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INTERIM FINANCIAL REPORT

AS OF SEPTEMBER 30, 2020

MASSIMO ZANETTI
BEVERAGE GROUP

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Parent Information

Massimo Zanetti Beverage Group S.p.A.

Registered Office
Viale G.G. Felissent, 53
31020 Villorba (Treviso)

Corporate Information
Share capital authorized Euro 34,300,000
Share capital subscribed and paid in Euro 34,300,000

Tax Code/Business Register/VAT No. 02120510371

Corporate and supervisory bodies of the Parent

Board of Directors

Massimo Zanetti
Chairman and Chief Executive Officer

Matteo Zanetti (**)
Director

Laura Zanetti (**)
Director

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.

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INTERIM REPORT

Introduction

With reference to the nine months ended September 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, the relevant changes that occurred during the period, and the significant events that have occurred affecting the results of the period.

Structure and Operations of the Group

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

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

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

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

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

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

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

Results of operations

Introduction

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

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

Results of operations for the nine months ended September 30, 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 nine month 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 amendment of the contractual terms relating to the covenants concerned. During the month of September, the negotiation has been positively concluded.

The following table sets forth the reclassified consolidated income statement for the nine months ended September 30, 2020 and 2019.

(in thousands of Euro)	**Nine months ended September 30,**				**Change**	
	2020	**(*)**	**2019(**)**	**(*)**	**2020-2019**	
Revenue	610,555	100.0%	666,867	100.0%	(56,312)	-8.4%
Raw, ancillary, and consumable materials and goods	(353,864)	-58.0%	(366,878)	-55.0%	13,014	-3.5%
Gross Profit[1]	**256,691**	**42.0%**	**299,989**	**45.0%**	**(43,298)**	**-14.4%**
Purchases of services, leases and rentals	(115,867)	-19.0%	(127,333)	-19.1%	11,466	-9.0%
Personnel costs	(111,479)	-18.3%	(114,812)	-17.2%	3,333	-2.9%
Other operating costs, net[2]	(2,967)	-0.5%	(739)	-0.1%	(2,228)	>100%
Impairment[3]	(2,659)	-0.4%	(1,233)	-0.2%	(1,426)	>100%
EBITDA[1]	**23,719**	**3.9%**	**55,872**	**8.4%**	**(32,153)**	**-57.5%**
Non-recurring items	4,554	0.7%	2,352	0.4%	2,201	93.6%
Adjusted EBITDA [1]	**28,273**	**4.6%**	**58,224**	**8.7%**	**(29,952)**	**-51.4%**
Depreciation and amortization[4]	(36,159)	-5.9%	(34,020)	-5.1%	(2,139)	6.3%
Operating result	**(12,440)**	**-2.0%**	**21,852**	**3.3%**	**(34,292)**	**< -100%**
Net finance costs[5]	(7,361)	-1.2%	(7,061)	-1.1%	(300)	4.2%
Share of losses of companies accounted for using the equity method	(402)	-0.1%	(986)	-0.1%	584	-59.2%
Result before tax	**(20,203)**	**-3.3%**	**13,805**	**2.1%**	**(34,008)**	**< -100%**
Income tax expense	(260)	0.0%	(5,688)	-0.9%	5,428	-95.4%
Result for the period	**(20,463)**	**-3.4%**	**8,117**	**1.2%**	**(28,580)**	**< -100%**

(*) Percentage of revenue
(**) For a better presentation, the temporary worker cost has been reclassified from services cost to personnel costs.
Reconciliation between the reclassified consolidated income statement and the condensed consolidated income statement:
(1) For additional information, refer to the "Non-GAAP" alternative performance indicators section.
(2) Includes other income and other operating costs.
(3) Includes impairment of receivables.
(4) Includes depreciation of property, plant and equipment and investment properties and amortization of intangible assets.
(5) Includes finance income and finance costs

Revenue

Revenue amounted to Euro 610,555 thousand for the nine months ended September 30, 2020 showing a decrease of Euro 56,312 thousand (-8.4%) compared to the nine months ended September 30, 2019. This change is mainly due to *i)* Covid-19 pandemic and the relatives restrictive measures carry out by governments worldwide, which had a significant impact in the different mix of sales channels of roasted coffee, consequently reflected int the decrease of selling price of roasted coffee and other products (-7.5%); *ii)* the impact of foreign currency exchange rate, mainly referred to US dollar fluctuations (-0.9%).

