HALF-YEAR FINANCIAL REPORT

for the six months ended June 30, 2020

MASSIMO ZANETTI
BEVERAGE GROUP

Table of Contents

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 Dutkiewcz (**)
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 Appointment and Remuneration Committee
(2) Member of the Appointment and Remuneration Committee
(3) Chairman of the Audit and Risk Committee
(4) Member of the Audit and Risk Committee

Board of Statutory Auditors

Fabio Facchini
Chairman

Simona Gnudi
Standing Auditor

Franco Squizzato
Standing Auditor

Cristina Mirri
Alternate Auditor

Alberto Piombo
Alternate Auditor

Corporate Reporting Manager

Leonardo Rossi

Independent Auditors

PricewaterhouseCoopers S.p.A.

DISCLAIMER

The document includes certain information considered to be "forward-looking statements" which are statements of expectation or belief, and therefore are not historical fact. By their very nature, they involve inherent risks and uncertainties, both general and specific, because they depend on the occurrence of future events and developments outside of the control of the Company. The actual results could therefore differ materially from the plans, objectives, expectations, estimates and intentions expressed in the forward-looking statements. Forward-looking statements use information available as at the date on which they are made, therefore Massimo Zanetti Beverage Group S.p.A. does not undertake any obligation to update or revise any of these after that date, whether as a result of new information, future events or otherwise, other than as required by applicable laws or regulations. The forward-looking statements do not represent and should not be considered to constitute legal, accounting, tax or investment advice of any kind, nor may the stakeholders rely on the same in any way to make investments of any kind.

INTERIM REPORT

Introduction

With reference to the six months ended June 30, 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 the period, and the significant events that have occurred affecting the results for the period.

Structure and Operations of the Group

Massimo Zanetti Beverage Group S.p.A. (the "**Company**") and its subsidiaries (together referred to as the "**Group**" or "**MZB Group**") are international players in the production and sale of roasted coffee. In order to support its core business, the MZB Group also produces and sells (or grants free use of) coffee machines and coffee equipment for use in the home, the workplace and professional offices. The Group also operates an international network of cafés (primarily under a franchise model). To complement its range of products, the MZB Group sells certain selected colonial products (primarily tea, cocoa and spices) and other food products (including sauces, sugar, chocolates and biscuits). Finally, the MZB Group sells certain goods and services (such as green coffee), that are related to its core business.

The Group sells roasted coffee and related products, primarily in the following three sales channels, which are monitored separately by Management: i) Mass Market, ii) Food Service, and iii) Private Label.

Customers in the Mass Market channel are businesses which buy and sell food and drinks for domestic consumption (typically local shops, hyper and supermarkets chains (Large-Scale Retail Channel), door-to-door salesmen and the so-called cash & carry).

Customers in the Food Service channel are businesses which buy and sell food and drinks for consumption outside the home (typically coffee shops, bars and cafés, restaurants, hotels, franchising chains, licensing chains, chains of road and highway service stations, on-board catering companies, as well as cafeterias, schools, hospitals, catering and vending machine companies).

Customers in the Private Label are customers from both the Mass Market or Food Service channels that sell food and drinks produced and supplied by third parties under their own brands.

The Group operates mainly in: Italy, the USA, France, Finland, Portugal, Germany and Austria. The Group is also present, to a lesser extent, in other countries such as the Netherlands, Poland, Switzerland, Belgium, Czech Republic, Denmark, Greece, Hungary, Slovakia, Slovenia, United Kingdom, Estonia, Croatia, Brazil, Argentina, Chile, Costa Rica, Mexico, Japan, Australia, New Zealand, Thailand, Malaysia, United Arab Emirates and Singapore.

The structure of the Group is defined by geographic area, product line and distribution channel. The top management periodically reviews the results to make decisions, allocate resources and define the strategy of the Group based on a single vision of the business, which, therefore, is represented by a single operating segment.

Results of operations

Introduction

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

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

Results of operations for the six months ended June 30, 2020

Impact of coronavirus on Group economic- financial performance

In 2020 the emergency due to the coronavirus (hereinafter "Covid-19"), which originated in China, gradually spread to the rest of the world, and was defined as a "pandemic situation" by the World Health Organization in March 2020.
The health emergency had profound negative repercussions on the Italian and global economy, whose extent remains uncertain and whose scope is difficult to predict. In the specific case of the Group, the health crisis had impacts on its business and its financial performance.

In particular, the main impacts of Covid-19 on financial performance in the first half of 2020 included a significant decline in revenue in the Food Service channel, primarily in Europe, with repercussions on the Group's overall profitability due to the different mix of channels and products compared to the same period of 2019. Within this scenario, the management increased its estimate of the expected losses on trade receivables, with particular regard to the Food Service channel. The impact of the pandemic on the Group's profitability also prevented compliance with some of the financial covenants applicable to some loan agreements, resulting in the enforcement of the acceleration clause, but not in a request for early repayment from the lending banks. The Group promptly entered into negotiations seeking the waiver and/or amendment of the contractual terms relating to the covenants concerned.

The following table sets forth the reclassified consolidated income statement for the six months ended June 30 in 2020 and in 2019:

	Six months ended June 30,				Change	
(in thousands of Euro)	**2020**	**(*)**	**2019(**)**	**(*)**	**2020-2019**	
Revenue	404,029	100.0%	439,450	100.0%	(35,421)	-8.1%
Raw, ancillary, and consumable materials and goods	(234,540)	-58.1%	(242,997)	-55.3%	8,457	-3.5%
Gross Profit[(1)]	**169,489**	**41.9%**	**196,453**	**44.7%**	**(26,964)**	**-13.7%**
Purchases of services, leases and rentals	(78,321)	-19.4%	(84,724)	-19.3%	6,403	-7.6%
Personnel costs	(76,467)	-18.9%	(76,546)	-17.4%	79	-0.1%
Other operating costs, net[(2)]	(896)	-0.2%	(199)	0.0%	(697)	>100%
Impairment[(3)]	(1,899)	-0.5%	(1,080)	-0.2%	(819)	75.8%
EBITDA[(1)]	**11,906**	**2.9%**	**33,904**	**7.7%**	**(21,998)**	**-64.9%**
Non recurring items	2,811	0.7%	1,791	0.4%	1,020	57.0%
EBITDA Adjusted[(1)]	**14,717**	**3.6%**	**35,695**	**8.1%**	**(20,978)**	**-58.8%**
Depreciation and amortization[(4)]	(24,333)	-6.0%	(22,216)	-5.1%	(2,117)	9.5%
Operating result	**(12,427)**	**-3.1%**	**11,688**	**2.7%**	**(24,115)**	**< -100%**
Net finance costs[(5)]	(5,098)	-1.3%	(5,039)	-1.1%	(59)	1.2%
Share of losses of companies accounted for using the equity method	(322)	-0.1%	(1,055)	-0.2%	733	-69.5%
Result before tax	**(17,847)**	**-4.4%**	**5,594**	**1.3%**	**(23,441)**	**< -100%**
Income tax expense	886	0.2%	(2,137)	-0.5%	3,023	< -100%
Result of the period	**(16,961)**	**-4.2%**	**3,457**	**0.8%**	**(20,418)**	**< -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 amortization of intangible assets and depreciation of property, plant and equipment and investment properties
(5) Includes finance income and finance costs

Revenue

Revenue amounted to Euro 404,029 thousand for the six months ended June 30, 2020, decrease of Euro 35,421 thousand (-8.1%) compared to the six months ended June 30, 2019. The decrease is mainly due to Covid-19 pandemic and the relatives restrictive measures carry out by governments worldwide, which had a significant impact in the decrease of selling price of roasted coffee and other products (-9.4%), both for the different mix of sales channels and for the trend of the green coffee price markets. This trend has been partially compensated with the higher volume sold of roasted coffee (+0.9%) and the exchange rate impact, mainly due to the fluctuations of the US dollar (+0.4 %).
Net of the impact of exchange rates, the change in revenue is mainly due to the reduction in “sales of roasted coffee”, which declined by Euro 28,255 thousand (-7,5%). This decrease was mainly due to the decline in the sales prices of roasted coffee, in turn a consequence of the impact of the Covid-19 pandemic on the channel and product mix in the first six months of 2020, in addition to the reduction in the average purchase price of green coffee, which drove a decrease in revenue of 8.5%. In particular, the restrictive measures taken by national governments affecting the business segments in which the Group’s customers operate considerably altered the channel and product mix historically reported by the individual companies, which saw their revenue share in the Food Service channel decline considerably.

The volumes of roasted coffee sold, equal to 62.7 thousand tons for the six months ended June 30, 2020, are higher than the same period of 2019 (+1.0%). This is a result of a positive impact from the Americas (+3.3 thousand tons), mainly in Mass Market channel and Northern Europe with a slightly increase (+0.1 thousand tons). Asia-Pacific and Cafés area (-0.3 thousand tons) and Southern Europe (-2.5 thousand tons) shows a decrease in the Food Service and Private Label channels.

The following table provides a breakdown of revenue for the six months ended June 30, 2020 and 2019, by sales channel:

	Six months ended June 30,				Change	
(in thousands of Euro)	**2020**	**(*)**	**2019**	**(*)**	**2020-2019**	
Food Service	65,198	16.1%	105,346	24.0%	(40,148)	-38.1%
Mass Market	172,024	42.6%	155,098	35.3%	16,926	10.9%
Private Label	141,231	35.0%	147,521	33.5%	(6,290)	-4.3%
Other	25,576	6.3%	31,485	7.2%	(5,909)	-18.8%
Total	**404,029**	**100.0%**	**439,450**	**100.0**	**(35,421)**	**-8.1%**

(*) Percentage of revenue.

The following table provides a breakdown of revenue for the six months ended June 30, 2020 and 2019, by geographical area:

	Six months ended June 30,				Change	
(in thousands of Euro)	**2020**	**(*)**	**2019**	**(*)**	**2020-2019**	
Americas	202,672	50.2%	193,787	44.1%	8,885	4.6%
Northern Europe	80,513	19.9%	87,715	20.0%	(7,202)	-8.2%
Southern Europe	82,520	20.4%	111,369	25.3%	(28,849)	-25.9%
Asia-Pacific and Cafés (**)	38,324	9.5%	46,579	10.6%	(8,255)	-17.7%
Total	**404,029**	**100.0%**	**439,450**	**100.0%**	**(35,421)**	**-8.1%**

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

Gross profit

Gross Profit equal to Euro 169,489 thousand for the six months ended June 30, 2020, shows a decrease of Euro 26,964 thousand (-13.7%) compared to the six months ended June 30, 2019. This is due to:

- the decrease in Gross Profit due to the sale of roasted coffee and other products (-14.0%) refers to the impact of Covid-19;
- the impact of foreign currency exchange rate fluctuations (+0.3%);

Excluding the impact of exchange rate fluctuations, Gross Profit decreases by Euro 27,510 thousand (-14.0%), mainly due to the negative contribution of the roasted coffee sales (-10.6%) and of other products sales (-3.4%).
The performance of Gross Profit from the sale of roasted coffee (-13.0%) is mainly due to the impact of the aforementioned pandemic on the mix of products and sales channels in 2020, besides the impact deriving from trends in sales and purchase prices respectively of roasted and green coffee (-14.0%) partially offset by the increase in volumes sold (+1.0%).

EBITDA and EBITDA Adjusted

The following table provides a reconciliation between EBITDA and profit for the six months ended June 30, 2020 and 2019:

	Six months ended June 30,				Change	
(in thousands of Euro)	**2020**	**(*)**	**2019**	**(*)**	**2020-2019**	
Result of the period	(16,961)	-4.2%	3,457	0.8%	(20,418)	< -100%
Income tax expense	(886)	-0.2%	2,137	0.5%	(3,023)	< -100%
Finance costs	5,443	1.3%	5,412	1.2%	31	0.6%
Finance income	(345)	-0.1%	(373)	-0.1%	28	-7.5%
Share of losses of companies accounted for using the equity method	322	0.1%	1,055	0.2%	(733)	-69.5%
Depreciation and amortization [1]	24,333	6.0%	22,216	5.1%	2,117	9.5%
EBITDA [2]	**11,906**	**2.9%**	**33,904**	**7.7%**	**(21,998)**	**-64.9%**

(*) 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 11,906 thousand for the six months ended June 30, 2020 showed a decrease of Euro 21,998 thousand (-64.9%) compared to six months ended June 30, 2019 (Euro 33.904 thousand).
In addition to the aforementioned factors impacting *Gross Profit*, this result is mainly due to the decrease of operating expenses, of Euro 5,427 thousand (net of negative impact of foreign currency exchange rate for Euro 461 thousand) and connected substantially to lower cost for services (in particular travel expenses, agents' fees and maintenance costs), partially offset by the increase in receivables impairment and other operating costs. Personnel costs are stable compared with previous year.

The following table provides a reconciliation between EBITDA and EBITDA Adjusted for the six months ended June 30, 2020 and 2019:

	Six months ended June 30,				Change	
(in thousands of Euro)	**2020**	**(*)**	**2019**	**(*)**	**2020-2019**	
EBITDA[1]	11,906	2.9%	33,904	7.7%	(21,998)	-64.9%
Non recurring costs	2,811	0.7%	1,791	0.4%	1,020	57.0%
EBITDA Adjusted[1]	**14,717**	**3.6%**	**35,695**	**8.1%**	**(20,978)**	**-58.8%**

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

During the first six months of 2020, the Group incurred non-recurring costs of 2,811 thousand mainly related to efficiency projects in America as well as the accrual to the bad debt provision made exceptionally to take into account the likely impacts of potential credit loss due to the Covid-19 pandemic.

During the first six months of 2019 the Group incurred non-recurring costs of Euro 1,791 thousand, mainly related to reorganisation plans launched at the subsidiaries as well as the re-launch of the Segafredo Zanetti brand in the Mass Market channel in Italy.

