



INTERIM REPORT AS AT AND FOR THE FIRST QUARTER ENDED
MARCH 31, 2020



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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

Pascal Héritier
Director

Leonardo Rossi
Director

Monika Dutkiewicz (**)
Director

Ivana Casonato (*) (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 Nominating and Remuneration Committee*
- (2) *Member of the Nominating 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

Manager in charge of the preparation of corporate accounting documents

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 three months ended March 31, 2020, the financial information included in this report and the comments reported therein are intended to provide an overview of the financial position and results of operations of the Group, the relevant changes that occurred during such period, and any key events that have occurred affecting the results for the period.

Structure and Operations of the Group

Massimo Zanetti Beverage Group S.p.A. (the “**Company**”) and its subsidiaries (together referred to as the “**Group**” or “**MZB Group**”) are international players in the production and sale of roasted coffee. In order to support its core business, the MZB Group also produces and sells (or grants free use of) coffee machines and coffee equipment for use in the home, the workplace and professional offices. The Group also operates an international network of cafés (primarily under a franchise model). To complement its range of products, the MZB Group sells certain selected 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) Foodservice, 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 Foodservice 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 Foodservice 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, Germany and Austria. The Group is also present, to a lesser extent in other countries such as the Netherlands, Poland, Portugal, 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 three months, should not be considered representative of all or a portion of the full year.

Results of operations for the three months ended March 31, 2020

The following table sets forth the reclassified consolidated income statement for the three months ended March 31, 2020 and 2019:

<i>(in thousands of Euro)</i>	Three months ended March 31,				Change	
	2020	(*)	2019*	(*)	2020-2019	
Revenue	222,755	100.0%	217,697	100.0%	5,058	2.3%
Raw, ancillary, and consumable materials and goods	(126,472)	-56.8%	(120,675)	-55.4%	(5,797)	4.8%
Gross Profit⁽¹⁾	96,283	43.2%	97,022	44.6%	(739)	-0.8%
Purchases of services, leases and rentals	(41,869)	-18.8%	(41,642)	-19.1%	(227)	0.5%
Personnel costs	(40,265)	-18.1%	(38,018)	-17.5%	(2,247)	5.9%
Other operating costs, net ⁽²⁾	(778)	-0.3%	(17)	0.0%	(761)	>100%
Impairment ⁽³⁾	(450)	-0.2%	(181)	-0.1%	(269)	>100%
EBITDA⁽¹⁾	12,921	5.8%	17,164	7.9%	(4,243)	-24.7%
Depreciation and amortization ⁽⁴⁾	(12,101)	-5.4%	(11,026)	-5.1%	(1,075)	9.7%
Operating profit	820	0.4%	6,138	2.8%	(5,318)	-86.6%
Net finance costs ⁽⁵⁾	(3,707)	-1.7%	(2,163)	-1.0%	(1,544)	71.4%
Share of losses of companies accounted for using the equity method	(164)	-0.1%	(402)	-0.2%	238	-59.2%
Profit before tax	(3,051)	-1.4%	3,573	1.6%	(6,624)	<-100%
Income tax expense	(225)	-0.1%	(1,175)	-0.5%	950	-80.9%
Profit for the period	(3,276)	-1.5%	2,398	1.1%	(5,674)	<-100%

(*) Percentage of revenue

(**) For a better presentation, the temporary worker cost has been reclassified from services cost to personnel costs.

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 for the first quarter of 2020 amounts to Euro 222,755 thousand and increase of Euro 5,058 thousand (2.3%) compared to the same period of 2019. The increase is mainly due to:

- the increase in the volumes of roasted coffee sold (+8.3%);
- the exchange rate impact, mainly due to the US dollar fluctuations (+1.0%)
- the decrease in the sales price of roasted coffee and other (-7.0%);

Net of the exchange rate fluctuations, the change in revenue is mainly due to the change in "Sales of roasted coffee", down by Euro 3,018 thousand (+1.6%). The decrease is mainly due to the combined effect of:

- the increase in the volumes of roasted coffee sold of +9.6% compared to the first three months of 2019. The volumes of roasted coffee sold amount to 34.1 thousand tonnes and 31.1 thousand tonnes for the three months ended March 31, 2019 and 2018, respectively. The increase affected the Americas (2.9 thousand tonnes) mainly in the *Private Label and Mass Market* channel, the Asia-Pacific (0.2 thousand tonnes) and Northern Europe (0.1 thousand tonnes), was partially offset by the negative performance of Southern Europe (0.1 thousand tonnes), mainly in the *Food Service and Mass Market* channels;
- the decrease in the sales prices of roasted coffee, which resulted in a -8.0% drop in revenue, is due to the overall market decline as a result of the lower cost of raw materials (green coffee) and to the different product and channel mix, in turn result of Virus Covid-19 spread in the countries where the group operates.

The following table provides a breakdown of revenue of the Group for the three months ended March 31, 2020 and 2019, by sales channel:

<i>(in thousands of Euro)</i>	Three months ended March 31,				Change	
	2020	(*)	2019	(*)	2020-2019	
Foodservice	43,710	19.6%	50,239	23.1%	(6,529)	-13.0%
Mass Market	85,014	38.2%	80,180	36.8%	4,834	6.0%
Private Label	78,630	35.3%	71,896	33.0%	6,734	9.4%
Other	15,401	6.9%	15,382	7.1%	19	0.1%
Total	222,755	100.0%	217,697	100.0%	5,058	2.3%

(*) Percentage of revenue

The following table provides a breakdown of revenue of the Group for the three months ended March 31, 2020 and 2019, by geographical area:

<i>(in thousands of Euro)</i>	Three months ended March 31,				Change	
	2020	(*)	2019	(*)	2020-2019	
Americas	106,674	47.9%	96,320	44.2%	10,354	10.7%
Northern Europe	44,843	20.1%	45,431	20.9%	(588)	-1.3%
Southern Europe	48,400	21.7%	53,258	24.5%	(4,858)	-9.1%
Asia-Pacific and Cafés (**)	22,838	10.3%	22,688	10.4%	150	0.7%
Total	222,755	100.0%	217,697	100.0%	5,058	2.3%

(*) Percentage of revenue

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

Gross profit

Gross Profit of Euro 96,283 thousand for the three months ended March 31, 2020, decrease by Euro 739 thousand (-0.8%) compared to the same period of 2019. This is due to:

- the decrease in Gross Profit due to the sale of roasted coffee and other products (-1.4%);
- the impact of foreign currency exchange rate fluctuations (+0.6%);

On a constant currency basis, the Gross Profit decreases by Euro 1,354 thousand (-1.4%), mainly due to the sale of roasted coffee (-1.5%). The decrease in Gross Profit from the sale of roasted coffee (-1.7%) is mainly due to the impact of the trends in sales and purchase prices respectively of roasted and green coffee and to the different mix in the sales channels in 2020 and 2019 (-11.4%), and in part compensated by increase in volumes of roasted coffee (+9.7%).

