183
Non-current assets (A)	**546,924**	**440,826**
Net working capital (B)	**103,790**	**94,437**
Employee benefits	(10,491)	(8,822)
Other non-current provisions	(3,039)	(3,190)
Deferred tax liabilities and other non-current liabilities	(33,250)	(29,885)
Non-current liabilities (C)	**(46,780)**	**(41,897)**
Net invested capital (A+B+C)	**603,934**	**493,366**
Sources:		
Equity	337,407	318,648
Net Debt *	266,527	174,718
Sources of financing	**603,934**	**493,366**

(*) The adoption of the new accounting standard IFRS 16 increased the Net Debt of 2019 by Euro 47.2 million.

NET WORKING CAPITAL

	As of December 31,	
(in thousands of Euro)	2019	2018
Inventories	154,525	131,649
Trade receivables	114,635	120,832
Income tax assets	3,512	3,271
Other current assets	20,594	15,603
Trade payables	(155,238)	(144,292)
Income tax liabilities	(2,531)	(1,664)
Other current liabilities	(31,707)	(30,962)
Net working capital	**103,790**	**94,437**

RECLASSIFIED CONSOLIDATED CASH FLOW STATEMENT

	For the year ended December 31,	
(in thousands of Euro)	2019	2018
Adjusted EBITDA	**84,019**	**73,746**
Non-recurring items paid	(3,952)	(4,198)
Changes in Net Working Capital	(4,687)	(3,516)
Net recurring investments	(35,508)	(31,567)
Income tax paid	(8,513)	(8,340)
Other operating items	1,383	2,622
Free cash flow	**32,742**	**28,747**
Net non-recurring investments	(44,632)	(1,200)
Investments (Disposals) in financial receivables	3,646	(1,363)
Interest paid	(6,325)	(5,688)
Net cash generated from financing activities	31,657	(12,031)
Financial varitions from IFRS 16 leasing	(10,086)	-
Dividends paid	(6,657)	(5,999)
Exchange gains/(losses) on cash and cash equivalents	1,010	1,431
Net increase in cash and cash equivalents	**1,355**	**3,897**
Cash and cash equivalents at the beginning of the period	93,491	89,594
Cash and cash equivalents at the end of the period	**94,846**	**93,491**

CHANGES IN NET WORKING CAPITAL

	For the year ended December 31,	
(in thousands of Euro)	2019	2018
Changes in inventories	(19,554)	(1,378)
Changes in trade receivables	7,996	(832)
Changes in trade payables	8,644	2,245
Changes in other assets/liabilities	(1,363)	(2,775)
Payments of employee benefits	(410)	(776)
Changes in net working capital	**(4,687)**	**(3,516)**

NET DEBT

(in thousands of Euro)		As of December 31, 2019	As of December 31, 2018
A	Cash and cash equivalents	(1,108)	(964)
B	Cash at bank	(93,738)	(92,527)
C	Securities held for trading	-	-
D	**Liquidity (A+B+C)**	**(94,846)**	**(93,491)**
E	**Current financial receivables**	**(1,994)**	**(3,728)**
F	Current loans	61,699	49,651
G	Current portion of non-current loans	66,230	45,243
H	Other current financial payables	15,569	1,743
I	**Current debt (F+G+H)**	**143,498**	**96,637**
J	**Net current debt (I+E+D)**	**46,658**	**(582)**
K	Non-current loans	175,001	172,796
L	Issued bonds	-	-
M	Other non-current financial payables	44,868	2,504
N	**Non-current debt (K+L+M)**	**219,869**	**175,300**
O	**Net financial debt (J+N)**	**266,527**	**174,718**

(*) The adoption of the new accounting standard IFRS 16 increased the Net Debt of 2019 by Euro 47.2 million.

CONSOLIDATED CONDENSED INTERIM INCOME STATEMENT

	For the year ended December 31,	
(in thousands of Euro)	**2019**	**2018**
Revenue	914,465	891,203
Other income	6,101	6,954
Raw, ancillary, and consumable materials and goods	(506,775)	(502,407)
Purchases of services, leases and rentals	(174,408)	(174,125)
Personnel costs	(152,039)	(142,316)
Other operating costs	(5,937)	(6,314)
Amortization, depreciation and impairment	(47,426)	(36,605)
Operating profit	**33,981**	**36,390**
Finance income	795	337
Finance costs	(9,504)	(7,596)
Share of losses of companies accounted for using the equity method	(863)	(879)
Profit before tax	**24,409**	**28,252**
Income tax expense	(9,097)	(8,355)
Profit for the year	**15,312**	**19,897**
Profit attributable to:		
Non-controlling interests	*140*	*105*
Owners of the parent	*15,172*	*19,792*
Basic/diluted earnings per share (in Euro)	**0.44**	**0.58**

CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

	As of December 31,	
(in thousands of Euro)	2019	2018
Intangible assets	227,016	182,799
Property, plant and equipment	265,436	215,127
Investment properties	4,934	4,771
Investments in joint ventures, associates and other	11,166	10,404
Non-current trade receivables	2,949	2,542
Deferred tax assets	12,908	11,828
Non-current contract assets	7,505	6,781
Other non-current assets	15,010	6,574
Total non-current assets	**546,924**	**440,826**
Inventories	154,525	131,649
Trade receivables	114,635	120,832
Income tax assets	3,512	3,271
Current contract assets	3,317	3,759
Other current assets	19,271	15,572
Cash and cash equivalents	94,846	93,491
Total current assets	**390,106**	**368,574**
Total assets	**937,030**	**809,400**
Share capital	34,300	34,300
Other reserves	103,914	99,396
Retained earnings	197,308	183,069
Total equity attributable to owners of the Parent	**335,522**	**316,765**
Non-controlling interests	1,885	1,883
Total equity	**337,407**	**318,648**
Non-current borrowings	219,869	175,300
Employee benefits	10,491	8,822
Other non-current provisions	3,039	3,190
Deferred tax liabilities	29,205	26,863
Non-current contract liabilities	418	483
Other non-current liabilities	3,627	2,539
Total non-current liabilities	**266,649**	**217,197**
Current borrowings	143,498	96,637
Trade payables	155,238	144,292
Income tax liabilities	2,531	1,664
Current contract liabilities	1,817	946
Other current liabilities	29,890	30,016
Total current liabilities	**332,974**	**273,555**
Total liabilities	**599,623**	**490,752**
Total equity and liabilities	**937,030**	**809,400**

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOW

	For the year ended December 31,	
(in thousands of Euro)	2019	2018
Profit before tax	**24,409**	**28,252**
Adjustments for:		
Amortization, depreciation and impairment	47,426	36,605
Provisions for employee benefits and other charges	630	1,102
Net finance expense	8,709	7,259
Other non-monetary items	276	(1,048)
Net cash generated from operating activities before changes in net working capital	**81,450**	**72,170**
Changes in inventories	(19,554)	(1,378)
Changes in trade receivables	7,996	(832)
Changes in trade payables	8,644	2,245
Changes in other assets/liabilities	(1,363)	(2,775)
Payments of employee benefits	(410)	(776)
Interest paid	(6,325)	(5,688)
Income tax paid	(8,513)	(8,340)
Net cash generated from operating activities	**61,925**	**54,626**
Acquisition of subsidiary, net of cash acquired	(43,132)	-
Purchase of property, plant and equipment	(31,041)	(29,806)
Purchase of intangible assets	(5,348)	(2,784)
Proceeds from sale of property, plant and equipment	864	1,005
Proceeds from sale of intangible assets	17	18
Investments in joint ventures and associates	(1,500)	(1,200)
Changes in financial receivables	3,499	(1,528)
Interest received	147	165
Net cash used in investing activities	**(76,494)**	**(34,130)**
Proceeds from long-term borrowings	66,175	15,360
Repayment of long-term borrowings	(45,628)	(24,235)
Increase / (decrease) in short-term borrowings	11,110	(3,156)
Changes in lease receivable and liabilities	(10,086)	-
Dividends paid	(6,657)	(5,999)
Net cash (used)/generated from financing activities	**14,914**	**(18,030)**
Exchange gains/(losses) on cash and cash equivalents	1,010	1,431
Net increase in cash and cash equivalents	**1,355**	**3,897**
Cash and cash equivalents at the beginning of the period	93,491	89,594
Cash and cash equivalents at the end of the period	**94,846**	**93,491**

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 Financial Statements as at December 31, 2019 increase the EBITDA of Euro 10,251 thousand, due to the reduction of use of third-party costs for Euro 12,618 thousand partially compensated by the decrease of revenue for renting activity of Euro 2,367 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 9,284 thousand as well as, the amount of finance income and expense for interests calculated on lease liabilities and lease receivables for net Euro 1,290 thousand.

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