Operating result

The **Operating result** is negative for Euro 12,427 thousand for the six months ended June 30, 2020, shows a decrease of Euro 24,115 thousand compared to the six months ended June 30, 2019 (positive for Euro 11,688 thousand). In addition to what previously described for EBITDA, this decrease is attributable to the increase in amortisation and depreciation, equal to Euro 2,117 thousand.

Result of the period

The **Result of the period** is negative for Euro 16,961 thousand for the six months ended June 30, 2020, decrease of Euro 20,418 thousand compared to the six months ended June 30, 2019. In addition to what was previously described for the operating result, this decrease is also due to the combined effect of:

- the decrease in the shares of losses of companies accounted for using the equity method, amounting to Euro 733 thousand;
- the decrease in income taxes amounting to Euro 3,023 thousand, mainly due to the decrease of taxable income generated by the Group in the six months ended June 30, 2020 compared to 2019.

Reclassified statement of financial position

The following table shows the reclassified statement of financial position at June 30, 2020 and at December 31, 2019.

	As of June 30,	**As of December 31,**
(in thousands of Euro)	**2020**	**2019**
Investments:		
Intangible assets	218,804	227,016
Property, plant and equipment and investment properties (1)	262,644	270,370
Investments in joint ventures and associates	10,857	11,166
Non-current trade receivables	2,907	2,949
Deferred tax assets and other non-current assets (2)	38,178	35,423
Non-current assets (A)	**533,390**	**546,924**
Net working capital (B)(3)	**96,932**	**103,790**
Employee benefits	(10,381)	(10,491)
Other non-current provisions	(2,973)	(3,039)
Deferred tax liabilities and other non-current liabilities (4)	(31,758)	(33,250)
Non-current liabilities (C)	**(45,112)**	**(46,780)**
Net invested capital (A+B+C)	**585,210**	**603,934**
Sources:		
Equity	297,885	337,407
Net Financial Debt	287,325	266,527
Sources of financing	**585,210**	**603,934**

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

The following table shows the breakdown of the Group's Net Working Capital at June 30, 2020 and at December 31, 2019:

(in thousands of Euro)	**As of June 30, 2020**	**As of December 31, 2019**
Inventories	174,521	154,525
Trade receivables	83,938	114,635
Income tax assets	3,474	3,512
Other current assets (1)	14,014	20,594
Trade payables	(139,204)	(155,238)
Income tax liabilities	(2,242)	(2,531)
Other current liabilities	(37,569)	(31,707)
Net working capital (2)	**96,932**	**103,790**

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

Reclassified cash flow statement

The following table shows the reclassified cash flow statement for the six months ended June 30, 2020 and 2019:

	Six months ended June 30,	
(in thousands of Euro)	**2020**	**2019**
EBITDA Adjusted (1)	**14,717**	**35,695**
Non-recurring Items	(914)	(2,064)
Changes in Net Working Capital	(8,322)	(10,293)
Net recurring investments (2)	(15,644)	(16,474)
Income tax paid	(1,459)	(3,420)
Other operating items (3)	2,164	1,485
Free Cash Flow (1)	**(9,458)**	**4,929**
Net non-recurring investments (4)	(1,616)	(22,256)
Investments in financial receivables (5)	(7,618)	1,455
Interest paid	(3,404)	(3,491)
Net cash generated from financing activities	36,808	23,319
Net cash outflow from leasing accounted under IFRS 16	(5,726)	(4,930)
Dividends paid	(6,517)	(6,657)
Exchange gains/(losses) on cash and cash equivalents	(824)	383
Net increase in cash and cash equivalents	**1,645**	**(7,248)**
Cash and cash equivalents at the beginning of the period	94,846	93,491
Cash and cash equivalents at the end of the period	**96,491**	**86,243**

(1) For additional information, refer to the "Non-GAAP" alternative performance indicators section.
(2) Net recurring investments include purchases of property, plant and equipment and intangible assets, excluding asset deals
(3) Other operating items mainly include non-monetary income statement items not included in the EBITDA
(4) Net non-recurring investments include business combinations, including those under joint-control and asset deals
(5) Investments in financial receivables include the variations in financial receivables and interest received

Free Cash Flow is negative for Euro 9,458 thousand in the six months ended June 30, 2020, compared with a positive value of Euro 4,929 thousand in the six months ended June 30, 2019.

This change is linked to the decrease in adjusted EBITDA as previously explained, partially offset by a decrease in net recurring investments, taxes paid and changes in net working capital.

The following table shows the breakdown of changes in Net Working Capital for the six months ended June 30, 2020 and 2019:

	Six months ended June 30,	
(in thousands of Euro)	**2020**	**2019**
Changes in inventories	(19,915)	(15,192)
Changes in trade receivables	29,147	2,192
Changes in trade payables	(16,408)	4,831
Changes in other assets/liabilities	(755)	(1,730)
Payments of employee benefits	(391)	(394)
Changes in net working capital	**(8,322)**	**(10,293)**

Changes in Net Working Capital is negative for Euro 8,322 thousand for the six months ended June 30, 2020 and Euro 10,293 thousand for the six months ended June 30, 2019. The difference is mainly due to:

- changes in inventories, negative for Euro 19,915 thousand, reflecting the higher volumes of stocks of raw materials and finished products, in line with the sales of green coffee expected for the next months;
- changes in trade receivables, positive for Euro 29,147 thousand, mainly reflecting the trends of revenues for the period as described in the specific paragraph;
- changes in trade payables, negative for Euro 16,408 thousand.

Net recurring investments amounted to Euro 15,644 thousand for the six months ended June 30, 2020, with a decrease of Euro 830 thousand compared to the six months ended June 30, 2019 and refers to capital expenditure on intangible asset mainly related to the implementation of the Group ERP and to capital expenditure on tangible asset principally related to bar equipment and asset under construction.

Net non-recurring investments amounted to Euro 1,616 thousand and Euro 22,256 thousand for the six months ended June 30, 2020 and 2019, respectively.

During the first half of 2020, the first tranche of the earn-out relating to the acquisition of the group of companies The Bean Alliance Group PTY, which took place last year, was paid for Euro 1,616 thousand as reported in the following paragraph.

In the first six months of 2019 non-recurring investments refers to the acquisitions of the business and asset of a group of companies based in Melbourne known as “The Bean Alliance” and of “Cafès Nandi SA” and “Multicafès Industria de Cafè” in Portugal, for a total amount of Euro 20,756 thousand. Refers to paragraph *“*Capital expenditure*”* for more details.

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

Financing activities generated cash for Euro 36,808 thousand in the six months ended June 30, 2020 and Euro 23,319 thousand in the six months ended June 30, 2019. The cash generated in the six months ended June 30, 2020 is mainly due to the combined effect of:

- cash collected through new issues of long-term loans amounting to Euro 20,951 thousand, net of the repayment of the instalments due;
- the increase in short-term loans of Euro 15,857 thousand.

Net cash outflow from leasing accounted under IFRS 16 equal to Euro 5,726 thousand represents the outflows of the Group for those leases accounted as finance under IFRS 16.

Net Debt

The following table shows the breakdown of net financial debt of the Group at June 30, 2020 and at December 31, 2019, determined in accordance with the CONSOB Communication dated July 28, 2006, and in compliance with the ESMA Recommendation 2013/319:

		As of June 30,	As of December 31,
(in thousands of Euro)		**2020**	**2019**
A	Cash and cash equivalents	(854)	(1,108)
B	Cash at bank	(95,637)	(93,738)
C	Securities held for trading	-	-
D	**Liquidity (A+B+C)**	**(96,491)**	**(94,846)**
E	**Current financial receivables**	**(9,605)**	**(1,994)**
F	Current loans	76,896	61,699
G	Current portion of non-current medium/long-term loans	133,099	66,230
H	Other current financial payables	15,736	15,569
I	**Current debt (F+G+H)**	**225,731**	**143,498**
J	**Net current debt (I+E+D)**	**119,635**	**46,658**
K	Non-current medium/long-term loans	128,869	175,001
L	Issued bonds	-	-
M	Other non-current financial payables	38,821	44,868
N	**Non-current debt (K+L+M)**	**167,690**	**219,869**
O	**Net financial debt (J+N)**	**287,325**	**266,527**

Net Debt amounted to Euro 287,325 thousand at June 30, 2020, and increase of Euro 20,798 compared to December 31, 2019. This increase is mainly due to the combined effect of the following:

- Free Cash Flow negatively impacting for Euro 9,458 thousand in the six months ended June 30, 2020;
- dividends paid amounting to Euro 6,517 thousand;
- interest paid of Euro 3,404 thousand for the six months ended June 30, 2020;
- the Euro/USD foreign currency exchange rate impact and other non-cash items.

The change in the current and non-current portions of financial indebtedness compared to December 31, 2019 was mainly due to the loss of the right to postpone the payment of some loans beyond 12 months, as a result of failure to comply with some covenants. The Group began discussions to renegotiate these covenants with the institutions concerned, although there have not yet been any requests for early repayment. For further information, please refer to Note 11 "*Current and non-current borrowings*".

Capital expenditure

The following table sets forth capital expenditure in business combinations, property, plant and equipment and intangible assets for the six months ended June 30, 2020 and 2019:

	Six months ended June 30,			
(in thousands of Euro)	2020		2019	
	Capital expenditure	Cash-out	Capital expenditure	Cash-out
Business combinations, including those under common control	-	1,616	27,160	20,756
Investments in associates	-	-	1,500	1,500
Intangible assets	2,160	2,160	2,729	2,729
Property, plant and equipment	16,274	14,045	19,309	14,189
Total non-current assets	**18,434**	**17,821**	**50,698**	**39,174**

Business combinations, including transactions under common control

During the first half of 2020, the first tranche of the earn-out relating to the acquisition of the group of companies The Bean Alliance Group PTY, which took place last year, was paid for Euro 1,616 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” strengthening its presence in the Australian market. The purchase price of Euro 20,585 thousand, includes the potential earn-out to be paid in three annual instalments, starting from January 31, 2020, on the occurrence of specific annual qualitative and quantitative targets.

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

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

Investments in associates

There were no investments in associated in the first half of 2020.

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

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

Property, plant and equipment

Capital expenditure in property, plant and equipment for the six months ended June 30, 2020 mainly relates to bar equipment and assets under construction, amounting to Euro 6,040 thousand and Euro 5,867 thousand, respectively. This latter refers principally to the reorganization of the Portuguese subsidiary’s production following the acquisition done last year.

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

Intangible assets

Capital expenditure in intangible assets for the six months ended June 30, 2020 and 2019 are equal to Euro 2,160 thousand and Euro 2,729 thousand respectively. The capital expenditure in intangible asset mainly refers to the increase of asset under construction related principally to the implementation of the Group ERP (Euro 1,786 thousand at June 30, 2020 and Euro 1,536 thousand at June 30, 2019).

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

Key events for the six months ended June 30, 2020

In addition to the spread of the pandemic from Covid-19 during the first half of 2020, the main significant events are reported below:

- 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 25,000 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;

- Starting from February 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;
  - a standstill period of six month on the reimbursement of medium-term loan subscribed in 2018 with Friuladria, moving the original deadline to December 2020.

- During the first half 2020 the Group payed 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 1,616 thousand;

- In March 2020, within the scope of the ordinary fund-raising activities, the subsidiaries Massimo Zanetti Bevarage Iberia S.A. entered into a medium-to-long term loan agreement with Banco Comercial Portugues for an overall amount of Euro 3,000 thousand of which only Euro 2,001 thousand has been collected;

- 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:
  - appointed Mara Vanzetta as Lead Independent Director;
  - 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 12-month standstill on the reimbursement of the medium-term loan subscribed with Banco Popolare di Milano;

- In April 2020, within the scope of the ordinary fund-raising activities, the subsidiaries Segafredo Zanetti S.p.A. entered into a medium-to-long term loan agreement with Credito Emiliano for an overall amount of Euro 5,000 thousand;

- In June 2020, within the scope of the ordinary fund-raising activities, the subsidiaries Segafredo Zanetti S.p.A. entered into a medium-to-long term loan agreement with Monte dei Paschi di Siena for an overall amount of Euro 10,000 thousand reaching maturity in 2025.

Subsequent events

On August 1, 2020 the merger by incorporation of Segafredo Zanetti Brasil Comercial e Distribudora de Cafè S.A. in Cafè Pacaembu Ltda was completed. The incorporate company was called Massimo Zanetti Beverage Brasil. The merger does not have retrospective impacts.

Segafredo Zanetti Colombia S.A.S. was established on July 16, 2020, a branch of the group that will allow direct access to the Colombian market.

Business outlook

In the second half of the year, in view of both the Covid-19 health emergency, which characterized the first half of 2020 and had a severe impact on the national and global markets and economy, and the current constantly-evolving scenario, characterized by extreme uncertainty surrounding the possible development of the pandemic, the global economic outlook presents significant elements of fragility.

The potential future impacts of the Covid-19 pandemic on the Group, as set out above, appear attributable to an increase in uncertainty regarding certain elements, such as: *i)* the development of business and turnover in the Food Service channel; *ii)* the recoverability of receivables, with particular regard to the Food Service channel; and *iii)* liquidity management.

Since the outbreak of the health emergency, the Group has intensified its monitoring of these areas to ensure that risk profiles are promptly identified, and corrective measures are assessed. Without prejudice to the uncertainty surrounding the prospective impacts of the health emergency, and in particular on the areas described above, the Group currently deems it prudent not to provide updated financial guidance after communicating to the market the suspension of its guidance on April 23, 2020.

"Non-GAAP" alternative performance indicators

Company management evaluates the performance of the Group using certain financial and operating indicators not required by IFRS. In particular, EBITDA, which is appropriately adjusted when conditions apply, is used as a primary indicator of profitability, since it allows analysis of the profit margin of the Group, eliminating the effects of volatility due to non-recurring items or items unrelated to ordinary operations.