EBITDA

The following table provides a reconciliation between **EBITDA** and profit for the three months ended March 31, 2020 and 2019.

<i>(in thousands of Euro)</i>	Three months ended March 31,				Change	
	2020	(*)	2019	(*)	2020-2019	
Profit for the period	(3,276)	-1.5%	2,398	1.1%	(5,674)	< 100%
Income tax expense	225	0.1%	1,175	0.5%	(950)	-80.9%
Finance costs	3,873	1.7%	2,362	1.1%	1,511	> 100%
Finance income	(166)	-0.1%	(199)	-0.1%	33	-16.6%
Share of losses of companies accounted for using the equity method	164	0.1%	402	0.2%	(238)	-59.2%
Depreciation and amortization ⁽¹⁾	12,101	5.3%	11,026	5.1%	1,075	9.7%
EBITDA⁽²⁾	12,921	5.8%	17,164	7.9%	(4,243)	-24.7%

(*) 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 12,921 thousand for the three months ended March 31, 2020, decrease by Euro 4,243 thousand (-24.7%) compared to the same period in 2019, including the negative impact of exchange rate fluctuations for Euro 140 thousand. The result is mainly due to the factors mentioned above impacting *Gross Profit*, and the the increase in net operating costs for Euro 3,027 thousand. On a comparable basis the increase is driven by the increase of employees’ costs, to strengthen the sales departments already started in 2019, only in part compensated with a decrease in cost of services.

Operating profit

Operating profit for the three months ended March 31, 2020 amounted to Euro 820 thousand, with a decrease of Euro 5,318 thousand (-86,6%) compared to same period of 2019 In addition to the EBITDA, mentioned earlier, the decrease is mainly attributable to the increase in amortization and depreciation for Euro 1,075 thousand.

Profit for the year

The **Net Result for the Period** amounted to Euro -3,276 thousand in 2020, a decrease of Euro 5,674 thousand compared to the first quarter of 2019. In addition to what previously described for Operating Profit, the decrease is also due to the combined effect of:

- the increase in net finance costs of Euro 1,544 thousand mainly due to *i*) exchange losses for Euro 1.830 thousand; *iii*) higher interest charges for Euro 186 thousand, million referred to bank loan contracts only partially offset by the decrease of the net financial expenses of the valuation at fair value of derivative contracts on interest rates for Euro 508 thousand.

- the decrease in the share of losses of companies accounted for using the equity method for Euro 238 thousand;
- the decrease in income taxes of Euro 950 thousand mainly connected to the lower taxable income of thirist quarter 2020 compared with 2019.

Reclassified statement of financial position

The following table shows the reclassified statement of financial position at March 31, 2020 and at December 31, 2019.

<i>(in thousands of Euro)</i>	As at March 31, 2020	As at December 31, 2019
Investments:		
Intangible assets	217,775	227,016
Property, plant and equipment and investment properties ⁽¹⁾	267,898	270,370
Investments in joint ventures and associates	11,258	11,166
Non-current trade receivables	2,969	2,949
Deferred tax assets and other non-current assets ⁽²⁾	36,512	35,423
Non-current assets (A)	536,412	546,924
Net working capital (B)⁽³⁾	122,538	103,790
Employee benefits	(10,187)	(10,491)
Other non-current provisions	(2,981)	(3,039)
Deferred tax liabilities and other non-current liabilities ⁽⁴⁾	(32,909)	(33,250)
Non-current liabilities (C)	(46,077)	(46,780)
Net invested capital (A+B+C)	612,873	603,934
Sources:		
Equity	323,156	337,407
Net Financial Indebtedness	289,717	266,527
Sources of financing	612,873	603,934

Reconciliation between the reclassified consolidated statement of financial position and the consolidated statement of financial position:

- (1) Includes property, plant and equipment and investment properties
- (2) Includes deferred tax assets and other non-current assets
- (3) For additional information, refer to the “Non-GAAP” alternative performance indicators section.
- (4) Includes deferred tax liabilities and other non-current liabilities

The following table shows the breakdown of the Group's Net Working Capital at March 31, 2020 and at December 31, 2019.

<i>(in thousands of Euro)</i>	As at March 31, 2020	As at December 31, 2019
Inventories	165,871	154,525
Trade receivables	124,572	114,635
Income tax assets	4,369	3,512
Other current assets ⁽¹⁾	19,201	20,594
Trade payables	(158,664)	(155,238)
Income tax liabilities	(2,489)	(2,531)
Other current liabilities	(30,322)	(31,707)
Net working capital⁽²⁾	122,538	103,790

- (1) Other current assets excludes 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 three months ended March 31, 2020 and 2019.

<i>(in thousands of Euro)</i>	Three months ended March 31,	
	2020	2019
EBITDA ⁽¹⁾	12,921	17,164
Non-recurring Items paid	(626)	(798)
Changes in Net Working Capital	(21,758)	(12,432)
Net recurring investments ⁽²⁾	(9,460)	(7,074)
Income tax paid	(1,013)	(899)
Other operating items ⁽³⁾	630	206
Free Cash Flow⁽¹⁾	(19,306)	(3,833)
Net non-recurring investments ⁽⁴⁾	(1,003)	(22,277)
Disinvestments in financial receivables ⁽⁵⁾	(2,891)	(1,835)
Interest paid	(2,212)	(1,758)
Net cash generated from financing activities	14,909	34,376
Financial variations from IFRS 16 leasing	(3,066)	(2,243)
Exchange gains/(losses) on cash and cash equivalents	(440)	793
Net increase in cash and cash equivalents	(14,009)	3,223
Cash and cash equivalents at the beginning of the period	94,846	93,491
Cash and cash equivalents at the end of the period	80,837	96,714

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 Adjusted EBITDA
- (4) Net non-recurring investments include business combinations, including those under joint-control and asset deals
- (5) Investments in financial receivables include the variations in financial receivables and interest received

Free Cash Flow, negative for Euro 19,306 thousand for the three months ended March 31, 2020, shows a decrease of Euro 15,475 thousand compared to the same period in 2019. This decrease is mainly due to the changes in net working capital.