On a comparable basis, the decrease in revenue amounted to Euro 50,353 thousand and is mainly due to the change in "Roasted coffee sales", which amounted to Euro 38,689 thousand, with a decrease of 6.7%. This decrease was mainly due to the decline in the sales prices of roasted coffee, as a consequence of the impact of the Covid-19 pandemic on the channel and product mix in the period, in addition to the trend in the average purchase price of green coffee. In particular, the restrictive measures taken by national governments affected 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.

On the other side, the volumes of roasted coffee sold, does not have significant impact on revenues. In particular the volumes of roasted coffee sold are equal to 94.0 thousand tons, substantially stable compared with same period of 2019. In this context Americas shows a positive trend (tons 3.6 thousand) thanks to Mass Market and Food service channels, Northern Europe remains substantially stable (tons 0.1 thousands) with the positive performance of Mass Market channel. Asia-Pacific and Cafes and Southern Europe show a negative trend mainly in Food Service and Private label channels (respectively tons – 0.6 thousands and tons -3.1 thousands).

The following table provides a breakdown of revenue for the nine months ended September 30, 2020 and 2019, by sales channel.

	Nine months ended September 30,				Change	
(in thousands of Euro)	**2020**	**(*)**	**2019**	**(*)**	**2020-2019**	
Food Service	106,909	17.5%	160,335	24.0%	(53,426)	-33.3%
Mass Market	256,670	42.0%	236,849	35.5%	19,821	8.4%
Private Label	207,556	34.0%	222,677	33.4%	(15,121)	-6.8%
Other	39,420	6.5%	47,006	7.1%	(7,586)	-16.1%
Total	**610,555**	**100.0%**	**666,867**	**100.0%**	**(56,312)**	**-8.4%**

(*) Percentage of revenue.

The following table provides a breakdown of revenue for the nine months ended September 30, 2020 and 2019, by geographical area.

	Nine months ended September 30,				Change	
(in thousands of Euro)	**2020**	**(*)**	**2019**	**(*)**	**2020-2019**	
Americas	295,088	48.3%	292,119	43.8%	2,969	1.0%
Northern Europe	125,458	20.6%	134,749	20.2%	(9,291)	-6.9%
Southern Europe	131,776	21.6%	168,470	25.3%	(36,694)	-21.8%
Asia-Pacific and Cafés (**)	58,233	9.5%	71,529	10.7%	(13,296)	-18.6%
Total	**610,555**	**100.0%**	**666,867**	**100.0%**	**(56,312)**	**-8.4%**

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

Gross profit

Gross Profit amounted to Euro 256,691 thousand for the nine months ended September 30, 2020 and decrease of Euro 43,298 thousand (-14.4%) compared to the nine months ended September 30, 2019.

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This is mainly due to:

- decrease of the Gross Profit of roasted coffee and other products (-13.6%) as also a consequence of Covid-19 pandemic;
- impact of foreign currency exchange rate fluctuations (-0.8%)

On a comparable basis, the *Gross Profit* shows a decrease of Euro 41,039 thousand, mainly driven by the performance of roasted coffee that decreased 13.2% compared to the same period of 2019. This reduction is mainly due to the different mix of product sold in 2020 and 2019, as a consequence of the pandemic, as well as the impact of the dynamics of sales prices and purchase costs of roasted coffee and green coffee, respectively.

EBITDA and Adjusted EBITDA

The following table provides reconciliation between **EBITDA** and result for the period for the nine months ended September 30, 2020 and 2019.