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

- Gross Profit is defined by the Group as the difference between Revenue and Purchases of Raw, ancillary, and consumable materials and goods;
- Gross Margin is defined by the Group as the ratio of Gross Profit to Revenue;
- EBITDA is defined by the Group as the profit for the period adjusted to exclude amortization and depreciation, financial income and costs, income tax expense and losses for the period from discontinued operations;
- EBITDA Margin is defined as the ratio of EBITDA to Revenue;
- Adjusted EBITDA is defined by the Group as EBITDA adjusted for non-recurring items;
- Adjusted EBITDA Margin is defined by the Group as the ratio of Adjusted EBITDA to Revenue;
- Net Working Capital is calculated as the sum of inventories, trade receivables, income tax receivables, current contract assets and other current assets (excluding financial assets), net of trade payables, income tax liabilities, current contract liabilities and other current liabilities;
- Net Invested Capital is defined by the Group as the sum of non-current assets, non-current liabilities and Net Working Capital;
- Free Cash Flow is defined by the Group as the sum of EBITDA, changes in Net Working Capital, net recurring investments, income tax paid and other operating items.

Unusual transactions and/or events

No significant unusual transactions and/or events occurred in the period which have an impact on the Group's results of operations or financial position.

Treasury shares

The Company does not own nor has owned in the period treasury shares or shareholdings in parent companies, including through third parties or trust companies, and therefore, has not carried out any sales and purchase transactions for such shares and/or shareholdings.

Related-party transactions

For details regarding related-party transactions for the six months ended June 30, 2020, please refer to Note 28 – "*Related-Party Transactions*" of the notes to the consolidated condensed interim financial statements at June 30, 2020.

In accordance with the regulations on transactions with related parties introduced pursuant to Consob Resolution no. 17221 dated March 12, 2010 as subsequently amended and integrated, the Company has adopted the procedure governing related-party transactions.

The aforementioned procedure was approved by the Board of Directors of the Company on July 15, 2014 and amended on February 27, 2015, on August 28, 2015 and on June 18, 2018 with the approval of the Transaction with 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.

CONSOLIDATED CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2020

Consolidated Condensed Interim Income Statement

(in thousands of Euro)	**Note**	**Six months ended June 30,**	
		2020	**2019***
Revenue	**19**	404,029	439,450
Other income		1,883	2,720
Purchase of goods	**20**	(234,540)	(242,997)
Purchases of services, leases and rentals	**21**	(78,321)	(84,724)
Personnel costs	**22**	(76,467)	(76,546)
Other operating costs	**23**	(2,779)	(2,919)
Amortization, depreciation and impairment	**24**	(26,232)	(23,296)
Operating (loss)/profit		**(12,427)**	**11,688**
Finance income	**25**	345	373
Finance costs	**25**	(5,443)	(5,412)
Share of losses of companies accounted for using the equity method		(322)	(1,055)
(Loss)/profit before tax		**(17,847)**	**5,594**
Income tax expense	**26**	886	(2,137)
(Loss)/profit for the period		**(16,961)**	**3,457**
(Loss)/Profit attributable to:			
Non-controlling interests		(89)	*85*
Owners of the parent		*(16,872)*	*3,372*
Basic/diluted earnings per share (in Euro)	**27**	**(0.49)**	**0.10**

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

Consolidated Condensed Interim Statement of Comprehensive Income

	Six months ended June 30,	
(in thousands of Euro)	**2020**	**2019**
(Loss)/profit for the period	**(16,961)**	**3,457**
Gains/(Losses) from cash flow hedges	(5,146)	1,704
Currency translation differences	(10,812)	3,679
Items that may be subsequently reclassified to profit or loss	**(15,957)**	**5,383**
Remeasurements of employee benefit obligations	(86)	(140)
Items that will not be reclassified to profit or loss	**(86)**	**(140)**
Total comprehensive (loss)/income for the period	**(33,004)**	**8,700**
Comprehensive income attributable to non-controlling interests	(98)	85
Comprehensive (loss)/income attributable to owners of the parent	**(32,906)**	**8,615**

Consolidated Condensed interim statement of financial position

(in thousands of Euro)	Note	As of June 30, 2020	As of December 31, 2019
Intangible assets	**10**	218,804	227,016
Property, plant and equipment	**11**	257,773	265,436
Investment properties		4,871	4,934
Investments in joint ventures and associates	**12**	10,857	11,166
Non-current trade receivables	**13**	2,907	2,949
Deferred tax assets		14,847	12,908
Non-current contract assets		8,314	7,505
Other non-current assets		15,017	15,010
Total non-current assets		**533,390**	**546,924**
Inventories		174,521	154,525
Trade receivables	**13**	83,938	114,635
Income tax assets		3,474	3,512
Current contract assets		2,493	3,317
Other current assets		21,126	19,271
Cash and cash equivalents		96,491	94,846
Total current assets		**382,043**	**390,106**
Total assets		**915,433**	**937,030**
Share capital		34,300	34,300
Other reserves		88,433	103,914
Retained earnings		173,365	197,308
Total equity attributable to owners of the Parent		**296,098**	**335,522**
Non-controlling interests		1,787	1,885
Total equity	**14**	**297,885**	**337,407**
Non-current borrowings	**15**	167,690	219,869
Employee benefits		10,381	10,491
Other non-current provisions	**16**	2,973	3,039
Deferred tax liabilities		27,472	29,205
Non-current contract liabilities		367	418
Other non-current liabilities	**17**	3,919	3,627
Total non-current liabilities		**212,802**	**266,649**
Current borrowings	**15**	225,731	143,498
Trade payables		139,204	155,238
Income tax liabilities		2,242	2,531
Current contract liabilities		1,818	1,817
Other current liabilities	**17**	35,751	29,890
Total current liabilities		**404,746**	**332,974**
Total liabilities		**617,548**	**599,623**
Total equity and liabilities		**915,433**	**937,030**

Consolidated Condensed Interim Statement of Cash Flows

(in thousands of Euro)	Note	Six months ended June 30, 2020	Six months ended June 30, 2019
Result before tax		**(17,847)**	**5,594**
Adjustments for:			
Amortization, depreciation and impairment	**24**	26,232	23,296
Provisions for employee benefits and other charges		236	376
Finance costs	**25**	5,098	5,039
Other non-monetary items		2,248	811
Net cash generated from operating activities before changes in net working capital		**15,967**	**35,116**
Decrease/(Increase) in inventories		(19,915)	(15,192)
Decrease/(Increase) in trade receivables		29,147	2,192
Increase/(Decrease) in trade payables		(16,408)	4,831
Changes in other assets/liabilities		(755)	(1,730)
Payments of employee benefits		(391)	(394)
Interest paid		(3,404)	(3,491)
Income tax paid		(1,459)	(3,420)
Net cash generated from / (used in) operating activities		**2,782**	**17,912**
Acquisition of subsidiary, net of cash acquired		(1,616)	(20,756)
Purchase of property, plant and equipment	**11**	(14,045)	(14,189)
Purchase of intangible assets	**10**	(2,160)	(2,729)
Proceeds from sale of property, plant and equipment	**11**	555	428
Proceeds from sale of intangible assets	**10**	6	16
Investments in joint ventures and associates	**12**	-	(1,500)
Changes in financial receivables		(7,674)	1,384
Interest received		56	71
Net cash used in investing activities		**(24,878)**	**(37,275)**
Proceeds from long-term borrowings	**15**	42,001	41,345
Repayment of long-term borrowings	**15**	(21,050)	(22,220)
Increase / (decrease) in short-term borrowings	**14**	15,857	4,194
Changes in lease receivable and liabilities	**15**	(5,726)	(4,930)
Dividends paid		(6,517)	(6,657)
Net cash generated from / (used in) financing activities		**24,565**	**11,732**
Exchange gains/(losses) on cash and cash equivalents		(824)	383
Net increase (decrease) in cash and cash equivalents		**1,645**	**(7,248)**
Cash and cash equivalents at the beginning of the period		94,846	93,491
Cash and cash equivalents at the end of the period		**96,491**	**86,243**

Consolidated Condensed Statement of Changes in Equity

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

(in migliaia di Euro)	**Share capital**	**Other reserves**	**Retained earnings**	**Equity attributable to owners of the parent**	**Equity attributable to non-controlling interests**	**Total**
As of December 31, 2019	**34,300**	**103,914**	**197,308**	**335,522**	**1,885**	**337,407**
(Loss) for the period	-	-	(16,872)	(16,872)	(89)	**(16,961)**
Remeasurements of employee benefit obligations	-	-	(86)	(86)	-	**(86)**
Profit from cash flow hedges	-	(5,146)	-	(5,146)	-	**(5,146)**
Currency translation differences	-	(10,803)	-	(10,803)	(9)	**(10,812)**
Total loss for the period	**-**	**(15,948)**	**(16,958)**	**(32,906)**	**(98)**	**(33,004)**
Transaction with Shareholders						
Dividends paid	-	-	(6,517)	(6,517)	-	**(6,517)**
Reclassifications	-	468	(468)	-	-	**-**
As of June 30, 2020	**34,300**	**88,433**	**173,365**	**296,098**	**1,787**	**297,885**

Notes

1. General information

Massimo Zanetti Beverage Group S.p.A. (hereinafter the "**Company")** is a company established and domiciled in Italy and organized under the laws of the Republic of Italy. The registered offices of the Company are located in Viale Felissent, Villorba (Treviso). The Company is controlled by Massimo Zanetti Industries S.A. (hereinafter also referred to as "**MZ Industries**"), based in Luxembourg.

The Company and its subsidiaries (hereinafter referred to as the "**Group**") operate in the coffee business. In particular, the Group manages numerous well-known international brands and a vast assortment of regional products, including coffee, tea, cocoa and spices.

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

These consolidated condensed interim financial statements as at June 30, 2020 (the ''**Consolidated Condensed Interim Financial Statements**'') have been prepared by the Company in accordance with the provisions of Article 154 ter paragraph 2 of Legislative Decree no. 58/98 - T.U.F. as amended, and also of Art. 2.2.3 (3) of the Regulation on Markets Organised and Managed by Borsa Italiana S.p.A. and taking account of Notice no. 7587 of April 21, 2016 of Borsa Italiana S.p.A.

The Consolidated Condensed Interim Financial Statements as at June 30, 2020 have been prepared in accordance with IAS 34 – Interim Financial Reporting. IAS 34 permits a significantly lower amount of information to be included in interim financial statements from what is required for annual financial statements by International Financial Reporting Standards issued by the International Accounting Standards Board and approved by the European Union, given that the entity has prepared financial statements compliant with IFRS for the previous financial year. The Consolidated Condensed Interim Financial Statements should be read in conjunction with the Group's consolidated financial statements as at December 31, 2019 ("Consolidated Financial Statements") which were prepared in accordance with the IFRS as adopted by the European Union.

In preparing the Consolidated Condensed Interim Financial Statements, the Group has taken account of the impacts associated with the current economic scenario characterized by the effects of the coronavirus (hereinafter "**Covid-19**") pandemic and the associated accounting implications relating to the measurement of assets and liabilities, disclosure and assessment of business continuity, including in light of the recommendations on this subject published by the Italian and European authorities (CONSOB, ESMA and IOSCO; hereinafter the "**Authorities**").

In accordance with IAS 34 and with the recommendations made by the Authorities, since Covid-19 represents a significant event, as defined in paragraphs 15 and following of IAS 34, the level of disclosure in the Consolidated Condensed Interim Financial Statements was supplemented by also referring to the provisions of the various IFRS on disclosure in the financial statements in order to permit a better understanding of the Group's financial position, operating results and cash flows, including in the light of the impacts associated with Covid-19.

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

On the basis of the Group's operations, considering all available information regarding the medium-term scenario, financial structure, available liquidity and financial performance, including in the light of the environment created by the Covid-19 pandemic, there are no critical elements relating to the ability of the Group to meet its obligations in the foreseeable future and, in particular, over the next 12 months. For further information, see the description of the approach adopted by the Group to managing financial risks in Note 5 – "*Management of financial risks*".

The Consolidated Condensed Interim Financial Statements were subject to a limited review by PricewaterhouseCoopers S.p.A. and were approved by the Board of Directors on August 6, 2020.

2. Accounting Policies

This interim report was prepared in accordance with the same accounting standards and basis of preparation as those used for the consolidated financial statements as at December 31, 2019, and can be found described therein.

The only exceptions are:

- the accounting standards and criteria expressly applicable to interim reports, as well as;
- the accounting principles and amendments applicable, where possible, from January 1, 2020 after having been approved by the relevant authorities.

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

Please refer to note 7 – *"Impacts from new accounting standards"* for a description of the impact deriving from the adoption of new accounting standard.

3. Conversion of the financial statements in currencies other than the Euro

The financial statements of subsidiaries are prepared in the currency of the primary economic environment in which they operate. Financial information presented in currencies other than the Euro are translated into Euro as follows:

- assets and liabilities are translated using the exchange rates applicable at the reporting date;
- revenues and expenditures are translated at the average exchange rate for the period;
- the reserve for currency translation differences includes exchange differences generated by translating balances at a rate other than the closing rate, as well as those generated by translating opening assets and liabilities at a rate other than the rate applicable at the reporting date.