The following table shows the breakdown of the changes in the Net Working Capital for the three months ended March 31, 2020 and 2019:

<i>(in thousands of Euro)</i>	Three months ended March 31,	
	2020	2019
Changes in inventories	(9,798)	(11,514)
Changes in trade receivables	(9,517)	2,966
Changes in trade payables	1,890	(1,169)
Changes in other assets/liabilities	(4,060)	(2,461)
Payments of employee benefits	(273)	(254)
Changes in Net Working Capital⁽¹⁾	(21,758)	(12,432)

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

Changes in Net Working Capital, with a negative balance of Euro 21,758 thousand for the first three months ended March 31, 2020 show a decrease of Euro 9,326 thousand compared to the same period of 2019. The decrease is mainly due to trade receivables partially compensated by the increase of trade liabilities. inventories and other asset and liabilities.

Net recurring investments, absorbing cash in an amount of Euro 9,460 thousand for the first quarter of 2020, raise compared to the first quarter of 2019 (Euro 7,074 thousand).

In the first three month of 2020, the **Non-recurring investment** amount to Euro 1,003 thousand and refers to the partial payment of the first earn-out tranche originated from last year acquisition of the group of companies known as The Bean Alliance Group PTY. In the same period of 2019, they amounted to Euro 22.277 thousand.

In the first three 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 Group” in Australia and of Cafè Nandi SA and Multicafès Industria de Cafè in Portugal Refers to paragraph “Capital expenditure” for more detail.

Moreover, the Group has made payments for Euro 540 thousand on first three months ended March 31, 2019 in favor of the company Virtus Pallacanestro Bologna S.S.D. a r.l. based in Bologna.

Disinvestments in financial receivables refer to the variations regarding hedging operations on the American market, carried out on the specific request of certain clients of the *Private Label* channel.

Cash flows from financing activities is positive for Euro 14,909 thousand for the three months ended March 31, 2020; it was positive for Euro 34,376 thousand for the same period in 2019. The variation is due to new long-terms loan signed by the parent company as written in detail in the paragraph “Key events for the three months ended March 31, 2020”.

Net Debt

The following table shows the breakdown of net debt of the Group at March 31, 2020 and December 31, 2019, determined in accordance with the CONSOB Communication dated 28 July 2006, and in compliance with the ESMA Recommendation 2013/319:

<i>(in thousands of Euro)</i>	At March 31,	At December 31,
	2020	2019
A Cash and cash equivalents	(964)	(1,108)
B Cash at bank	(79,873)	(93,738)
C Securities held for trading	-	-
D Liquidity (A+B+C)	(80,837)	(94,846)
E Current financial receivables	(5,243)	(1,994)
F Current loans	67,024	61,699
G Current portion of non-current medium/long-term loans	62,173	66,230
H Other current financial payables	16,022	15,569
I Current indebtedness (F+G+H)	145,219	143,498
J Net current debt (I+E+D)	59,139	46,658
K Non-current medium/long-term loans	190,354	175,001
L Issued bonds	-	-
M Other non-current financial payables	40,224	44,868
N Non-current debt (K+L+M)	230,578	219,869
O Net debt (J+N)	289,717	266,527

Net Debt equal to Euro 289,717 thousand at March 31, 2020, increase of Euro 23,190 thousand compared to December 31, 2019. This increase is mainly due to the combined effect generated by:

- negative *Free Cash Flow* of Euro 19,306 thousand;
- interest paid in the first three months of 2020 amounting to Euro 2,212 thousand;
- the increase of lease liabilities for Euro 1,083 thousand;
- exchange rate differences and other variations totalling Euro 589 thousand.

Capital expenditure

The following table shows the breakdown of capital expenditure in property, plant and equipment, intangible assets and business combinations for the three months ended March 31, 2020 and 2019.

<i>(in thousands of Euro)</i>	Three months ended March 31,			
	2020		2019	
	Capital expenditure	Cash-out	Capital expenditure	Cash-out
Business combinations, including those under common control	-	1,003	28,140	21,737
Investments in associates	-	-	540	540
Intangible assets	971	971	1,088	1,088
Property, plant and equipment	8,768	8,768	6,175	6,175
Total non-current assets	9,739	10,742	35,943	29,540

Business combinations and Business combinations under common control

In the first three month of 2020, the Group paid partially the first earn-out tranche originated from last year acquisition of the group of companies known as The Bean Alliance Group PTY. The amount was 1,003 thousand.

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 Group” strengthening its presence in the Australian market. The purchase price of Euro was initially 20,585 thousand, including 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 that consist to the accrual of a goodwill of Euro 11,420 thousand:

<i>(in thousands of Euro)</i>	Book value*
Intangible assets	6,912
Property, plant and equipment	2,335
Inventories	1,250
Deferred tax assets	295
Employee benefits	(326)
Non-current borrowings	(1,391)
Current borrowings	(133)
Other current liabilities	(417)
Net asset acquired	8,525
Consideration paid comprehensive of the earn-out	(19,945)
Goodwill	(11,420)

*final amount after the purchase price allocation. For more detail, please refer to the note 5 “Business combination” of the consolidated financial statement as of December 31, 2019.

On February 11, 2019 Massimo Zanetti Beverage Iberia has completed the acquisition of the Portuguese company Cafés Nandi SA., 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 which result on the accrual of goodwill for Euro 2,148 thousand:

<i>(in thousands of Euro)</i>	Book value*
Intangible assets	34
Property, plant and equipment	4,302
Non-current contract assets	21
Other non-current assets	2
Inventories	313
Trade receivables	67
Other current assets	18
Cash and cash equivalents	416
Non-current borrowings	(74)
Deferred tax liabilities	(515)
Other non-current liabilities	(12)
Current borrowings	(32)
Trade payables	(20)
Other current liabilities	(93)
Net asset acquired	4,427
Consideration paid	(6,575)
Provisional goodwill	(2,148)

**final amount after the purchase price allocation. For more detail, please refer to the note 5 "Business combination" of the consolidated financial statement as of December 31, 2019.*

At the same time, during the first quarter 2019 Massimo Zanetti Beverage Iberia purchased also the customer list from one distributor for Euro 980 thousand.

Investments in associates

In the first three month of 2020, no investment in associates has been accounted.

Investments in associates amount to Euro 540 thousand at March 31, 2019 and refers to investments on Virtus Pallacanestro Bologna S.S.D. a r.l..

Property, plant and equipment

The investments made in the first quarter of 2020 mainly refer to bar equipment and tangible asset under construction of Euro 3,626 thousand and Euro 4,177 thousand, respectively.

The investments made in the first quarter of 2019 mainly refer to bar equipment and industrial and commercial equipment of Euro 4,257 thousand and Euro 818 thousand, respectively.

Intangible assets

The investments of the first quarter of 2020 amount to Euro 971 thousand and refers mainly to the implementation of Group's ERP software.