	Nine months ended September 30,				**Change**	
(in thousands of Euro)	**2020**	**(*)**	**2019**	**(*)**	**2020-2019**	
Result for the period	(20,463)	-3.4%	8,117	1.2%	(28,580)	< -100%
Income tax expense	260	0.0%	5,688	0.9%	(5,428)	< -100%
Finance costs	7,826	1.3%	7,590	1.1%	236	3.1%
Finance income	(465)	-0.1%	(529)	-0.1%	64	-12.1%
Share of losses of companies accounted for using the equity method	402	0.1%	986	0.1%	(584)	-59.2%
Depreciation and amortization(1)	36,159	5.9%	34,020	5.1%	2,139	6.3%
EBITDA(2)	**23,719**	**3.9%**	**55,872**	**8.4%**	**(32,153)**	**-57.5%**

(*) 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 23,719 thousand for the nine months ended September 30, 2020 showed a decrease of Euro 32,153 thousand (-57,5%) compared with the same period of 2019 (Euro 55,872 thousand). In addition of the aforementioned factors affecting Gross Profit, this result is mainly due to the reduction of operating costs that, net of exchange rate fluctuations (positive for Euro 2.128 thousand), is equal to Euro 9,017 thousand. This decrease refers to the reduction of service costs (mainly travelling expenses, agent fees and maintenance) and payroll costs partially compensated by the increase of bad debt provision and other operative costs.

The following table provides reconciliation between EBITDA and **Adjusted EBITDA** for the nine months ended September 30, 2020 and 2019.

	Nine months ended September 30,				**Change**	
(in thousands of Euro)	**2020**	**(*)**	**2019**	**(*)**	**2020-2019**	
EBITDA(1)	23,719	3.9%	55,872	8.4%	(32,153)	-57.5%
Non-recurring costs	4,554	0.7%	2,352	0.4%	2,201	93.6%
Adjusted EBITDA (1)	**28,273**	**4.6%**	**58,224**	**8.8%**	**(29,952)**	**-51.4%**

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

During the first nine months of 2020, the Group incurred non-recurring costs of 4,554 thousand mainly related to:

- efficiency projects in the American subsidiary;
- the resolution of a litigation with an American client;
- 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 nine months of 2019 the Group incurred non-recurring costs of Euro 2,352 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

Operating result negative for Euro 12,440 thousand for the nine months ended September 30, 2020, shows a decrease of Euro 34,292 thousand compared to the nine months ended September 30, 2019 where it was positive for Euro 21,852 thousand. In addition to what previously described for EBITDA, this decrease is also due to the increase of depreciation and amortization for Euro 2,139 thousand.

Result of the period

Result of the period negative for Euro 20,463 thousand for the nine months ended September 30, 2020, shows a decrease of Euro 28,580 thousand compared to the nine months ended September 30, 2019 where it was positive and equal to Euro 8,117 thousand. 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 584 thousand;
- the increase in net finance costs to Euro 300 thousand;
- the decrease of income taxes for Euro 5,428 thousand, mainly due to lower profit before taxes compared with the same period of 2019.

Reclassified statement of financial position

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

	As at September 30	As at December 31
(in thousands of Euro)	**2020**	**2019**
Investments:		
Intangible assets	214,201	227,016
Property, plant and equipment and investment properties(1)	256,724	270,370
Investments in joint ventures and associates	10,295	11,166
Non-current trade receivables	2,853	2,949
Deferred tax assets and other non-current assets(2)	37,968	35,423
Non-current assets (A)	**522,041**	**546,924**
Net working capital (B)(3)	**106,983**	**103,790**
Employee benefits	(10,195)	(10,491)
Other non-current provisions	(2,987)	(3,039)
Deferred tax liabilities and other non-current liabilities(4)	(31,250)	(33,250)
Non-current liabilities (C)	**(44,432)**	**(46,780)**
Net invested capital (A+B+C)	**584,592**	**603,934**
Sources:		
Equity	285,266	337,407
Net Debt	299,326	266,527
Sources of financing	**584,592**	**603,934**

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

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

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

	As at September 30	As at December 31
(in thousands of Euro)	**2020**	**2019**
Inventories	161,708	154,525
Trade receivables	93,042	114,635
Income tax assets	3,224	3,512
Other current assets (1)	13,536	20,594
Trade payables	(126,924)	(155,238)
Income tax liabilities	(1,384)	(2,531)
Other current liabilities	(36,219)	(31,707)
Net working capital(2)	**106,983**	**103,790**

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

Reclassified cash flow statement

The following table shows the reclassified cash flow statement for the nine months ended September 30, 2020 and 2019.