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

Currency		**Average Exchange rate**		**Exchange rate as at June 30,**			**Exchange rate as of December 31,**	
		2020	**2019**	**2020**	**2019**	**2018**	**2019**	**2018**
US Dollar	USD	1.10	1.13	1.12	1.14	1.17	1.12	1.15
United Arab Emirates Dinar	AED	4.05	4.15	4.11	4.18	4.28	4.13	4.21
Argentine Peso	ARS	78.79	46.81	78.79	48.57	32.70	67.27	43.16
Australian Dollar	AUD	1.68	1.60	1.63	1.62	1.58	1.60	1.62
Brazilian Real	BRL	5.42	4.34	6.11	4.35	4.49	4.52	4.44
Canadian Dollar	CAD	1.50	1.49	1.53	1.51	1.55	1.46	1.56
Swiss Franc	CHF	1.06	1.13	1.07	1.11	1.16	1.09	1.13
Chilean Peso	CLP	895.63	763.13	918.72	773.85	757.26	844.86	794.37
Costarican Colon	CRC	628.85	677.63	649.85	663.10	661.65	642.01	694.77
Czech Koruna	CZK	26.34	25.68	26.74	25.45	26.02	25.41	25.72
Danish Crown	DKK	7.46	7.47	7.45	7.46	7.45	7.47	7.47
Renminbi (Yuan)	CNY	7.75	7.67	7.92	7.82	n.a	7.82	7.88
British Pound	GBP	0.87	0.87	0.91	0.90	0.89	0.85	0.89
Hong Kong Dollar	HKD	8.55	8.86	8.68	8.89	9.15	8.75	8.97
Croatian Kuna	HRK	7.53	7.42	7.57	7.40	7.39	7.44	7.41
Hungarian Forint	HUF	345.39	320.39	356.58	323.39	329.77	330.53	320.98
Indonesian Rupiah	IDR	16.080.69	16.035.90	16.184.41	16.083.35	16.654.04	15.595.60	16.500.00
Japanese Yen	JPY	119.21	124.29	120.66	122.60	129.04	121.94	125.85
Mexican Peso	MXN	23.86	21.65	25.95	21.82	22.88	21.22	22.49
Malaysian Ringgit	MYR	4.68	4.65	4.80	4.71	4.71	4.60	4.73
Maldivian Rufiyaa	MVR	16.94	17.38	17.26	17.18	n.a	17.28	n.a
New Zealand Dollar	NZD	1.76	1.68	1.75	1.70	1.72	1.67	1.71
Polish Zloty	PLN	4.41	4.29	4.46	4.25	4.37	4.26	4.30
Romanian Leu	RON	4.82	4.74	4.84	4.73	4.66	4.78	4.66
Singapore Dollar	SGD	1.54	1.54	1.56	1.54	1.59	1.51	1.56
Thai Bhat	THB	34.83	35.70	34.62	34.90	38.57	33.42	37.05
Vietnamese Dong	VND	25.664.50	26.269.33	25.983.00	26.527.00	26.746.00	26.033.00	26.547.00

4. Use of Estimates

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

These estimates and assumptions could differ from actual circumstances, particularly in the current scenario characterized by extreme uncertainty surrounding the possible development of the Covid-19 pandemic, the future course and economic impacts of which are currently difficult to predict and extremely volatile

In preparing these Consolidated Condensed Interim Financial Statements, the significant estimates and assumptions made by management in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those applied to the Consolidated Financial Statements. See Note 4 – "*Estimates and Assumptions*" of the Consolidated Financial Statements for further details.

See also Note 5 – "*Management of financial risks*" for further information regarding the procedure for assessing the recoverability of the Group's trade receivables and Note 9 – "Intangible Assets" for further information regarding the impairment testing of goodwill in view of the global Covid-19 pandemic and its impacts on the Group's performance.

5. Management of Financial Risks

The activities of the Group are exposed to the following risks: market risk (including in particular, interest rate risk, foreign exchange rate risk and price risk), credit risk, liquidity risk and capital risk.

The Group's risk management strategy focuses on minimizing potential adverse effects on the Group's financial performance. Certain types of risk are mitigated by using derivative instruments. Risk management is centralised with Group management who identifies, assesses and hedges financial risks in close cooperation with the Group's operating units. Group management provides instructions for monitoring the management of risks, as well as instructions for specific areas concerning interest rate risk, exchange rate risk and the use of derivative and non-derivative instruments.

However, disclosures regarding risk management and financial instruments in the Consolidated Condensed Interim Financial Statements have been supplemented to provide significant elements attributable to Covid-19, as required by IAS 34, and per the recommendations from the Authorities, as referenced above.

COVID 19

As mentioned above, the first half of 2020 was marked by the effects of the Covid-19 pandemic, which led the governments of Italy and the other major global economies in which the Group operates to adopt virus containment and health protection measures that had an impact on the regular flow of goods and the continuation of business activities.

In Italy in particular, in order to suspend some business activities not deemed essential at the national level, the Premier's Decree of March 22, 2020 established a list of authorized activities on the basis of the ATECO codes and/or activities eligible for exceptions to this mandatory shutdown under certain conditions.

This emergency required that the Group adopt urgent, exceptional measures to combat it and protect the health of its employees and customers. In particular, the Group adopted a series of measures to combat and contain the spread of the virus. These included encouraging the use of flexible and remote working arrangements for jobs that can be done remotely, limitations on travel and access to facilities, also extending to suppliers and consultants, approaches to holding gatherings and meetings in accordance with the law, the timely circulation of Covid-19 communications to all employees, the supply of protective equipment, social-distancing measures, sanitization of working environments and temperature monitoring.

In particular, the main impacts of Covid-19 on financial performance in the first half of 2020 included a significant decline in revenue in the Food Service channel, primarily in Europe, with repercussions on the Group’s overall profitability due to the different mix of channels and products compared to the same period of 2019. Within this scenario, the management increased its estimate of the expected losses on trade receivables, with particular regard to the Food Service channel. The impact of the pandemic on the Group’s profitability also prevented compliance with some of the financial covenants applicable to some loan agreements, resulting in the enforcement of the acceleration clause, but not in a request for early repayment from the lending banks. The Group promptly entered into negotiations seeking the waiver and/or amendment of the contractual terms relating to the covenants concerned.

Since the outbreak of the health emergency, the Group has intensified its monitoring of these areas to ensure that risk profiles are promptly identified, and corrective measures are assessed.

Market risk

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

Interest rate risk

Interest rate swaps are entered into to reduce the exposure to changes in interest rates for long-term borrowings. Interest rate swaps provide for the periodic swap of floating rate interest into fixed rates, both calculated using the same notional principal. From an operational viewpoint, the instruments used by the Group are deemed of a hedging nature.

The notional value of the interest rate swaps outstanding at June 30, 2020 totalled Euro 90,082 thousand (Euro 99,205 thousand at December 31, 2019). The interest rate swaps outstanding at June 30, 2020 has a negative fair value of Euro 2,046 thousand (negative fair value of Euro 2,020 thousand at December 31, 2019).

The risk of floating-rate borrowings not hedged through interest rate swaps, represents a key exposure given the potential impact on the income statement and cash flows of a rise in market interest rates.

The Group's long-term borrowings at June 30, 2020 and December 31, 2019 mainly with floating rates, is converted to fixed rate, where necessary, with the subscription of interest rate swaps. The exposure to interest rate fluctuations, subject to constant monitoring by management, changes from 55% to 62% at December 31, 2019 and June 30, 2020, respectively.

An increase/decrease of 1% (100 basis points) in floating interest rates, compared to those applicable at June 30, 2020 and December 31, 2019 with all other variables (including hedging derivatives in place) remaining unchanged, would have resulted in a decrease/increase respectively in profit before taxation for the period of Euro 1,625 thousand in the first half of 2020 and Euro 1,328 thousand in 2019.

Exchange rate risk

In order to reduce the exchange rate risk deriving from foreign currency denominated assets, liabilities and cash flows, the Group enters into forward contracts to hedge future cash flows denominated in currencies other than Euro. In particular, the Group fixes the exchange rates of the functional currencies of Group entities against the US dollar, as purchases and sales of the Group’s principal raw material, green coffee, are generally made in US dollars. Group policy is to hedge, whenever possible, expected cash flows in US dollars deriving from known or highly probable contractual commitments.

The hedging relationships set up by the Group have not changes as regards compliance with the requirements for effectiveness for accounting purposes according to the rules of hedge accounting in the Condensed Interim Consolidated Financial Statements nor, at present, changes are expected on a prospective basis.

The notional value of forward contracts outstanding at June 30, 2020 was Euro 22,789 thousand (Euro 21,097 thousand at December 31, 2019). Forward contracts outstanding at June 30, 2020 had a positive fair value of Euro 174 thousand (Euro 533 thousand at December 31, 2019).

In order to reduce the exchange rate risk deriving from unfavourable movements in foreign exchange rates (in particular USD to Euro) at which net investments in overseas assets are translated, the Group makes use of non-derivative financial instruments (long-term loans denominated in USD).

Net investment hedges are accounted for in the same way as cash flow hedges.

Price risk of green coffee

In the ordinary course of business, the Group is exposed to the risk of fluctuations in the price of green coffee, its principal raw material. The Group reduces risks deriving from fluctuations in the price of green coffee by entering into forward contracts for the purchase of green coffee that fix the price of expected future purchases. The maturity of such contracts is generally four to six months. For further details, please refer to note 28 – "*Related Party Transactions*".

For accounting purposes, changes in the fair value of such contracts:

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

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

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

The Group's contractual obligations for which the own use exemption conditions applied, amounted to Euro 184,321 thousand at June 30, 2020 (Euro 157,316 thousand at December 31, 2019).

Regarding the price risk of green coffee, also in relation to the performance of the specific markets, there are no known impacts associated with the Covid-19 pandemic on this risk until now.

Credit risk

Credit risk relates almost exclusively to trade receivables. The credit risk on open financial positions on derivative transactions is considered marginal, as the counterparties are leading financial institutions. With regard to the credit risk relating to the management of cash and financial resources, Group entities implement procedures to ensure they maintain relationships with independent counterparties of good standing.

In order to mitigate the credit risk associated with its customers, the Group has implemented procedures to ensure that sales of products are made only to customers that are deemed reliable, based on both past experience and available information. In addition, Group management constantly reviews its credit exposure and monitors the collection of receivables on the contractually agreed due dates.

The following table sets forth a breakdown of trade receivables by channel at June 30, 2020 and December 31, 2019:

	As of June 30,	As of December 31,
(in thousands of Euro)	**2020**	**2019**
Mass Market	41,050	57,230
Foodservice	31,993	43,113
Others	13,802	17,241
Total	**86,845**	**117,584**
of which		
Trade receivables	*83,938*	*114,635*
Non-current advances and trade receivables	*2,907*	*2,949*

Mass Market: Trade receivables due from leading domestic and international wholesalers and chain retailers. Trade receivables from *Mass Market* customers also include trade receivables from *Private Label* customers.

Foodservice: Trade receivables from a range of hotels, restaurants and bars. Trade receivables from *Foodservice* customers also include trade receivables from *Private Label* customers.

Others: Trade receivables due from other customers.

With respect to trade receivables, customers in the *Foodservice* channel are those which represent the highest credit risk. Therefore, payment periods and collections relating to these receivables are closely monitored. The amount of trade receivables considered to be impaired is not significant and is covered by appropriate provisions for impairment. Please refer to note 13 - "*Current and Non-Current Trade Receivables*".

The following table sets forth an ageing analysis of current and non-current trade receivables at June 30, 2020 and December 31, 2019 net of the provision for impairment:

	As of June 30,	As of December 31,
(in thousands of Euro)	**2020**	**2019**
Not due	59,700	90,199
Past due 0-90 days	15,194	18,820
Past due 91-180 days	4,605	2,137
Past due over 180 days	7,346	6,428
Total	**86,845**	**117,584**

The Group has applied the simplified approach envisaged by IFRS9 in order to assess the recoverability of its own trade receivables. The adjustment to the estimates done before, takes into account the default risk in trade receivables, through a differentiated " expected default rate" which is applied to classes of trade receivables homogeneous in terms of risk profile and maturity or, for those in arrears, in terms of the actions taken to recover the credit.

With reference to the assessment of expected credit losses on receivables from customers, with particular reference to the Food Service channel, it should be noted that the Group made an accrual of Euro 1,100 thousand in relation to the increase in the "expected loss rate" at June 30, 2020 attributable to the impacts of the Covid-19 pandemic.

Please refer to note 11 - "*Current and non-Current trade receivables*" for further details on the allowance for impairment of trade receivables

Liquidity risk

Liquidity risk relates to the Group's capacity to meet its obligations and commitments deriving principally from financial liabilities. The Group's management of liquidity risk in the ordinary course of business involves maintaining a sufficient level of cash and ensuring the availability of funds through adequate lines of credit.

At June 30, 2020, the Group had credit lines totalling Euro 229,607 thousand (Euro 235,782 thousand at December 31, 2019), arranged with various banks to cover overdraft requirements.

The undrawn portion of such credit lines at June 30, 2020 totalled Euro 153,276 thousand (Euro 176,194 thousand at December 31, 2019).

Additionally, it is noted that:

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

The following tables set forth the expected future cash flows related to financial liabilities outstanding at June 30, 2020 and December 31, 2019:

As of June 30, 2020 *(in thousands of Euro)*	**Carrying amount**	**Less than 12 months**	**Between 1 and 5 years**	**Over 5 years**
Current and non-current borrowings	393,421	229,105	158,191	13,609
Derivatives on interest rates	2,046	900	1,146	-
Derivatives on exchange rates	7	-	7	-
Derivatives on commodities	2,286	2,286	-	-
Trade payables and other liabilities	141,204	140,034	1,170	-
Total	**538,964**	**372,325**	**160,514**	**13,609**

As of December 31, 2019 *(in thousands of Euro)*	**Carrying amount**	**Less than 12 months**	**Between 1 and 5 years**	**Over 5 years**
Current and non-current borrowings	363,367	146,465	202,859	21,587
Derivatives on interest rates	2,021	413	1,608	-
Trade payables and other liabilities	157,238	156,068	1,170	-
Total	**522,626**	**302,946**	**205,637**	**21,587**

On this point it is necessary to consider that, as reported in Note 15 – "*Current and non current Borrowings*", as June 30, 2020 the Group is not compliant with some financial covenants, applicable to some loan contracts, resulting in the enforcement of the acceleration clause. Regarding this, the Group promptly entered into negotiation seeking waiver and/or the amendment of the contractual terms relating to the covenants concerned.

Furthermore, the Group has entered in negotiation for extension of a medium-term loan and at the same time accepted the voluntary standstill period on certain loans promoted by the relative banks to face the effects of the Covid-19 pandemic. For more details, please refer to Note 15 – "*Current and non-current borrowings*".

With reference to the impact of the Covid-19 pandemic on the liquidity risk, the Group has finalized a quarterly analysis of cash projections in a time frame of 18 month after June 30, 2020, confirming the ability to deal with the obligations of this period, considering *i)* the balance sheet structure at the closing date (which outlines current liabilities higher than the current assets) and the relative foreseeable development, *ii)* the enforcement of the acceleration clause for some borrowings contracts for which the Group promptly entered into negotiation seeking the waiver and/or the amendment of the contractual terms relating to the covenants concerned as well as *iii)* credit lines available at June 30, 2020 and during the cash projections.