The investments of the first quarter of 2019 amount to Euro 1,088 thousand and refers mainly to the implementation of Group's ERP software.

Key events for the three months ended March 31, 2020

- In January 2020, within the scope of the ordinary fund-raising activities, the Group cashed the residual part of the medium-to-long term loan agreement with Banca Nazionale del Lavoro subscribed in 2019 for an overall amount of Euro 20,000 thousand reaching maturity in 2025;
- In February 2020 within the scope of the ordinary fund-raising activities, the Group negotiated the extension of two years of the medium-term loan with fix interest rate subscribed in October 2016 with Banca Nazionale del Lavoro, with the change of the original due date from April 12, 2020 to April 12, 2022.
- During march 2020, some banks communicated to the Group the possibility to access to a voluntary standstill period on the existing medium term loan, promoted to help companies dealing with the effect of COVID-19 pandemic. Following to this communication it was agreed:
 - a standstill period of 6 months on the reimbursement of medium-term loan subscribed in the month of October 2016 and November 2019 with BNL, with deadlines consequently moved;
 - a standstill period of one year on the reimbursement of medium-term loan subscribed in February 2019 with Credito Valtellinese, moving the original deadline of 2026.
- During the first quarter 2020 the Group payed partially the first earn-out tranche originated from last year acquisition of the group of companies known as The Bean Alliance Group PTY. The amount was 1,003 thousand.

Subsequent events

On April 22, 2020, the Ordinary Shareholders' Meeting of Massimo Zanetti Beverage Group S.p.A.:

- approved the 2019 financial statements and the distribution of a dividend of Euro 0.19 per share, for a total of Euro 6,517 thousand;
- appointed the members and the Chairman of the new Board of Directors, who will be in office up to the date of the Annual General Meeting for the approval of the financial statements as at December 31, 2022;
- appointed the Standing and Alternate members and the Chairman of the Board of Statutory Auditors, who will be in office up to the date of the Annual General Meeting called to approve the financial statements as at December 31, 2022.

On April 23, 2020, the Board of Directors of Massimo Zanetti Beverage Group S.p.A. confirmed Massimo Zanetti as Managing Director and Chief Executive Officer of the Company and Leonardo Rossi, Chief Financial Officer, Director in charge of the Internal Audit and Risk Management System. Furthermore, the Board of Directors:

- i. Appointed Mara Vanzetta as Lead Independent Director;
- ii. Appointed the members of the Company's internal committees and more precisely, the Nomination and Remuneration Committee, the Control, Risk and Sustainability Committee and the Transactions with Related Parties Committee, as follows:
 - Nomination and Remuneration Committee: Giorgio Valerio (Chairman), Mara Vanzetta, Ivana Casonato;
 - Control, Risk and Sustainability Committee: Mara Vanzetta (Chairman), Giorgio Valerio, Ivana Casonato;
 - Transactions with Related Parties Committee: Mara Vanzetta (Chairman), Giorgio Valerio, Ivana Casonato;

In April 2020 the subsidiary Segafredo Zanetti S.p.A., within the voluntary measures promoted by the banks in consequence of COVID-19 and described in the previous paragraph, negotiated a 9-month standstill on the reimbursement of the medium-term loan subscribed with Banco Popolare di Milano. In the same month the subsidiary Segafredo Zanetti S.p.A., within the ordinary fund-raising activities, entered a medium-term loan with Credito Emiliano for Euro 5,000 thousand.

Business outlook

After the end of 2019 and after the approval of results for the financial year ended 31 December 2019 by the Board of Directors, held on March 5, 2020, the global outburst of the pandemic COVID-19 emergency caused an extreme pressure on national health systems and the need for the Government to issue measures to contain the further outbreak of the virus. The Government's measures deeply influenced social and working habits of individuals and the global economy as well affecting the dynamics of the distribution channels, including the foodservice, which is one of the sales channels of the Group.

Given the continuously evolving context causing uncertainty on the duration of the lockdown, the timeline for the reopening process and the subsequent speed of economic recovery, Management confirms the decision taken on April 23, to conservatively suspend the financial guidance to the market, disclosed on March 5, 2020 before the outbreak of Covid-19 pandemic.

“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 purchase 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 by the Group 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 and other current assets (excluding financial assets), net of trade payables, income tax 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

In accordance with the regulations on transactions with related parties introduced pursuant to Consob Resolution no. 17221 dated 12 March 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 15 July 2014 and amended on 27 February 2015, 28 August 2015 and 18 June 2018, with the approval of Related Parties Committee.

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.

With respect to the information provided in the notes to the consolidated financial statements at December 31, 2019, no unusual transactions in terms of amount or importance were carried out in the three months ended March 31, 2020 with related parties with the exception of the long-established activities of green coffee sale and purchase that the Group maintains with Cofiroaster SA, an entity falling under the category of “Entities under Common Control”.

CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS AS AT AND FOR THE THREE MONTHS ENDED MARCH 31, 2020

Consolidated Condensed Interim Income Statement

<i>(in thousands of Euro)</i>	Note	Three months ended March 31,	
		2020	2019*
Revenue	7	222,755	217,697
Other income		874	1,364
Raw, ancillary, and consumable materials and goods		(126,472)	(120,675)
Purchases of services, leases and rentals		(41,869)	(41,642)
Personnel costs		(40,265)	(38,018)
Other operating costs		(1,652)	(1,381)
Amortization, depreciation and impairment	8	(12,551)	(11,207)
Operating profit		820	6,138
Finance income		166	199
Finance costs		(3,873)	(2,362)
Share of losses of companies accounted for using the equity method		(164)	(402)
Profit before tax		(3,051)	3,573
Income tax expense		(225)	(1,175)
Profit for the period		(3,276)	2,398
<i>Profit attributable to:</i>			
<i>Non-controlling interests</i>		(53)	48
<i>Owners of the parent</i>		(3,223)	2,350
Basic/diluted earnings per share (in Euro)	9	(0.09)	0.07

* For a better presentation, the temporary worker cost has been reclassified from services cost to personnel costs.