	Nine months ended September 30,	
(in thousands of Euro)	**2020**	**2019**
EBITDA Adjusted (1)	**28,273**	**58,224**
Non-recurring Items	(2,822)	(2,830)
Changes in Net Working Capital	(19,979)	(18,226)
Net recurring investments (2)	(23,345)	(23,569)
Income tax paid	(3,064)	(6,456)
Other operating items (3)	2,858	1,815
Free Cash Flow (1)	**(18,079)**	**8,958**
Net non-recurring investments (4)	(1,616)	(22,460)
Investments in financial receivables (5)	(3,542)	1,875
Interest paid	(4,932)	(5,239)
Net cash generated from financing activities	25,038	29,240
Cash outflow from leasing accounted under IFRS 16	(7,918)	(7,713)
Dividends paid	(6,517)	(6,657)
Exchange gains/(losses) on cash and cash equivalents	(2,659)	1,750
Net increase in cash and cash equivalents	**(20,225)**	**(246)**
Cash and cash equivalents at the beginning of the period	94,846	93,491
Cash and cash equivalents at the end of the period	**74,621**	**93,245**

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

Free Cash Flow negative for Euro 18,079 thousand for the nine months ended September 30, 2020, showed a decrease of Euro 27,037 thousand compared to the nine months ended September 30, 2019. As previously explained, this change is due to the decrease of EBITDA adjusted.

The following table shows the breakdown of changes in net working capital for the nine months ended September 30, 2020 and 2019.

	Nine months ended September 30,	
(in thousands of Euro)	**2020**	**2019**
Changes in inventories	(9,672)	(21,236)
Changes in trade receivables	17,952	2,000
Changes in trade payables	(26,188)	3,017
Changes in other assets/liabilities	(1,513)	(1,582)
Payments of employee benefits	(558)	(425)
Changes in net working capital	**(19,979)**	**(18,226)**

Changes in Net Working Capital, those components were affected by the Covid-19 pandemic, shows a negative balance of Euro 19,979 thousand for the nine months ended September 30, 2020 with a decrease of Euro 1,753 thousand compared to the nine months ended September 30, 2019.

This decrease is mainly due to the following items:

- the “changes in inventories” with a negative amount of Euro 9,672 thousand;
- the “changes in trade receivables”, with a positive amount of Euro 17,952 thousand, as a result of the trends of the revenues in the period;
- the “changes in trade payables”, with a positive amount of Euro 26,188 thousand.

Net recurring investments absorbed cash for Euro 23,345 thousand in the first nine months 2020, substantially stable compared with previous year. These 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 22,460 thousand for the nine months ended September 30, 2020 and 2019, respectively.

In the first nine months 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 nine months of 2019 non-recurring investments refers to the acquisitions of the business and asset of a group of companies based in Melbourne known as “The Bean Alliance” and of “Cafès Nandi SA” and “Multicafès Industria de Cafè” in Portugal, for a total amount of Euro 20,756 thousand as well as the acquisition of Bon Beverages Maldives private limited, a local Maldivian distributor, for Euro 204 thousand.

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

For further details please refer to paragraph “*Business Combinations*”.

Financing activities generated cash for Euro 25,038 thousand in the nine months ended September 30, 2020 and is mainly due to the combined effect of:

- cash collected through new issues of long-term loans amounting to Euro 8,063 thousand, net of the repayment of the instalments due;
- the increase in short-term loans of Euro 16,975 thousand.