Capital risk

The Group's main objective in managing capital risk is to ensure business continuity in order to guarantee returns for shareholders and benefits for other stakeholders. The Group also seeks to maintain an optimal capital structure in order to reduce the cost of borrowing.

Financial assets and liabilities by category

The fair value of trade receivables and other financial assets, trade payables, other payables and other financial liabilities classified as "current" in the statement of financial position and measured at amortized cost is the same as the related carrying amounts in the Interim Consolidated Financial Statements at June 30, 2020 and the Consolidated Financial Statements at December 31, 2019, as they primarily relate to balances generated by normal business that will be settled in the short term.

The following tables set forth an analysis of the Group's financial assets and liabilities by category at June 30, 2020 and 2019:

As of June 30, 2020 *(in thousands of Euro)*	**Financial instruments at amortized cost**	**Financial instruments at fair value**	**Hedging derivatives at fair value**	**Total financial assets / liabilities**	**Total non - financial assets / liabilities**	**Total**
Assets						
Current trade receivables and non-current trade receivables	86,845	-	-	**86,845**	-	**86,845**
Other current and non-current assets	26,126	-	204	**26,330**	9,813	**36,143**
Cash and cash equivalents	96,491	-	-	**96,491**	-	**96,491**
Total assets	**209,462**	**-**	**204**	**209,666**	**9,813**	**219,479**
Liabilities						
Current and non-current borrowings	393,421	-	-	**393,421**	-	**393,421**
Trade payables	139,204	-	-	**139,204**	-	**139,204**
Other Current and Non-Current Liabilities	2,000	979	3,360	**6,339**	33,331	**39,670**
Total liabilities	**534,625**	**979**	**3,360**	**538,964**	**33,331**	**572,295**

As of December 31, 2019 *(in thousands of Euro)*	**Financial instruments at amortized cost**	**Financial instruments at fair value**	**Hedging derivatives at fair value**	**Total financial assets / liabilities**	**Total non - financial assets / liabilities**	**Total**
Assets						
Current trade receivables and non-current trade receivables	117,584	-	-	**117,584**	-	**117,584**
Other current and non-current assets	18,609	-	4,214	**22,823**	11,458	**34,281**
Cash and cash equivalents	94,846	-	-	**94,846**	-	**94,846**
Total assets	**231,039**	**-**	**4,214**	**235,253**	**11,458**	**246,711**
Liabilities						
Current and non-current borrowings	363,367	-	-	**363,367**	-	**363,367**
Trade payables	155,238	-	-	**155,238**	-	**155,238**
Other Current and Non-Current Liabilities	2,000	1,214	807	**4,021**	29,496	**33,517**
Total liabilities	**520,605**	**1,214**	**807**	**522,626**	**29,496**	**552,122**

Fair value

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

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

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

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

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

As of June 30, 2020 *(in thousands of Euro)*	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Derivatives on commodities	-	24	-	24
Derivatives on exchange rates	-	180	-	180
Total	**-**	**204**	**-**	**204**
Liabilities				
Derivatives on commodities	-	2,286	-	2,286
Derivatives on interest rates	-	2,046	-	2,046
Derivatives on exchange rates	-	7	-	7
Total	**-**	**4,339**	**-**	**4,339**

As of December 31, 2019 *(in thousands of Euro)*	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Derivatives on commodities	-	3,682	-	3,682
Derivatives on exchange rates		532	-	532
Total	**-**	**4,214**	**-**	**4,214**
Liabilities				
Derivatives on commodities	-	-	-	-
Derivatives on interest rates	-	2,021	-	2,021
Total	**-**	**2,021**	**-**	**2,021**

The fair value of derivatives at June 30, 2020 and December 31, 2019 is measured in accordance with Level 2.

Financial instruments with a Level 2 fair value include derivatives that qualify for hedge accounting and other derivatives hedging the economic risks. Derivatives include forward foreign exchange contracts and interest rate swaps.

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

There were no changes in measurement techniques during the period ended June 30, 2020 and the year ended December 31, 2019. Similarly, there were no changes in the valuation techniques used.

Decisions to classify financial instruments in terms of Level 2 or Level 3 are taken at each balance sheet date for financial reporting purposes.

6. Seasonality

While the Group's business is not subject to significant seasonal or cyclical fluctuations, the revenue and cost flows are not entirely uniform throughout the year.

Furthermore, the spread of the Covid-19 pandemic during the first half of 2020 led to a slowdown in production and a contraction in demand for the Group's products.

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

7. Impacts from new accounting standards

The following accounting standards and amendments have been adopted by the Group with effect from January 1, 2020:

- *Amendment to IFRS 3 Business Combinations* - On October 22, 2018 the IASB issued an amendment to IFRS 3 to improve the definition of "business" and provide additional operational guidelines for the preparation of financial statements. The proposed amendments aim to support financial statement preparers in accounting for acquisitions by providing additional elements for distinguishing between the acquisition of a business and the acquisition of assets or groups of assets.
- *Amendments to IAS 1 and IAS 8: Definition of Material* - On October 31, 2018, the IASB issued amendments to IAS 1 and IAS 8 to clarify the definition of "material" and to align the definition used in the Conceptual Framework and the standards themselves. These amendments are also intended to ensure consistency within the framework of IFRS with regard to this definition. In particular, information must be considered material if omitting, misstating or obscuring it could reasonably be expected to influence decisions made by the primary users of financial statements.
- *Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform* - On September 26, 2019, the IASB issued the document "*Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform*" applicable to the hedging relationships affected by the IBOR ("*Interbank offered rates*") reform.
- *Amendments to References to the Conceptual Framework in IFRS Standards* - On March 29, 2018, the IASB issued the document "*Amendments to References to the Conceptual Framework in IFRS Standards*", which contains amendments to the main principles underlying international accounting standards, essentially of a technical nature.

The adoption of these amendments did not have any impact on the Group.

At the reporting date, the competent bodies of the EU had not yet completed the endorsement process necessary to apply the following standards and amendments:

- *IFRS 17 "Insurance Contracts"* - On May 18, 2017, the IASB published IFRS 17 *Insurance Contracts*, which governs the recognition, measurement, presentation and disclosure of insurance contracts. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts in order to give a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. This Standard applies to financial years beginning on or after January 1, 2021.

- *Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current* - On January 23, 2020, the IASB issued the document *"Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current*" regarding the presentation of financial statements and, specifically, the classification of current and non-current liabilities. This amendment applies to financial years beginning on or after January 1, 2021.
- *IFRS 16 - Leases for Covid-19-related Rent Concessions* - In May 2020 the IASB issued an amendment to IFRS 16 that allows lessees, as a practical expedient, not to assess the rent concessions obtained in respect of the Covid-19 pandemic to determine whether such rent concessions qualify as a contractual amendment to the lease. This amendment, whose date of initial application is from June 1, 2020, has yet to be endorsed by the European Union. The impacts that this amendment may have on the Group's financial statements are deemed immaterial.
- *Amendments to IFRS 3 - Business Combinations* - In May 2020 the IASB issued an amendment to IFRS 3 to update a reference to the *Conceptual Framework for Financial Reporting,* without any impact on the accounting treatment of business combinations. This amendment applies to financial years beginning on or after January 1, 2022.
- *Amendment to IAS 16 - Property, Plant and Equipment* - In May 2020 the IASB issued an amendment to IAS 16 that prohibits entities from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, entities should recognize the proceeds from selling such items, and the cost of producing those items, in profit or loss. This amendment applies to financial years beginning on or after January 1, 2022.
- *Amendments to IAS 37 - Provisions, Contingent Liabilities and Contingent Assets* - In May 2020 the IASB issued an amendment to IAS 37 specifying which costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. This amendment applies to financial years beginning on or after January 1, 2022.
- *Annual Improvements to IFRSs 2018 - 2020 Cycle* - In May 2020 the IASB issued *Annual Improvements to IFRSs 2018 - 2020 Cycle*. The improvements amended four standards; these amendments will enter into effect on January 1, 2022: i) IFRS 1 - *First-time Adoption of International Financial Reporting Standards*, permitting a subsidiary to measure cumulative translation differences using the amounts reported by its parent, ii) *IFRS 9 - Financial Instruments*, clarifying which fees an entity includes when it applies the 10% test in assessing whether to derecognize a financial liability, iii) IAS 41 - *Agriculture* on the exclusion of taxation cash flows when measuring the fair value of a biological asset, and iv) *IFRS 16 - Leases* with regard to an illustrative example of reimbursement of leasehold improvements.
- *Amendments to IFRS 4 – Insurance Contracts* - In June 2020 the IASB issued an amendment to IFRS 4 that postpones the expiry date of the temporary exemption from applying IFRS 9 to financial years beginning on or after January 1, 2021. This amendment applies to financial years beginning on or after January 1, 2021.

The Group will assess the impacts of these standards and amendments when the standards are adopted by the European Union.

8. Business combinations

As of June 30, 2020

In the first six month of 2020, the Group paid 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 1,616 thousand.

As of June 30, 2019

On February 1, 2019 the Group has finalized, through its Swiss subsidiary, the acquisition of the business and asset of a group of companies based in Melbourne known as "The Bean Alliance 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:

(in thousands of Euro)	**Fair 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:

(in thousands of Euro)	**Fair 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.*

9. Operating Segments

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

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

10. Intangible Assets

The following table sets forth the changes in property, plant and equipment for the six months ended June 30, 2020:

(in thousands of Euro)	**Goodwill**	**Trademarks, licenses, and similar**	**Customer related assets**	**Software and other immaterial assets**	**Asset under construction**	**Total**
As of December 31, 2019	**152,502**	**59,488**	**7,420**	**2,222**	**5,384**	***227,016***
Of which:						
- historical cost	*152,502*	*74,500*	*11,526*	*20,777*	*5,384*	***264,689***
- accumulated depreciation	-	*(15,012)*	*(4,106)*	*(18,555)*	-	***(37,673)***
Capital expenditure	-	14	-	360	1,786	**2,160**
Disposals	-	-	-	(6)	-	**(6)**
Amortization	-	(1,476)	(522)	(683)	-	**(2,681)**
Reclassification	-	36	-	89	(125)	**-**
Exchange differences	(7,063)	(478)	(102)	(32)	(10)	**(7,685)**
As of June 30, 2020	**145,439**	**57,584**	**6,796**	**1,950**	**7,035**	**218,804**
Of which:						
- historical cost	*145,439*	*73,496*	*11,427*	*21,032*	*7,035*	***258,429***
- accumulated depreciation	-	*(15,912)*	*(4,631)*	*(19,082)*	-	***(39,625)***

Capital expenditure in intangible assets for the six months ended June 30, 2020 are equal to Euro 2,160 thousand and refers for Euro 1,786 thousand to the implementation of the Group ERP.

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

Impairment test

At each year-end and whenever it is necessary, the Group carries out impairment testing of intangible assets with an indefinite useful life. The recoverable value of the CGUs to which individual assets are allocated is determined in terms of CGUs value in use and/or fair value.

As at June 30, 2020, the spread of the Covid-19 pandemic represents an impairment indicator as defined in IAS 36. Therefore, the Group has conducted tests to verify the recoverability of goodwill and intangible assets with an indefinite useful life. The recoverable amount of the individual cash-generating units ("**CGUs**") to which individual assets are allocated is determined in terms of their value in use and/or fair value.

The Group has progressively changed its organisational structure in order to improve the monitoring of the various geographical areas and ensure the full and prompt implementation of the strategic guidelines. Specifically, the following areas were identified (each allocated to a strategic manager reporting directly to the CEO): Americas, Asia Pacific and Cafès, Northern Europe, Southern Europe.

For the purposes of impairment testing, the value in use of the CGUs is based on the present value of forecast figures for each of the CGUs, which in turn is based on the following assumptions:

- update of the forecasts in the business plan presented to the Company's Board of Directors on August 6, 2020. These forecasts have been updated with respect to those used to prepare the Consolidated Financial Statements as at December 31, 2019, in order to reflect the expected impacts of the Covid-19 pandemic on the Group's CGUs over the plan period. In particular, over the plan period these new estimates call for a recovery of business volumes to levels consistent with the original plan, updating the estimates of the development of the market for each CGU, considering a mix of volumes, prices and sales channels. The update to the plan was prepared assuming a scenario in which significant lockdown measures are not in place in the main countries and markets where the Group operates in the second half of 2020, including on the basis of the current Covid-19 pandemic infection rates and the related restrictive measures being adopted by major governments.

- expected cash flows, which reflect the results of normal business plus depreciation and amortization less the cost of expected investments, include a terminal value to estimate the value of future results for the years subsequent to the 3-year period (2020-2022) analysed in the business plan. Such terminal value has been calculated using a long-term growth rate (g-rate) for each CGU, representing the expected long-term inflation rate in the countries in which each CGU operates, based on the estimates of the International Monetary Fund (see the summary table below). In estimating a sustainable medium to long term EBITDA, an EBITDA margin equal to that estimated for the final year of the business plan has been applied to revenues (in turn identified by applying the g-rate to revenues in the final year covered by the business plan). Annual investments were estimated based on the amount deemed to represent both the normalised investments necessary to maintain the existing assets and those required to support the organic growth of the CGUs. A zero change in net working capital has been assumed in line with normal professional practice in relation to impairment testing.

- expected cash flows are discounted at a weighted average cost of capital ("**WACC**") rate which reflects current market valuation of the time value of money for the period in question and the specific risks in the countries in which each CGU is active. The WACC has been calculated based on the following:
  - a risk-free rate equal to the average return on 10-year government bonds related to the main countries in which each CGU is active;
  - a beta coefficient in line with a group of comparable listed companies operating in the coffee business;
  - the cost of borrowing based on the estimated average debt of the same group of comparable listed companies as used for reference to determine the beta coefficient; and
  - a debt-equity ratio based on the average ratio of the sector;
  - the tax rate utilized is the applicable tax rate for each country in which the CGU is active;
  - an additional risk premium has been reflected.