Consolidated Condensed Interim Statement of Comprehensive Income

<i>(in thousands of Euro)</i>	Three months ended March 31	
	2020	2019
Profit for the period	(3,276)	2,398
Gains/(Losses) from cash flow hedges	(1,278)	(694)
Currency translation differences	(9,698)	5,325
Items that may be subsequently reclassified to profit or loss	(10,976)	4,631
Remeasurements of employee benefit obligations	1	-
Items that will not be reclassified to profit or loss	1	-
Total comprehensive (loss)/income for the period	(14,251)	7,029
Comprehensive income attributable to non-controlling interests	(87)	32
Comprehensive (loss)/income attributable to owners of the parent	(14,164)	6,997

Consolidated Interim Statement of Financial Position

<i>(in thousands of Euro)</i>	Note	As at March 31, 2020	As at December 31, 2019
Intangible assets		217,775	227,016
Property, plant and equipment		262,995	265,436
Investment properties		4,903	4,934
Investments in joint ventures and associates		11,258	11,166
Non-current trade receivables		2,969	2,949
Deferred tax assets		13,139	12,908
Other non-current assets		7,781	7,505
Non-current contract assets		15,592	15,010
Total non-current assets		536,412	546,924
Inventories		165,871	154,525
Trade receivables		124,572	114,635
Income tax assets		4,369	3,512
Other current assets		3,111	3,317
Current contract assets		21,333	19,271
Cash and cash equivalents		80,837	94,846
Total current assets		400,093	390,106
Total assets		936,505	937,030
Share capital		34,300	34,300
Other reserves		92,972	103,914
Retained earnings		194,086	197,308
Total equity attributable to owners of the Parent		321,358	335,522
Non-controlling interests		1,798	1,885
Total equity		323,156	337,407
Non-current borrowings	5	230,578	219,869
Employee benefits		10,187	10,491
Other non-current provisions		2,981	3,039
Deferred tax liabilities		29,151	29,205
Other non-current liabilities		406	418
Non-current contract liabilities		3,352	3,627
Total non-current liabilities		276,655	266,649
Current borrowings	5	145,219	143,498
Trade payables		158,664	155,238
Income tax liabilities		2,489	2,531
Other current liabilities		1,434	1,817
Current contract liabilities		28,888	29,890
Total current liabilities		336,694	332,974
Total liabilities		613,349	599,623
Total equity and liabilities		936,505	937,030

Consolidated Condensed Interim Statement of Cash Flows

<i>(in thousands of Euro)</i>	Note	For the year ended March 31,	
		2020	2019
Profit before tax		(3,051)	3,573
Adjustments for:			
Amortization, depreciation and impairment		12,551	11,207
Provisions for employee benefits and other charges		137	28
Net finance expense		3,707	2,163
Other non-monetary items		(419)	(399)
Net cash generated from operating activities before changes in net working capital		12,925	16,572
Changes in inventories		(9,798)	(11,514)
Changes in trade receivables		(9,517)	2,966
Changes in trade payables		1,890	(1,169)
Changes in other assets/liabilities		(4,060)	(2,461)
Payments of employee benefits		(273)	(254)
Interest paid		(2,212)	(1,758)
Income tax paid		(1,013)	(899)
Net cash generated from operating activities		(12,058)	1,483
Acquisition of subsidiary, net of cash acquired		(1,003)	(21,737)
Purchase of property, plant and equipment		(8,768)	(6,175)
Purchase of intangible assets		(971)	(1,088)
Proceeds from sale of property, plant and equipment		279	173
Proceeds from sale of intangible assets		-	16
Investments in joint ventures and associates		-	(540)
Changes in financial receivables		(2,907)	(1,867)
Interest received		16	32
Net cash used in investing activities		(13,354)	(31,186)
Proceeds from long-term borrowings	5	25,000	41,432
Repayment of long-term borrowings	5	(14,283)	(12,636)
Increase / (decrease) in short-term borrowings		4,192	5,580
Changes in lease receivable and liabilities	5	(3,066)	(2,243)
Net cash (used)/generated from financing activities		10,840	32,133
Exchange gains/(losses) on cash and cash equivalents		(440)	793
Net increase in cash and cash equivalents		(14,009)	3,223
Cash and cash equivalents at the beginning of the period		94,846	93,491
Cash and cash equivalents at the end of the period		80,837	96,714

Condensed Consolidated 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
As of December 31, 2018	34,300	99,396	183,069	316,765	1,883	318,648
Profit for the year	-	-	15,172	15,172	140	15,312
Remeasurements of employee benefit obligations	-	-	(544)	(544)	-	(544)
Gain from cash flow hedges	-	2,991	-	2,991	-	2,991
Currency translation differences	-	7,655	-	7,655	2	7,657
Total income for the period	-	10,646	14,628	25,274	142	25,416
<i>Shareholders transactions</i>						
Dividends paid	-	(6,517)	-	(6,517)	(140)	(6,657)
Reclassifications	-	389	(389)	-	-	-
As of December 31, 2019	34,300	103,914	197,308	335,522	1,885	337,407

<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
As of December 31, 2019	34,300	103,914	197,308	335,522	1,885	337,407
Profit for the year	-	-	(3,223)	(3,223)	(53)	(3,276)
Remeasurements of employee benefit obligations	-	-	1	1	-	1
Gain from cash flow hedges	-	(1,278)	-	(1,278)	-	(1,278)
Currency translation differences	-	(9,664)	-	(9,664)	(34)	(9,698)
Total income for the period	-	(10,942)	(3,222)	(14,164)	(87)	(14,251)
<i>Shareholders transactions</i>						
Dividends paid	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-
As of March 31, 2020	34,300	92,972	194,086	321,358	1,798	323,156

Notes

1. General information

Massimo Zanetti Beverage Group S.p.A. (hereinafter the “**Parent**”) is a company established and domiciled in Italy and organized under the laws of the Republic of Italy. The registered offices of the Company are located in Viale Felissent, Villorba (Treviso). The Company is controlled by Massimo Zanetti Industries S.A. (hereinafter also referred to as “**MZ Industries**”), based in Luxembourg. The Company and its subsidiaries (hereinafter referred to as the “**Group**”) operate in the coffee business. In particular, the Group manages numerous well-known international brands and a vast assortment of regional products, including coffee, tea, cocoa and spices.

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

The Group’s interim report at March 31, 2020 was prepared in accordance with article 154 ter c. 5 of Legislative Decree no. 58/98 - TUF (Consolidated Law on Finance) - as subsequently amended and supplemented, and Article 2.2.3 (3) of the Regulation on Markets Organised and Managed by Borsa Italiana S.p.A. and holding into account Notice no.7587 of 21 April 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, 2019.

This interim report was prepared in accordance with the same accounting standards and basis of preparation as those used for the consolidated financial statements as at December 31, 2019, with exception of those expressly applicable to interim reports. For further information please refer to note 2.5 “*Recently issued accounting standards*” in the 2019 consolidated financial report and note 5 “*Impacts from new accounting standards*”.

The interim report 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 May 14, 2020 and is unaudited.

2. 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 though 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 at March 31,			Exchange rate as at December 31,	
		2020	2019	2020	2019	2018	2019	2018
US Dollar	USD	1.10	1.14	1.10	1.12	1.23	1.12	1.15
United Arab Emirates Dinar	AED	4.02	4.17	4.05	4.13	4.52	4.13	4.21
Argentine Peso	ARS	70.54	44.24	70.54	48.93	24.82	67.27	43.16
Australian Dollar	AUD	1.80	1.59	1.68	1.58	1.60	1.60	1.62
Brazilian Real	BRL	5.70	4.28	4.91	4.39	4.09	4.52	4.44
Canadian Dollar	CAD	1.56	1.51	1.48	1.50	1.59	1.46	1.56
Swiss Franc	CHF	1.06	1.13	1.07	1.12	1.18	1.09	1.13
Chilean Peso	CLP	936.17	757.51	885.52	766.02	744.58	844.86	794.37
Costarican Colon	CRC	637.39	688.63	627.97	676.35	698.17	642.01	694.77
Czech Koruna	CSK	27.31	25.68	25.61	25.80	25.43	25.41	25.72
Danish Crown	DKK	7.47	7.46	7.47	7.47	7.45	7.47	7.47
Renminbi (Yuan)	CNY	7.78	7.66	7.69	7.54	n.a.	7.82	7.88
British Pound	GBP	0.89	0.87	0.86	0.86	0.87	0.85	0.89
Hong Kong Dollar	HKD	8.49	8.91	8.57	8.82	9.67	8.75	8.97
Croatian Kuna	HRK	7.63	7.42	7.49	7.43	7.43	7.44	7.41
Hungarian Forint	HUF	360.02	317.88	339.08	321.05	312.13	330.53	320.98
Indonesian Rupiah	IDR	17,869.24	16,053.50	15,706.62	15,998.64	16,933.98	15,595.60	16,500.00
Japanese Yen	JPY	118.90	125.10	120.10	124.45	131.15	121.94	125.85
Mexican Peso	MXN	26.18	21.80	22.04	21.69	22.52	21.22	22.49
Malaysian Ringgit	MYR	4.73	4.65	4.61	4.58	4.77	4.60	4.73
Maldivian Rufiyaa	MVR	16.77	n.a.	16.94	n.a.	n.a.	17.28	n.a.
New Zealand Dollar	NZD	1.84	1.67	1.74	1.65	1.71	1.67	1.71
Polish Zloty	PLZ	4.55	4.30	4.32	4.30	4.23	4.26	4.30
Romanian Leu	RON	4.83	4.74	4.80	4.76	4.66	4.78	4.66
Singapore Dollar	SGD	1.56	1.54	1.53	1.52	1.62	1.51	1.56
Thai Bhat	THB	35.93	35.91	34.49	35.63	38.48	33.42	37.05
Vietnamese Dong	VND	25,893.00	26,347.00	25,632.67	26,064.00	28,112.00	26,033.00	26,547.00

3. Management of Financial Risks and financial instruments

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

4. 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.

5. Current and Non-current borrowings

The following tables provide a breakdown of current and non-current borrowings at March 31, 2020 and December 31, 2019.

As at March 31, 2020 <i>(in thousands of Euro)</i>	Less than 12 months	Between 1 and 5 years	Over 5 years	Total
Long-term borrowings	62,173	179,418	10,936	252,527
Short-term borrowings	62,103	-	-	62,103
Advances from factors and banks	4,921	-	-	4,921
Finance lease liabilities	12,498	28,878	8,719	50,095
Other financial liabilities	3,524	2,627	-	6,151
Total	145,219	210,923	19,655	375,797

As at December 31, 2019 <i>(in thousands of Euro)</i>	Less than 12 months	Between 1 and 5 years	Over 5 years	Total
Long-term borrowings	66,230	163,681	11,320	241,231
Short-term borrowings	55,027	-	-	55,027
Advances from factors and banks	6,672	-	-	6,672
Finance lease liabilities	12,942	28,511	10,162	51,615
Other financial liabilities	2,627	6,195	-	8,822
Total	143,498	198,387	21,482	363,367

Long-term borrowings

The Group's loan contracts require compliance with negative pledges and covenants typical in international practice, to be met by the debtor companies.

These covenants are constantly monitored by the Group's management and were complied with as at March 31, 2020 and December 31, 2019.

In January 2020, Within the scope of the ordinary fund-raising activities, the Group cashed the residual part of the medium-to-long term loan agreement with Banca Nazionale del Lavoro subscribed in 2019 for an overall amount of Euro 20,000 thousand reaching maturity in 2025.

In February 2020 within the scope of the ordinary fund-raising activities, the Group negotiated the extension of two years of the medium-term loan with fix interest rate subscribed in October 2016 with Banca Nazionale del Lavoro, with the change of the original due date from April 12, 2020 to April 12, 2022.

During March 2020, some banks communicated to the Group the possibility to access to a voluntary standstill period on the existing medium-term loan, promoted to help companies dealing with the effect of COVID-19 pandemic. Following to this communication it was agreed:

- a standstill period of 6 months on the reimbursement of medium-term loan subscribed in the month of October 2016 and November 2019 with BNL, with deadlines consequently moved;
- a standstill period of one year on the reimbursement of medium-term loan subscribed in February 2019 with Credito Valtellinese, moving consequently the 2026 original deadline.

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 at March 31,	As at December 31,
	2020	2019
<i>Principal amount of long-term borrowings</i>		
- at variable rate	243,226	231,981
- at fixed rate	10,000	10,000
Notional value of derivatives on interest rates	92,051	99,205
Long-term borrowings converted at fixed rate	40%	45%
Remaining portion of long-term borrowings at variable rate	60%	55%
Long-term borrowings denominated in Euro	91%	91%
Long-term borrowings denominated in USD	9%	9%

In order to reduce the Group's exposure to interest rate fluctuations, the Group has two interest rate swap for a notional amount of Euro 30,611 thousand (Euro 30,682 thousand at December 31, 2019) for which applied the requirements for hedge accounting set forth by IFRS 9 "Financial instruments: recognition and valuation".

Except of what here disclosed, the interest rate swap contracts signed and used by the Group to reduce the exposure to interest rate fluctuations, do not comply with the requirements for hedge accounting set forth by IFRS 9 "Financial instruments: recognition and valuation".

Please refer to note 3 "Interest rate risk" of the consolidated financial statement as of December 31, 2019.

Advances from factors and banks

Advances from factors and banks relate to advances received from factoring companies or other credit institutions, mainly in Italy, in relation to trade receivables assigned during the period that do not satisfy the criteria for derecognition of the related financial assets.