The recoverable value of the individual CGUs at June 30, 2020, calculated on the aforementioned basis, is greater than the related carrying amount. The following table summarises the results of the impairment test at June 30, 2020.

As of June 30, 2020	**Americas**	**Northern Europe**	**Southern Europe**	**Asia-Pacific and Cafés**	**Group**
Recoverable amount / carrying amount	135%	229%	122%	110%	130%
WACC	6,96%	5,67%	6,14%	6,68%	6,54%
g-rate	2,30%	1,98%	1,62%	1,99%	2,02%

While the assumptions regarding the overall economic context, developments in the markets in which the Group operates and future cash flow estimates are all considered to be reasonable, changes in assumptions or circumstances may lead to changes in the above analysis. A sensitivity analysis was carried out for each CGU to consider the effect on the recoverable value of the following changes in assumptions: *i)* an increase of 0.5% (50 basis points) in the WACC; *ii)* a reduction of 0.75% (75 basis points) in the g-rate; and *iii)* a decrease of 7.5% in the EBITDA.

The results of such sensitivity analysis are as follows:

As of June 30, 2020	**Americas**	**Northern Europe**	**Southern Europe**	**Asia-Pacific and Cafés**	**Group**
Recoverable amount / carrying amount (WACC +0.5%)	122%	200%	109%	98%	116%
Recoverable amount / carrying amount (g-rate -0.75%)	117%	190%	104%	94%	111%
Recoverable amount / carrying amount (EBITDA -7.5%)	118%	198%	101%	92%	110%

Considering the results of the sensitivity analysis, no impairments have been identified for the intangible assets with an indefinite useful life.

11. Property, Plant and Equipment

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

(in thousands of Euro)	**Land and buildings**	**Plant and machinery**	**Industrial and commercial equipment and other assets**	**Bar equipment**	**Asset under construction**	**Total**
As of December 31, 2019	**114,188**	**66,799**	**29,946**	**49,283**	**5,220**	**265,436**
Of which:						
- historical cost	*167,911*	*168,064*	*93,046*	*182,142*	*5,220*	***616,383***
- accumulated depreciation	*(53,723)*	*(101,265)*	*(63,100)*	*(132,859)*	-	***(350,947)***
Capital expenditure	1,155	680	2,508	6,064	5,867	**16,274**
Disposals	(257)	(20)	(130)	(156)	-	**(563)**
Amortization	(5,663)	(3,761)	(4,174)	(7,991)	-	**(21,589)**
Remeasurement IFRS 16	702	-	33	-	-	**735**
Reclassifications	212	2,209	989	79	(3,489)	**-**
Exchange differences	(1,370)	(357)	(255)	(502)	(36)	**(2,520)**
As of June 30, 2020	**108,967**	**65,550**	**28,917**	**46,777**	**7,562**	**257,773**
Of which:						
- historical cost	*166,094*	*167,122*	*93,308*	*180,558*	*7,562*	***614,644***
- accumulated depreciation	*(57,127)*	*(101,572)*	*(64,391)*	*(133,781)*	-	***(356,871)***

Additions to property, plant and equipment in the six months ended June 30, 2020 amounted to Euro 16,274 thousand and mainly related to the following categories: *i)* Bar equipment amounting to Euro 6,064 thousand; *ii)* Assets under construction amounting to Euro 5,687 thousand; *iii)* Industrial and commercial equipment and other assets amounting to Euro 2,508 thousand.

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

Capital expenditure in asset under construction are mainly connected to the increase of the production capacity of the Portuguese subsidiary also following the acquisition made last year.

Additions to property, plant and equipment in the six months ended June 30, 2019 amounted to Euro 19,309 thousand and mainly related to the following categories: *i)* Bar equipment amounting to Euro 9,249 thousand; *ii)* Assets under construction amounting to Euro 2,323 thousand; *iii)* Industrial and commercial equipment and other assets amounting to Euro 3,829 thousand.

12. Investments in joint ventures and associates

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

(in thousands of Euro)	**Investments in joint ventures and associates**
As of December 31, 2019	**11,166**
Profit for the Period	(322)
Exchange differences	13
As of June 30, 2020	**10,857**

In the first six months of 2020 the Group did not make investments in Joint ventures and associates. In the six months ended June 30, 2019, the Group made a disbursement of 1,500 Euro thousand to Virtus Pallacanestro Bologna S.S.D. a r.l., located in Bologna.

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

13. Current and non-current trade receivables

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

	As of June 30,	**As of December 31,**
(in thousands of Euro)	**2020**	**2019**
Current trade receivables and other receivables	98,316	127,843
Current provision for impairment of trade receivables	(14,378)	(13,208)
Total trade receivables	**83,938**	**114,635**
Non-current trade receivables and other receivables from customers	7,061	7,252
Non-current provision for impairment of trade receivables	(4,154)	(4,303)
Total non-current trade receivables	**2,907**	**2,949**
Total current and non-current trade receivables	**86,845**	**117,584**

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

(in thousands of Euro)	**Provision for impairment of trade receivables**	**Non-current provision for impairment of trade receivables**
As of December 31, 2019	**13,208**	**4,303**
Accruals	1,692	289
Releases	(82)	-
Utilizations	(313)	(438)
Exchange differences	(127)	-
As of June 30, 2020	**14,378**	**4,154**

Please refer to note 5 – *"Risk Management"* for further information about the credit composition and aging details.

14. Equity

Share capital

As at June 30, 2020, the issued and fully paid share capital of the Parent amounted to Euro 34,300 thousand and consists of 34,300,000 ordinary shares without nominal value.

On April 22, 2020 the Shareholders' Meeting of Massimo Zanetti Beverage Group S.p.A. approved the 2019 Financial Statements and resolved to distribute a dividend of Euro 0.19 per share. The total dividend of Euro 6,517 thousand, was paid in May.

Other reserves and retained earnings

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

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

(in thousands of Euro)	***Legal reserve***	***Share premium reserve***	***Other reserves***	***Cash flow hedge***	***Net investment hedge***	***Translation reserve***	**Total other reserves**	***Retained earnings***
As of December 31, 2019	**4,921**	**62,918**	**29,299**	**2,324**	**(8,578)**	**13,030**	**103,914**	**197,308**
Remeasurements of employee benefit obligations - gross	-	-	-	-	-	-	**-**	**(113)**
Tax on remeasurements of employee benefit obligations	-	-	-	-	-	-	**-**	**27**
Cash flow hedge: fair value losses in the period - gross	-	-	-	(6,605)	-	-	**(6,605)**	**-**
Tax on fair value gains in the period from cash flow hedges	-	-	-	1,459	-	-	**1,459**	**-**
Currency translation differences	-	-	-	-	-	(10,803)	**(10,803)**	**-**
Dividends paid to non-controlling interests	-	-	-	-	-	-	**-**	**(6,517)**
Loss for the period	-	-	-	-	-	-	**-**	**(16,872)**
Reclassifications	468	-	-	-	-	-	**468**	**(468)**
As of June 30, 2020	**5,389**	**62,918**	**29,299**	**(2,822)**	**(8,578)**	**2,227**	**88,433**	**173,365**

15. Current and Non-current borrowings

The following tables provide a breakdown of current and non-current borrowings at June 30, 2020 and December 31, 2019.

As of June 30, 2020 *(in thousands of Euro)*	**Less than 12 months**	**Between 1 and 5 years**	**Over 5 years**	**Total**
Long-term borrowings	133,099	123,155	5,714	261,968
Short-term borrowings	71,350	-	-	71,350
Advances from factors and banks	5,546	-	-	5,546
Finance lease liabilities	12,692	28,419	7,816	48,927
Other financial liabilities	3,044	2,586	-	5,630
Total	**225,731**	**154,160**	**13,530**	**393,421**

As of December 31, 2019 *(in thousands of Euro)*	**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 following table provides details of the main long-term borrowings in place as at June 30, 2020 and December 31, 2019:

Interest rate	Year	Initial principal amount *(in thousands)*	As of June 30, 2020	As of December 31, 2019
			(in thousands of Euro)	
denominated in Euro				
Euribor 3M + 1.25%	2015	12,000	5,000	5,667
Euribor 3M + 1.10%	2016	15,000	3,328	4,963
Euribor 6M + 1.35%	2016	50,000	41,500	45,000
Euribor 6M + 0.90%	2016	9,000	4,000	3,998
Euribor 6M + 1.05%	2016	50,000	29,917	34,898
Euribor 6M + 0.9%	2016	10,000	2,513	5,017
Euribor 3M + 0.75%	2016	10,000	3,770	5,022
Euribor 6M + 1%	2016	10,000	4,990	4,994
0.80%	2017	10,000	10,000	9,994
Euribor 3M + 0.85%	2017	15,000	8,565	10,751
Euribor 3M + 1.05%	2017	10,000	5,066	5,066
Euribor 3M + 0.75%	2018	15,000	12,537	13,764
Euribor 3M + 0.95%	2019	15,000	14,410	14,968
Euribor 6M + 1.25%	2019	20,000	19,951	19,946
Euribor 6M + 1.125%	2019	6,000	6,000	6,000
Euribor 3M + 1.55%	2019	20,000	19,998	19,980
Euribor 6M + 1.50%	2019	5,000	4,895	4,880
Euribor 6M + 1.50%	2020	25,000	25,000	-
Euribor 6M + 1.20%	2020	10,000	10,000	-
Euribor 3M + 0.9%	2020	5,000	5,000	-
Euribor 6M + 1.15%	2020	2,001	2,001	-
Other loans	-	-	2,561	3,966
		subtotal	**241,002**	**218,874**
denominated in USD				
6,5% /Libor 3M + 7.5%	2015	3,000	1,203	1,389
Libor 3M + 1.50%	2017	30,000	19,763	20,969
		subtotal	**20,966**	**22,358**
Total			**261,968**	**241,231**
of which non-current			*128,869*	*175,001*
of which current			*133,099*	*66,230*

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

As consequence of covenants compliance verifications as of June 30, 2020, it has been noted that some financial covenants, applicable to the respective contracts, are not met with the consequent application of the acceleration clause for the borrower company of the Group. Connected with these event, with the loss of the right to postpone the payments of the loans beyond 12 months, the Group has reclassified in the short term borrowings the amounts accounted for the involved loans, although there were not request of early repayment from the lending banks. The Group entered into negotiation with the Banks seeking the waiver and/or the amendment of the contractual terms relating to covenants concerned. These negotiation with bank institutions are in advanced state and it is expected to receive the waiver soon.

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 25,000 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.

Starting from February 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;
- a standstill period of six month on the reimbursement of medium-term loan subscribed in 2018 with Friuladria, moving the original deadline to December 2020;
- a standstill period of 12-month on the reimbursement of medium-term loan subscribed by the subsidiaries Segafredo Zanetti S.p.A. with Banco Popolare di Milano in 2017.

The accounting effect connected to extensions of terms and application of the voluntary standstill period as described above, are not significant.

In March 2020, within the scope of the ordinary fund-raising activities, the subsidiaries Massimo Zanetti Bevarage Iberia S.A. entered into a medium-to-long term loan agreement with Banco Comercial Portugues for an overall amount of Euro 3,000 thousand of which only Euro 2,001 thousand has been collected.

In April 2020, within the scope of the ordinary fund-raising activities, the subsidiary Segafredo Zanetti S.p.A. entered into a medium-to-long term loan agreement with Credito Emiliano for an overall amount of Euro 5,000 thousand and in June 2020 into a medium-to-long term loan agreement with Monte dei Paschi di Siena for an overall amount of Euro 10,000 thousand reaching maturity in 2025.

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

	As of June 30,	**As of December 31,**
(in thousands of Euro)	**2020**	**2019**
Principal amount of long-term borrowings		
- at variable rate	252,599	231,981
- at fixed rate	10,000	10,000
Notional value of derivatives on interest rates	90,082	99,205
Long-term borrowings converted at fixed rate	38%	45%
Remaining portion of long-term borrowings at variable rate	62%	55%
Long-term borrowings denominated in Euro	92%	91%
Long-term borrowings denominated in USD	8%	9%

It should be noted that with the exception of interest rate swap contracts with a notional amount of Euro 30,046 thousand as of June 30, 2020 (Euro 30,681 thousand as of December 31, 2019), all the other interest rate swaps, used by the Group to reduce the exposure to interest rate fluctuations, do not comply with the requirements for hedge accounting set forth by IFRS 9 "Financial instruments: recognition and valuation". Please refer to note 5 - *"Interest rate risk"*.

Advances from factors and banks

Advances from factors and banks relate to advances received from factors or other banks in relation to trade receivables assigned during the year that do not meet the criteria established for the de-recognition of the financial asset.

Finance lease liabilities

Finance lease liabilities equal to Euro 48,927 thousand at June 30, 2020 and Euro 51,615 thousand at December 31, 2019, include the lease liabilities recognized based on IFRS 16. As a result of the aforementioned Covid-19 pandemic, the Group benefited from some renegotiations on some leasing contracts whose impacts are not significant.

Net financial debt

The following table shows the breakdown of net financial debt of the Group at June 30, 2020 and December 31, 2019, determined in accordance with CONSOB communication dated July 28, 2006 and ESMA/2013/319 Recommendation:

(in thousands of Euro)		As of June 30, 2020	As of December 31, 2019
A	Cash and cash equivalents	(854)	(1,108)
B	Cash at bank	(95,637)	(93,738)
C	Securities held for trading	-	-
D	**Liquidity (A+B+C)**	**(96,491)**	**(94,846)**
E	**Current financial receivables**	**(9,605)**	**(1,994)**
F	Current loans	76,896	61,699
G	Current portion of non-current loans	133,099	66,230
H	Other current financial payables	15,736	15,569
I	**Current debt (F+G+H)**	**225,731**	**143,498**
J	**Net current debt (I+E+D)**	**119,635**	**46,658**
K	Non-current medium/long-term loans	128,869	175,001
L	Issued bonds	-	-
M	Other non-current financial payables	38,821	44,868
N	**Non-current debt (K+L+M)**	**167,690**	**219,869**
O	**Net financial debt (J+N)**	**287,325**	**266,527**

As June 30, 2020, the Group has access to unused credit lines totaling Euro 153,276 thousand, for further information please refer to Note 5 – "*Management of financial risks*".

16. Other non-current provisions

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

(in thousands of Euro)	Provision for agents' termination indemnities	Provisions for other charges	Total
As of December 31, 2019	**1,560**	**1,479**	**3,039**
Accruals	46	14	**60**
Utilizations	(1)	(58)	**(59)**
Releases	-	(27)	**(27)**
Exchange differences	-	(40)	**(40)**
As of June 30, 2020	**1,605**	**1,368**	**2,973**

17. Other Current and Non-Current Liabilities

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

	As of June 30,	As of December 31,
(in thousands of Euro)	**2020**	**2019**
Derivatives on interest rates	1,146	1,608
Derivatives on exchange rates	7	-
Non-current financial guarantee contracts	1,170	1,170
Other non-current liabilities	1,596	849
Other non-current liabilities	**3,919**	**3,627**
Payables to personnel	12,474	10,155
Payables to social security institutions	5,254	4,326
Other tax payables	5,870	5,527
Current financial guarantee contracts	830	830
Payables to agents	882	785
Derivatives on interest rates	900	413
Derivatives on commodities	2,286	-
Other current liabilities	7,255	7,854
Total other current liabilities	**35,751**	**29,890**

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

Financial guarantee contracts refer to the effects of financial guarantees (in the form of discounted bills of exchange) issued in favour of Claris Factor S.p.A. and MBFacta in relation to loans provided by the latter to Group customers. Such guarantees are part of a broader business arrangement with customers, and with bars in Italy. As of June 30, 2020, total loans made to customers by those two financial institutions which are covered by Group guarantees amounted to Euro 9,262 thousand (Euro 11,618 thousand as at December 31, 2019).

Please note that “Other non-current liabilities” and “Other current liabilities” includes *a)* the residual two annual instalments payable for the potential earn-out of The Bean Alliance Group PTY Ltd that will be due on the occurrence of specific annual qualitative and quantitative targets, *b)* the residual consideration not yet paid for the acquisition of Cafè Pacaembu Ltda done in the second half of 2019 and that will be paid in three annual installments.

18. 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. Massimo Zanetti Beverage USA, Inc. and the other defendants expect that this new regulation, ultimately, may result in a dismissal of this lawsuit.

19. Revenue

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

	Six months ended June 30,	
(in thousands of Euro)	**2020**	**2019**
Food Service	65,198	105,346
Mass Market	172,024	155,098
Private Label	141,231	147,521
Other	25,576	31,485
Total	**404,029**	**439,450**

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

	Six months ended June 30,	
(in thousands of Euro)	**2020**	**2019**
Americas	202,672	193,787
Northern Europe	80,513	87,715
Southern Europe	82,520	111,369
Asia-Pacific and Cafés (*)	38,324	46,579
Total	**404,029**	**439,450**

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

20. Purchases of Goods

The following table shows a breakdown of Purchases of Goods:

	Six months ended June 30,	
(in thousands of Euro)	**2020**	**2019**
Purchases of raw materials	177,460	179,804
Purchases of finished goods	24,860	31,172
Purchases of packaging and other	32,220	32,021
Total	**234,540**	**242,997**

21. Purchases of Services, Leases and Rentals

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

	Six months ended June 30,	
(in thousands of Euro)	**2020**	**2019***
Advertising and promotions	23,279	22,615
Transportation costs	12,076	12,593
Agent commissions and other	6,036	7,757
Maintenance, repair and support	7,978	9,353
Leases and rentals	1,557	2,300
Utilities	6,819	7,045
Travel expenses and fuel	3,288	5,419
Consultancy and collaborations	5,713	6,203
Insurance	1,456	1,451
Outsourced processing	2,144	1,389
Other services	7,975	8,599
Total	**78,321**	**84,724**

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

The cost related to "Leases and rentals" refers to short term leasing contracts and low value asset leasing contracts as far as the variable leasing costs that are not accounted as right of use as per IFRS 16.

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

22. Personnel Costs

The item can be broken down as follows:

	Six months ended June 30,	
(in thousands of Euro)	**2020**	**2019 ***
Wages and salaries	59,210	60,486
Social security contributions	10,296	10,503
Directors' fees	1,408	1,487
Contributions to pension funds	601	834
Temporary workers	1,720	1,650
Other personnel-related costs	3,232	1,586
Total	**76,467**	**76,546**

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

With reference to the period ended June 30, 2020, “Personnel costs” contains non-recurring cost for Euro 1,673 thousand connected to some specific project of efficiency performed in Americas.

In the same period of 2019, non recurring cost amount to Euro 385 thousand and refer to efficiency projects implemented in few subsidiaries.

At June 30, 2020 the item includes also a benefit of Euro 3,052 thousand due to governments subsidies obtained by subsidiaries connected to the government’s policies put in place to deal with the effect of Covid-19.

23. Other Operating Costs

The item can be broken down as follows:

	Six months ended June 30,	
(in thousands of Euro)	**2020**	**2019**
Indirect taxes and levies	1,641	1,775
Other costs	1,105	1,251
Accruals of provisions	33	(107)
Total	**2,779**	**2,919**

In the six-month ended June 30, 2019 other operating costs included non-recurring costs, for Euro 297 thousand, incurred for the reorganisation activities implemented by the Group in different areas. In the six-month ended June 30, 2020 no non-recurring cost has been accounted.

24. Amortization, Depreciation and Impairment

The item can be broken down as follows:

	Six months ended June 30,	
(in thousands of Euro)	**2020**	**2019**
Depreciation of property, plant and equipment	21,589	19,584
Amortization of intangible assets	2,681	2,569
Depreciation of investment property	63	63
Allowances for doubtful accounts	1,899	1,080
Total	**26,232**	**23,296**

As previously mentioned, “Allowances for doubtful accounts” equal to Euro 1,899 thousand in the first half of 2020 (Euro 1,080 thousand at June 30, 2019), includes the accrual of Euro 1,100 thousand connected to the expected losses on trade receivables, with particular regard to the Food Service channel as a consequence of Covid-19 pandemic.

25. Finance Income and Costs

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

	Six months ended June 30,	
(in thousands of Euro)	**2020**	**2019**
Interest expense	2,610	2,390
Interest expense to related parties	733	1,033
Interest expense on leasing contracts	870	903
Net foreign exchange gains	1,127	(18)
Net fair value gains on derivative financial instruments	(234)	753
Other finance costs	337	351
Total finance costs	**5,443**	**5,412**
Finance income	(345)	(373)
Total net finance expense	**5,098**	**5,039**

26. Income Tax Expense

The following table shows a breakdown of Income Tax Expense:

	Six months ended June 30,	
(in thousands of Euro)	**2020**	**2019**
Current income tax	1,406	4,412
Deferred tax	(2,292)	(2,275)
Total	**(886)**	**2,137**

The Group verified the recoverability of deferred tax assets based on an estimate of future taxable income determined in accordance with the update of the 2020/2022 plan, on the basis a prudent tax planning approach.

27. Earnings/Loss per share

The following table provides a breakdown of earnings/loss per share:

	Six months ended June 30,	
(in thousands of Euro, unless otherwise indicated)	**2020**	**2019**
Average number of ordinary shares	34,300,000	34,300,000
(Loss) / Profit attributable to owners of the Parent	(16,872)	3,372
Basic and diluted (loss) / earnings per share (in Euro)	**(0.49)**	**0.10**

Basic loss per share in the six-month ended June 30, 2020 as well as basic profit per share in the six-month ended June 30, 2019 were the same as diluted loss and diluted profit per share respectively as there were no dilutive options.

28. Related Party Transactions

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

The transactions with related parties described below result in benefits arising from the use of common services and shared competencies, Group-level synergies and common policy and strategy in financial matters. In particular, for the six months ended June 30, 2020 and the year ended December 31, 2019, related party transactions were entered into in the following areas:

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

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

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

The following table shows the income statement effects of related party transactions for the six months ended June 30, 2020 and 2019 as well as the statement of financial position balances resulting from related party transactions for the six months ended June 30, 2020 and for December 31, 2019:

(in thousands of Euro)	**Entities under Common Control**	**JV and associates**	**Key Management**	**Total related parties**	**Financial statements line item**	**Percentage of financial statements line item**
Impact of transactions on income statement						
Revenue						
Six Month ended June 30, 2020	16	33	-	**49**	404,029	**0.0%**
Six Month ended June 30, 2019	43	105	-	**148**	439,450	**0.0%**
Other revenue						
Six Month ended June 30, 2020	36	61	-	**97**	1,883	**5.2%**
Six Month ended June 30, 2019	-	127	-	**127**	2,720	**4.7%**
Purchase of goods						
Six Month ended June 30, 2020	70,099	489	-	**70,588**	234,540	**30.1%**
Six Month ended June 30, 2019	75,069	616	-	**75,685**	242,997	**31.1%**
Purchases of services, leases and rentals						
Six Month ended June 30, 2020	493	4,343	-	**4,836**	78,321	**6.2%**
Six Month ended June 30, 2019	439	1,535	-	**1,974**	84,724	**2.3%**
Personnel costs						
Six Month ended June 30, 2020	-	-	2,124	**2,124**	76,467	**2.8%**
Six Month ended June 30, 2019	-	-	2,712	**2,712**	76,546	**3.5%**
Finance income						
Six Month ended June 30, 2020	-	12	-	**12**	345	**3.5%**
Six Month ended June 30, 2019	-	11	-	**11**	373	**2.9%**
Finance costs						
Six Month ended June 30, 2020	729	-	-	**729**	5,443	**13.4%**
Six Month ended June 30, 2019	1,032	-	-	**1,032**	5,412	**19.1%**
Impact of transactions on statement of financial position						
Trade receivables						
As of June 30, 2020	-	-	-	**-**	83,938	**0.0%**
As of December 31, 2019	27	5	-	**32**	114,635	**0.0%**
Other non-current assets						
As of June 30, 2020	77	610	-	**687**	15,017	**4.6%**
As of December 31, 2019	75	485	-	**560**	15,010	**3.7%**
Other current assets						
As of June 30, 2020	51	104	-	**155**	21,126	**0.7%**
As of December 31, 2019	4	129	-	**133**	19,271	**0.7%**
Non-current borrowings						
As of June 30, 2020	436	-	-	**436**	167,690	**0.3%**
As of December 31, 2019	465	-	-	**465**	219,869	**0.2%**
Current borrowings						
As of June 30, 2020	70	-	-	**70**	225,731	**0.0%**
As of December 31, 2019	58	-	-	**58**	143,498	**0.0%**
Trade payables						
As of June 30, 2020	39,858	1,145	-	**41,003**	139,204	**29.5%**
As of December 31, 2019	41,397	529	-	**41,926**	155,238	**27.0%**

The following table shows certain other information, resulting from related party transactions, as at June 30, 2020 and December 31, 2019:

(in thousands of Euro)	**Entities under Common Control**	**Total related parties**	**Total**	**Percentage of Total**
Commitments				
As of June 30, 2020	59,198	**59,198**	184,321	**32.1%**
As of December 31, 2019	71,429	**71,429**	157,316	**45.4%**

Entities under Common Control

The following table shows the income statement effects of transactions with Entities under Common Control for the six months ended June 30, 2020 and 2019, as well as the statement of financial position balances resulting from transactions with Entities under Common Control by financial statement line item for and at June 30, 2020 and December 31, 2019:

(in thousands of Euro)	Cofiroasters SA	Other entities *Green Coffee*	Doge SpA	Hotel Cipriani	Other	Total Entities under Common Control	Financial statements line item	Percentage of financial statements line item
Impact of transactions on income statement								
Revenue								
Six Month ended June 30, 2020	-	16	-	-	-	**16**	404,029	**0.0%**
Six Month ended June 30, 2019	-	6	12	1	24	**43**	439,450	**0.0%**
Purchase of goods								
Six Month ended June 30, 2020	68,626	1,470	-	-	3	**70,099**	234,540	**29.9%**
Six Month ended June 30, 2019	72,833	2,236	-	-	-	**75,069**	242,997	**30.9%**
Purchases of services, leases and rentals								
Six Month ended June 30, 2020	67	1	-	25	400	**493**	78,321	**0.6%**
Six Month ended June 30, 2019	239	1	-	33	166	**439**	84,724	**0.5%**
Finance costs								
Six Month ended June 30, 2020	718	-	11	-	-	**729**	5,443	**13.4%**
Six Month ended June 30, 2019	1,032	-	-	-	-	**1,032**	5,412	**19.1%**
Impact of transactions on statement of financial position								
Trade receivables								
As of June 30, 2020	-	-	-	-	-	**-**	83,938	**0.0%**
As of December 31, 2019	-	-	22	5	-	**27**	114,635	**0.0%**
Other non-current assets								
As of June 30, 2020	-	-	-	77	-	**77**	15,017	**0.5%**
As of December 31, 2019	-	-	-	75	-	**75**	15,010	**0.5%**
Other current assets								
As of June 30, 2020	-	-	29	7	15	**51**	21,126	**0.2%**
As of December 31, 2019	-	1	-	3	-	**4**	19,271	**0.0%**
Non-current borrowings								
As of June 30, 2020	-	-	436	-	-	**436**	167,690	**0.3%**
As of December 31, 2019	-	-	465	-	-	**465**	219,869	**0.2%**
Current borrowings								
As of June 30, 2020	-	-	70	-	-	**70**	225,731	**0.0%**
As of December 31, 2019	-	-	58	-	-	**58**	143,498	**0.0%**
Trade payables								
As of June 30, 2020	39,214	608	17	-	19	**39,858**	139,204	**28.6%**
As of December 31, 2019	40,510	856	-	-	31	**41,397**	155,238	**26.7%**

The following table shows certain other information, resulting from transactions with Entities under Common Control, as at June 30, 2020 and December 31, 2019.