Net debt

The following table shows the breakdown of net debt of the Group at March 31, 2020 and December 31, 2019, determined in accordance with CONSOB communication dated 28 July 2006 and ESMA/2013/319 Recommendation:

<i>(in thousands of Euro)</i>	At March 31, 2020	At December 31, 2019
A Cash and cash equivalents	(964)	(1,108)
B Cash at bank	(79,873)	(93,738)
C Securities held for trading	-	-
D Liquidity (A+B+C)	(80,837)	(94,846)
E Current financial receivables	(5,243)	(1,994)
F Current loans	67,024	61,699
G Current portion of non-current medium/long-term loans	62,173	66,230
H Other current financial payables	16,022	15,569
I Current indebtedness (F+G+H)	145,219	143,498
J Net current debt (I+E+D)	59,139	46,658
K Non-current medium/long-term loans	190,354	175,001
L Issued bonds	-	-
M Other non-current financial payables	40,224	44,868
N Non-current debt (K+L+M)	230,578	219,869
O Net debt (J+N)	289,717	266,527

6. Contingent liabilities

On May 9, 2011, Massimo Zanetti Beverage U.S.A. Inc., was summoned, along with several other companies operating in the production and marketing of coffee, by the Council for Education and Research on Toxics (CERT), which accused them of failing to include, in the product labels, a warning relating to the presence of a component in coffee allegedly harmful to health (acrylamide), as required by the California Safe Drinking Water and Toxic Enforcement Act of 1986 (Proposition 65). In the first and second stage of the proceedings, the US subsidiary, Massimo Zanetti Beverage U.S.A. Inc., and the defendants summoned in the court case, were unsuccessful. Just before the beginning of the third stage of the proceedings, set for October 15, 2018, the Court of Appeal of California granted the company and the other operators a motion to stay, which resulted in the suspension of the proceedings following a new regulation issued by the government agency in charge of implementing Proposition 65. Under this regulation, the chemicals listed in Proposition 65 and included in coffee as a result of the roasting and preparation process do not pose a significant risk of cancer and, consequently, there is no requirement to communicate their presence. However, in 2019, the CERT summoned the above-mentioned government agency, alleging that it lacked the legal authority to issue such a regulation. Due to the Covid-19 pandemic all judicial activities in the State of California have been suspended. Until this new dispute is resolved, the current proceedings will remain pending. According to management, the entire proceedings will be withdrawn. Consequently, no provisions were accrued in respect of the dispute.

7. Revenue

The tables in this note shows a breakdown of revenue, whose trends are illustrated in the management report.

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

<i>(in thousands of Euro)</i>	Three months ended March 31,	
	2020	2019
Foodservice	43,710	50,239
Mass Market	85,014	80,180
Private Label	78,630	71,896
Other	15,401	15,382
Total	222,755	217,697

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

<i>(in thousands of Euro)</i>	Three months ended March 31,	
	2020	2019
Americas	106,674	96,320
Northern Europe	44,843	45,431
Southern Europe	48,400	53,258
Asia-Pacific and Cafés *	22,838	22,688
Total	222,755	217,697

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

8. Amortization, Depreciation and Impairment

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

<i>(in thousands of Euro)</i>	Three months ended March 31,	
	2020	2019
Depreciation of property, plant and equipment	10,724	9,727
Amortization of intangible assets	1,346	1,270
Depreciation of investment property	31	29
Allowances for doubtful accounts	450	181
Total	12,551	11,207

9. Earnings per share

The following table provides a breakdown of earnings per share:

<i>(in thousands of Euro, unless otherwise indicated)</i>	Three months ended March 31,	
	2020	2019
Average number of ordinary shares	34,300,000	34,300,000
Profit attributable to owners of the Parent	(3,223)	2,350
Basic and diluted earnings per share (in Euro)	(0.09)	0.07

Basic earnings per share and diluted earnings per share were the same for the three months ended March 31, 2020 and 2019 as there were no dilutive effects.

List of companies included in the Consolidated Condensed Interim Financial Statements

Company	Registered office	Reporting date	Share capital		Percentage held as at	
			Currency	Amount (000)	31 March 2020	31 December 2019
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	4,392	100%	100%
Segafredo Zanetti (Brasil) Com. distr. de Café S.A.	Belo Horizonte	December 31	BRL	86,934	100%	100%
Segafredo Zanetti Chile S.A.	Santiago	December 31	CLP	25,000	100%	100%
Segafredo Zanetti Coffee System S.p.A.	Treviso	December 31	EUR	6,000	100%	100%
Segafredo Zanetti CR spol.sro	Praga	December 31	CSK	9,300	100%	100%
Segafredo Zanetti Deutschland GmbH	Monaco	December 31	EUR	1,534	100%	100%
Segafredo Zanetti Espresso Worldwide Ltd.	Ginevra	December 31	CHF	30,000	98%	98%
Segafredo Zanetti Espresso Worldwide Japan Inc.	Tokyo	December 31	YEN	50,000	98%	98%
Segafredo Zanetti France S.A.S.	Rouen	December 31	EUR	8,500	100%	100%
Segafredo Zanetti Hellas S.A.	Atene	December 31	EUR	950	100%	100%
Segafredo Zanetti Hungaria KFT	Budapest	December 31	HUF	46,630	100%	100%
Tiktak/Segafredo Zanetti Nederland BV	Groningen	December 31	EUR	18	100%	100%
Segafredo Zanetti Poland Sp.z.o.o.	Bochnia	December 31	PLN	47,615	100%	100%
Segafredo Zanetti SR Spol S.r.o.	Bratislava	December 31	EUR	200	100%	100%
Segafredo Zanetti Trgovanje s kavo. d.o.o.	Ljubljana	December 31	EUR	651	100%	100%
Brodie Melrose Drysdale & CO Ltd.	Edimburgo	December 31	GBP	244	100%	100%
Brulerie des Cafés Corsica SAS	Ajaccio	December 31	EUR	152	100%	100%
Distribuidora Café Montaña S.A.	San José	December 31	CRC	304,010	100%	100%
Massimo Zanetti Beverage USA Inc.	Suffolk	December 31	USD	73,641	100%	100%
Meira Eesti Oü	Tallin	December 31	EUR	15	100%	100%
Meira Oy Ltd.	Helsinki	December 31	EUR	1,000	100%	100%
Puccinos Worldwide Ltd	Edimburgo	December 31	GBP	0	100%	100%
Massimo Zanetti Beverage Mexico SA de CV (*)	Mazatlán	December 31	MXN	1,806	50%	50%
MZB Cafes USA Inc	Suffolk	December 31	USD	0	100%	100%
Kauai Coffee Company LLC	Hawaii	December 31	USD	0	100%	100%
Massimo Zanetti Beverage USA Food Service LLC	Wilmington	December 31	USD	0	100%	100%
Segafredo Zanetti New Zealand Ltd	Auckland	December 31	NZD	0	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	0	100%	100%
Massimo Zanetti Beverage Services Asia 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%
Massimo Zanetti Beverage Services SRL (*)	Municipiul Brasov	December 31	RON	1	51%	51%
Boncafe Vietnam Company Ltd	Thuan An	December 31	VND	12,268,000	100%	100%
Massimo Zanetti Beverage USA (Canada), Inc.	Suffolk	December 31	USD	0	100%	100%
Massimo Zanetti Beverage Canada Investment ULC	Vancouver	December 31	CAD	0	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	37.09%	37.09%
PT Bon cafe Indonesia	Jakarta	December 31	IDR	2,525,000	67%	67%
Shenzhen Boncafe 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%	100%
Café Pacaembu Ltda	Vargem Grande do Sul	December 31	BRL	11,450	100%	100%
Pacaembu Holding Participações Ltda	Vargem Grande do Sul	December 31	BRL	1,242	100%	100%