(in thousands of Euro)	Cofiroasters SA	Total Entities under Common Control	Total	Percentage of total
Commitments				
As of June 30, 2020	59,198	**59,198**	184,321	**32.1%**
As of December 31, 2019	71,429	**71,429**	157,316	**45.4%**

Cofiroasters S.A. and other green coffee companies

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

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

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

Group purchases of green coffee from Cofiroasters account for raw material costs included in "Purchases of Raw, ancillary, and consumable materials and goods" totalling Euro 68,626 thousand for the six months ended June 30, 2020 (Euro 72,833 thousand for the six months ended June 30, 2019). Payables to Cofiroasters SA included among Trade payables amounted to Euro 39,214 thousand at June 30, 2020 (Euro 40,510 thousand at December 31, 2019).

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

In order to mitigate risks relating to the price of green coffee, Group entities make forward purchases of green coffee thereby fixing the price of future purchases. Commitments to purchase green coffee from Cofiroasters S.A. not reflected in the financial statements as at June 30, 2020 totalled Euro 59,198 thousand (Euro 71,429 thousand as at December 31, 2019).

JV and Associates

In the six months ended June 30, 2020, through its subsidiary Massimo Zanetti Beverage USA Inc., the Group performed the following related party transactions with the associate Club Coffee:

- Re-invoicing of services for USD 68 thousand (Euro 61 thousand);
- purchases classified under the item "Raw, ancillary, and consumable materials" for an amount of USD 535 thousand (Euro 486 thousand);

Key Management

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

Key Management compensation amounted to Euro 2,124 thousand and Euro 2,712 thousand for the six months ended June 30, 2020 and 2019, respectively.

29. Subsequent Events

On August 1, 2020 the merger by incorporation of Segafredo Zanetti Brasil Comercial e Distribudora de Cafè S.A. in Cafè Pacaembu Ltda was completed. The incorporate company was called Massimo Zanetti Beverage Brasil. The merger does not have retrospective impacts.

Segafredo Zanetti Colombia S.A.S. was established on July 16, 2020, a branch of the group that will allow direct access to the Colombian market.

List of companies included in the Consolidated Condensed Interim Financial Statements

Company	Registered office	Reporting date	Share capital		Percentage held as at	
			Currency	Amount (000)	June 30, 2020	December 31, 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	3,892	100%	100%
Segafredo Zanetti (Brasil) Com. distr. de Cafè S.A.	Belo Horizonte	December 31	BRL	20,184	100%	100%
Segafredo Zanetti Chile S.A.	Santiago	December 31	CLP	25,000	100%	100%
Segafredo Zanetti Coffee System S.p.A.	Treviso	December 31	EUR	6,000	100%	100%
Segafredo Zanetti CR spol.sro	Praga	December 31	CSK	9,300	100%	100%
Segafredo Zanetti Deutschland Gmbh	Monaco	December 31	EUR	1,534	100%	100%
Segafredo Zanetti Espresso Worldwide Ltd.	Ginevra	December 31	CHF	30,000	98%	98%
Segafredo Zanetti Japan Inc.	Tokyo	December 31	YEN	50,000	98%	98%
Segafredo Zanetti France S.A.S.	Rouen	December 31	EUR	8,500	100%	100%
Segafredo Zanetti Hellas S.A.	Atene	December 31	EUR	950	100%	100%
Segafredo Zanetti Hungaria KFT	Budapest	December 31	HUF	46,630	100%	100%
Tiktak/Segafredo Zanetti Nederland BV	Groningen	December 31	EUR	18	100%	100%
Segafredo Zanetti Poland Sp.z.o.o.	Bochnia	December 31	PLN	47,615	100%	100%
Segafredo Zanetti SR Spol S.r.o.	Bratislava	December 31	EUR	200	100%	100%
Segafredo Zanetti Trgovanje s kavo. d.o.o.	Ljubljana	December 31	EUR	651	100%	100%
Brodie Melrose Drysdale & CO Ltd.	Edimburgo	December 31	GBP	244	100%	100%
Brulerie des Cafés Corsica SAS	Ajaccio	December 31	EUR	152	100%	100%
Distribuidora Cafè Montaña S.A.	San Josè	December 31	CRC	304,010	100%	100%
Massimo Zanetti Beverage USA Inc.	Wilmington	December 31	USD	73,641	100%	100%
Meira Eesti Oü	Tallin	December 31	EUR	15	100%	100%
Meira Oy Ltd.	Helsinki	December 31	EUR	1,000	100%	100%
Puccinos Worldwide Ltd	Edimburgo	December 31	GBP	-	100%	100%
Massimo Zanetti Beverage Mexico SA de CV (*)	Mazatlán	December 31	MXN	1,806	50%	50%
MZB Cafes USA Inc	Wilmington	December 31	USD	-	100%	100%
Kauai Coffee Company LLC	Wilmington	December 31	USD	-	100%	100%
Massimo Zanetti Beverage USA Food Service LLC	Wilmington	December 31	USD	-	100%	100%
Segafredo Zanetti New Zealand Ltd	Auckland	December 31	NZD	-	100%	100%
Segafredo Zanetti Croatia d.o.o.	Zagreb	December 31	HRK	4,850	100%	100%
Massimo Zanetti Beverage Vietnam Company Ltd	Ben Cat district - Binh Duong	December 31	VND	21,000,000	100%	100%
Segafredo Zanetti (Thailand) Ltd	Bangkok	December 31	THB	15,300	100%	100%
Boncafe International Pte Ltd	Singapore	December 31	SGD	18,710	100%	100%
Boncafe (Cambodia) Ltd	Phnom Penh	December 31	KHR	108,000	100%	100%
Boncafe (M) Sendirian Berhad	Kuala Lumpur	December 31	MYR	200	100%	100%
Six Degrees Café Pte Ltd	Singapore	December 31	SGD	-	100%	100%
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%
Segafredo Zanetti Grandi Eventi S.r.l.	Bologna	December 31	EUR	20	100%	100%
Massimo Zanetti Beverage Services SRL (*)	Municipiul Brasov	December 31	RON	1	51%	51%
Boncafe Vietnam Company Ltd	Ho Chi Minh City	December 31	VND	12,268,000	100%	100%
Massimo Zanetti Beverage USA (Canada), Inc.	Wilmington	December 31	USD	-	100%	100%
Massimo Zanetti Beverage Canada Investment ULC	Vancouver	December 31	CAD	-	100%	100%
Club Coffee LP (*)	Toronto	April 25	CAD	4,000	15%	15%
Massimo Zanetti Beverage Ibéria S.A.	Lisbona	December 31	EUR	40,000	100%	100%
Virtus pallacanestro Bologna SSD a.r.l. (*)	Bologna	June 30	EUR	2,901	37%	37%
PT Bon cafe Indonesia	Jakarta	December 31	IDR	2,525,000	67%	67%
Boncafe China Company Ltd	Shenzhen	December 31	USD	400	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%
Cafè Pacaembu Ltda	Vargem Grande do Sul	December 31	BRL	11.450	100%	100%
Pacaembu Holding Partecipações 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 July 27, 2006

	Six months ended June 30,			
(in thousands of Euro)	**2020**	***of which related parties***	**2019**	***of which related parties***
Revenue	404,029	49	439,450	148
Other income	1,883	97	2,720	127
Purchase of goods	(234,540)	(70,588)	(242,997)	(75.685)
Purchases of services, leases and rentals	(78,321)	(4,836)	(84,724)	(1.974)
Personnel costs	(76,467)	(2,124)	(76,546)	(2.712)
Other operating costs	(2,779)		(2,919)	
Amortization, depreciation and impairment	(26,232)		(23,296)	
Operating (loss)/profit	**(12,427)**		**11,688**	
Finance income	345	12	373	11
Finance costs	(5,443)	(729)	(5,412)	(1.032)
Share of losses of companies accounted for using the equity method	(322)		(1,055)	
(Loss)/profit before tax	**(17,847)**		**5,594**	
Income tax expense	886		(2,137)	
(Loss)/profit for the period	**(16,961)**		**3,457**	
Profit attributable to:				
Non-controlling interests	*(89)*		*85*	
Owners of the parent	*(16,872)*		*3,372*	
Basic/diluted earnings per share (in Euro)	**(0.49)**		**0.10**	

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

	As of June 30,		As of December 31,	
(in thousands of Euro)	**2020**	*of which related parties*	**2019**	*of which related parties*
Intangible assets	218,804		227,016	
Property, plant and equipment	257,773		265,436	
Investment properties	4,871		4,934	
Investments in joint venture	10,857		11,166	
Non-current trade receivables	2,907		2,949	
Deferred tax assets	14,847		12,908	
Non-current contract assets	8,314		7,505	
Other non-current assets	15,017	687	15,010	560
Total non-current assets	**533,390**		**546,924**	
Inventories	174,521		154,525	
Trade receivables	83,938	-	114,635	32
Income tax assets	3,474		3,512	
Current contract assets	2,493		3,317	
Other current assets	21,126	155	19,271	133
Cash and cash equivalents	96,491		94,846	
Total current assets	**382,043**		**390,106**	
Total assets	**915,433**		**937,030**	
Share capital	34,300		34,300	
Other reserves	88,433		103,914	
Retained earnings	173,365		197,308	
Equity attributable to owners of the Parent	**296,098**		**335,522**	
Non-controlling interests	1,787		1,885	
Total equity	**297,885**		**337,407**	
Non-current borrowings	167,690	436	219,869	465
Employee benefits	10,381		10,491	
Other non-current provisions	2,973		3,039	
Deferred tax liabilities	27,472		29,205	
Non-current contract liabilities	367		418	
Other non-current liabilities	3,919		3,627	
Total non-current liabilities	**212,802**		**266,649**	
Current borrowings	225,731	70	143,498	58
Trade payables	139,204	41,003	155,238	41,926
Income tax liabilities	2,242		2,531	
Current contract liabilities	1,818		1,817	
Other current liabilities	35,751		29,890	
Total current liabilities	**404,746**		**332,974**	
Total liabilities	**617,548**		**599,623**	
Total equity and liabilities	**915,433**		**937,030**	

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

	Six months ended June 30,			
(in thousands of Euro)	**2020**	***of which related parties***	**2019**	***of which related parties***
Result before tax	**(17,847)**		**5,594**	
Adjustments for:				
Amortization, depreciation and impairment	26,232		23,296	
Provisions for employee benefits and other charges	236		376	
Finance costs	5,098	717	5,039	1,021
Other non-monetary items	2,248		811	
Net cash generated from operating activities before changes in net working capital	**15,967**		**35,116**	
Decrease/(Increase) in inventories	(19,915)		(15,192)	
Decrease/(Increase) in trade receivables	29,147	32	2,192	(31)
Increase/(Decrease) in trade payables	(16,408)	(923)	4,831	(5,316)
Changes in other assets/liabilities	(755)	(149)	(1,730)	(117)
Payments of employee benefits	(391)		(394)	
Interest paid	(3,404)	(729)	(3,491)	(1,032)
Income tax paid	(1,459)		(3,420)	
Net cash generated from / (used in) operating activities	**2,782**		**17,912**	
Acquisition of subsidiary, net of cash acquired	(1,616)		(20,756)	
Purchase of property, plant and equipment	(14,045)		(14,189)	
Purchase of intangible assets	(2,160)		(2,729)	
Proceeds from sale of property, plant and equipment	555		428	
Proceeds from sale of intangible assets	6		16	
Investments in joint ventures and associates	-		(1,500)	
Changes in financial receivables	(7,674)		1,384	
Interest received	56		71	
Net cash used in investing activities	**(24,878)**		**(37,275)**	
Proceeds from long-term borrowings	42,001		41,345	
Repayment of long-term borrowings	(21,050)		(22,220)	
Increase / (decrease) in short-term borrowings	15,857		4,194	
Repayment of lease liabilities	(5,726)	(17)	(4,930)	(27)
Dividends paid	(6,517)		(6,657)	
Net cash generated from / (used in) financing activities	**24,565**		**11,732**	
Exchange gains/(losses) on cash and cash equivalents	(824)		383	
Net increase (decrease) in cash and cash equivalents	**1,645**		**(7,248)**	
Cash and cash equivalents at the beginning of the period	94,846		93,491	
Cash and cash equivalents at the end of the period	**96,491**		**86,243**	

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

CERTIFICATION OF THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS PURSUANT TO ARTICLE 81-TER OF CONSOB REGULATION NO. 11971 OF MAY 14, 1999, AS AMENDED

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

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

   of the administrative and accounting procedures for preparing the consolidated condensed interim financial statements, for the semester ended June 30, 2020.

2. The assessment of the adequacy of the administrative and accounting procedures used in preparing the consolidated condensed interim financial statements, for the semester ended June 30, 2020 was based on a process defined by Massimo Zanetti Beverage Group S.p.A. in accordance with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission, an internationally-accepted reference framework.

3. The undersigned further declare that:

   3.1 the consolidated condensed interim financial statements:

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

   b) reflect the accounting books and records; and

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

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

Villorba (TV), 6th August 2020

Massimo Zanetti
Chairman and Chief Executive Officer

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

REVIEW REPORT ON CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

To the shareholders of
Massimo Zanetti Beverage Group SpA

Foreword

We have reviewed the accompanying consolidated condensed interim financial statements of Massimo Zanetti Beverage Group SpA and its subsidiaries (hereinafter also "MZB Group") as of 30 June 2020, comprising the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity, the cashflow statement and related notes. The directors of Massimo Zanetti Beverage Group SpA are responsible for the preparation of the consolidated condensed interim financial statements in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these consolidated condensed interim financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated condensed interim financial statements of the MZB Group as of 30 June 2020 are not prepared, in all

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bergamo** 24121 Largo Belotti 5 Tel. 035229691 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25121 Viale Duca d'Aosta 28 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332285039 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311

www.pwc.com/it

material respects, in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Treviso, 7 August 2020

PricewaterhouseCoopers SpA

Signed by

Filippo Zagagnin
(Partner)

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