(*) Consolidated with equity method

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

<i>(in thousands of Euro)</i>	Three months ended March 31,			
	2020	<i>of which related parties</i>	2019	<i>of which related parties</i>
Revenue	222,755	27	217,697	102
Other income	874	77	1,364	53
Raw, ancillary, and consumable materials and goods	(126,472)	(41,046)	(120,675)	(38,856)
Purchases of services, leases and rentals	(41,869)	(2,425)	(42,399)	(978)
Personnel costs	(40,265)	(1,537)	(37,261)	(1,491)
Other operating costs	(1,652)		(1,381)	
Amortization, depreciation and impairment	(12,551)		(11,207)	
Operating profit	820		6,138	
Finance income	166	5	199	6
Finance costs	(3,873)	(468)	(2,362)	(452)
Share of losses of companies accounted for using the equity method	(164)		(402)	
Profit before tax	(3,051)		3,573	
Income tax expense	(225)		(1,175)	
Profit for the year	(3,276)		2,398	
<i>Profit attributable to:</i>				
<i>Non-controlling interests</i>	(53)		48	
<i>Owners of the Parent</i>	(3,223)		2,350	
Basic and diluted earnings per share (in Euro)	(0.09)		0.07	

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

<i>(in thousands of Euro)</i>	As at March 31,		As at December 31,	
	2020	<i>of which related parties</i>	2019	<i>of which related parties</i>
Intangible assets	217,775		227,016	
Property, plant and equipment	262,995		265,436	
Investment properties	4,903		4,934	
Investments in joint venture	11,258		11,166	
Non-current trade receivables	2,969		2,949	
Deferred tax assets	13,139		12,908	
Other non-current assets	7,781		7,505	
Non-current contract assets	15,592	687	15,010	560
Total non-current assets	536,412		546,924	
Inventories	165,871		154,525	
Trade receivables	124,572	17	114,635	32
Income tax assets	4,369		3,512	
Other current assets	3,111		3,317	
Current contract assets	21,333	184	19,271	133
Cash and cash equivalents	80,837		94,846	
Total current assets	400,093		390,106	
Total assets	936,505		937,030	
Share capital	34,300		34,300	
Other reserves	92,972		103,914	
Retained earnings	194,086		197,308	
Equity attributable to owners of the Parent	321,358		335,522	
Non-controlling interests	1,798		1,885	
Total equity	323,156		337,407	
Non-current borrowings	230,578	445	219,869	465
Employee benefits	10,187		10,491	
Other non-current provisions	2,981		3,039	
Deferred tax liabilities	29,151		29,205	
Other non-current liabilities	406		418	
Non-current contract liabilities	3,352		3,627	
Total non-current liabilities	276,655		266,649	
Current borrowings	145,219	59	143,498	58
Trade payables	158,664	46,217	155,238	41,926
Income tax liabilities	2,489		2,531	
Other current liabilities	1,434		1,817	
Current contract liabilities	28,888		29,890	
Total current liabilities	336,694		332,974	
Total liabilities	613,349		599,623	
Total equity and liabilities	936,505		937,030	

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

<i>(in thousands of Euro)</i>	Three months ended March 31,			
	2019	<i>of which related parties</i>	2018	<i>of which related parties</i>
Profit before tax	(3,051)		3,573	
Adjustments for:				
Amortization, depreciation and impairment	12,551		11,207	
Provisions for employee benefits and other charges	137		28	
Finance costs	3,707	463	2,163	446
Other non-monetary items	(419)		(399)	
Net cash generated from operating activities before changes in net working capital	12,925		16,572	
Changes in inventories	(9,798)		(11,514)	
Changes in trade receivables	(9,517)	15	2,966	(14)
Changes in trade payables	1,890	4,291	(1,169)	(2,515)
Changes in other assets/liabilities	(4,060)	(178)	(2,461)	(76)
Payments of employee benefits	(273)		(254)	
Interest paid	(2,212)	(468)	(1,758)	(452)
Income tax paid	(1,013)		(899)	
Net cash generated from operating activities	(12,058)		1,483	
Acquisition of subsidiary, net of cash acquired	(1,003)		(21,737)	
Purchase of property, plant and equipment	(8,768)		(6,175)	
Purchase of intangible assets	(971)		(1,088)	
Proceeds from sale of property, plant and equipment	279		173	
Changes in financial receivables	-		16	
Investments in joint ventures and associates	-		(540)	
Changes in financial receivables	(2,907)		(1,867)	
Interest received	16		32	
Net cash used in investing activities	(13,354)		(31,186)	
Proceeds from long-term borrowings	25,000		41,432	
Repayment of long-term borrowings	(14,283)		(12,636)	
Increase / (decrease) in short-term borrowings	4,192		5,580	
Changes in lease receivable and liabilities	(3,066)	(26)	(2,243)	(26)
Net cash generated/(used in) from financing activities	11,843		32,133	
Exchange gains/(losses) on cash and cash equivalents	(440)		793	
Net increase/(decrease) in cash and cash equivalents	(14,009)		3,223	
Cash and cash equivalents at the beginning of the period	94,846		93,491	
Cash and cash equivalents at the end of the period	80,837		96,714	

Declaration of the Manager on the Interim Report as at March 31, 2019 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 March 31, 2020 corresponds to the underlying documentary and accounting records.

Villorba (TV), May 14, 2020

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

A handwritten signature in blue ink, appearing to read 'Leonardo Rossi', written in a cursive style.