Net cash outflow from leasing accounted under IFRS 16 equal to Euro 7,918 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 Debt of the Group at September 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 September, 30	As of December, 31
(in thousands of Euro)		2020	2019
A	Cash and cash equivalents	(972)	(1,108)
B	Cash at bank	(73,649)	(93,738)
C	Securities held for trading	-	-
D	**Liquidity (A+B+C)**	**(74,621)**	**(94,846)**
E	**Current financial receivables**	**(5,505)**	**(1,994)**
F	Current loans	78,728	61,699
G	Current portion of non-current loans	62,117	66,230
H	Other current financial payables	15,097	15,569
I	**Current debt (F+G+H)**	**155,942**	**143,498**
J	**Net current debt (I+E+D)**	**75,816**	**46,658**
K	Non-current medium/long-term loans	185,676	175,001
L	Issued bonds	-	-
M	Other non-current financial payables	37,834	44,868
N	**Non-current debt (K+L+M)**	**223,510**	**219,869**
O	**Net debt (J+N)**	**299,326**	**266,527**

Net Debt amounted to Euro 299,326 thousand at September 30, 2020, an increase of Euro 32,799 thousand compared to December 31, 2019. This increase is mainly due to the combined effect of the following:

- Free Cash Flow negative for Euro 18,079 thousand in the nine months ended September 30, 2020;
- dividends paid amounting to Euro 6,517 thousand;
- interest paid of Euro 4,932 thousand for the nine months ended September 30, 2020;
- the Euro/USD foreign currency exchange rate impact and other items.

Capital expenditure

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

	Nine months ended September 30			
(in thousands of Euro)	2020		2019	
	Capital expenditure	Cash-out	Capital expenditure	Cash-out
Business combinations, including those under common control	-	1,616	27,381	20,960
Investments in associates	-	-	1,500	1,500
Intangible assets	3,140	3,140	3,994	3,994
Property, plant and equipment	25,621	21,159	20,199	20,199
Total	**28,761**	**25,915**	**53,074**	**46,653**

Business combinations

During the first nine month 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 for an amount of Euro 204 thousand net cash.

Investments in associates

There were no investments in associated in the first nine month of 2020.

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

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

Property, plant and equipment

Capital expenditure in property, plant and equipment for the nine months ended September 30, 2020 mainly relates to bar equipment and asset under constructions, amounting to Euro 9,168 thousand and Euro 7,428 thousand, respectively.

Capital expenditure in property, plant and equipment for the nine months ended September 30, 2019 mainly relates to bar equipment and asset under construction, amounting to Euro 12,865 thousand and to Euro 3,832, respectively.

Intangible assets

Capital expenditure in intangible assets for the nine months ended September 30, 2020 and 2019 are equal to Euro 3,140 thousand and Euro 3,994 thousand, respectively.

The capital expenditure in intangible asset of the period refers mainly for Euro 2.552 thousand (Euro 2.676 thousand in same period of 2019) to the increase of asset under construction mainly related to the implementation of the Group ERP. Moreover, during the first nine month of 2019, the Portuguese company Massimo Zanetti Beverage Iberia acquired the client portfolio of one of its agents for a total consideration of Euro 980 thousand.

Key events for the nine months ended September 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 in 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 Beverage Iberia S.A. entered into a medium-to-long term loan agreement with Banco Comercial Portugues for an overall amount of Euro 3,000;

- 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 BPER Bank 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.

- 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.

- 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.

- During the month of September 2020, the negotiation of some contracts terms, connected to the potential covenants compliance, has been concluded with the two banks involved.

Subsequent events

<u>Voluntary offer for all of the ordinary shares of Massimo Zanetti Beverage Group S.p.A. launched by MZB Holding S.p.A.</u>

On September 29, 2020 MZB Holding S.p.A. (the “Offeror” or MZB Holding), a company indirectly controlled by Massimo Zanetti, launched a voluntary offer in accordance with Articles 102 et seq. of the TUF (the “Offer”) aimed at delisting the Massimo Zanetti Beverage Group S.p.A (“MZBG”) shares from the Mercato Telematico Azionario. The acceptance period to the Offer (the “Acceptance Period”), agreed with Borsa Italiana, started on 26 October 2020 and will end on 20 November 2020, unless extended. The Offer is launched on a maximum of 9,451,265 ordinary shares of MZBG representing 27.555% of the Issuer’s share capital. The Offeror will pay a consideration amounting to EUR 5.00 for each Share tendered in response to the Offer (the “Price”)

On October 7, 2020 MZB Holding S.p.A. filed with CONSOB the offer document (the “Offer Document”) pursuant to and for the purposes of Article 102, paragraph 3 of the TUF and Article 37-ter of the Issuers’ Regulations.
As stated in the Offer Document, the Offeror intends to carry out the Delisting of the Shares from the Mercato Telematico Azionario. The Offeror has declared that:

- in accordance with the provisions of Article 108, paragraph 2 of the TUF, the Offeror stated its intention not to restore floating shares in an amount sufficient to ensure the regular performance of the trading of the Shares

- in the case of:

a. the Delisting has not been achieved and, therefore, the Issuer remains listed, the Offeror intends to propose, in the twelve months following the Payment Date, to the competent bodies of the Issuer, to achieve the Delisting through the Merger

b. the Delisting has been achieved, the Offeror will evaluate, at its own discretion, the possibility of carrying out the Merger in the twelve months following the Payment Date or at a different timeframe.

It should be noted that Massimo Zanetti holds, through MZ Industries and through the Offeror, a stake in MZBG such as to ensure the approval of the Merger by the Extraordinary Shareholders' Meeting of the Issuer, as the Overall Stake is greater than two thirds of the share capital.

On October 23, 2020 the Board of Directors of Massimo Zanetti Beverage Group S.p.A. approved the Notice drawn up pursuant article 103, paragraph 3, of the Legislative Decree no. 58/1998 (the "Italian Financial Act" or "IFA") and article 39 of the Issuers' Regulation no. 11971/1999 (the "Issuer's Notice"), containing its assessment of the voluntary totalitarian public tender offer (the "Offer").

More in details, the Board of Directors, by majority decision, has deemed fair, from a financial perspective, the consideration of Euro 5.00 for each ordinary share of MZBG tendered in the Offer.
For a full illustration of the assessment carried out by the Board of Directors reference is made to the content of Issuer's Notice, published alongside with the Offer Document on October 24, 2020.

Business outlook

The Covid-19 public health emergency which characterised the first nine months of 2020 with a significant impact on markets and the national and world economy, continues to affect the current context. Despite the signs of recovery shown in the third quarter, the recent increase in contagion, which has already resulted in selective closures in several markets and could lead to further and more far-reaching closures, creates further uncertainty about the possible developments in the public health crisis and the global economic outlook.

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 in order to ensure that risk profiles are promptly identified and corrective measures are assessed. Based on this new and strong pandemic phase, the public health emergency and the operational restrictions necessary to contain Covid spread may have a significant effect on the last quarter of the year. Consequently, any forecast as to the foreseeable outlook would be extremely complex.

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"Non-GAAP" alternative performance indicators

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

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

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

Unusual transactions and/or events

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

Treasury shares

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

Related-party transactions

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

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

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

The objective of the procedure is to ensure transparency and the substantial correctness of transactions with related parties and is published on the Company website – www.mzb-group.com.

CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS AS AT AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

Consolidated Condensed Interim Income Statement

	Note	Nine months ended September 30,	
(in thousands of Euro)		**2020**	**2019***
Revenue	**12**	610,555	666,867
Other income		3,308	3,864
Raw, ancillary, and consumable materials and goods		(353,864)	(366,878)
Purchases of services, leases and rentals		(115,867)	(127,333)
Personnel costs		(111,479)	(114,812)
Other operating costs		(6,275)	(4,603)
Amortization, depreciation and impairment	**13**	(38,818)	(35,253)
Operating result		**(12,440)**	**21,852**
Finance income		465	529
Finance costs		(7,826)	(7,590)
Share of losses of companies accounted for using the equity method		(402)	(986)
Result before tax		**(20,203)**	**13,805**
Income tax expense		(260)	(5,688)
Result for the period		**(20,463)**	**8,117**
Profit attributable to:			
Non-controlling interests		(129)	*127*
Owners of the parent		*(20,334)*	*7,990*
Basic/diluted earnings per share (in Euro)	**14**	**(0.59)**	**0.23**

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

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Consolidated Condensed Interim Statement of Comprehensive Income

	Nine months ended September 30,	
(in thousands of Euro)	**2020**	**2019**
Profit for the period	**(20,463)**	**8,117**
Gains/(Losses) from cash flow hedges	(3,740)	(11)
Currency translation differences	(21,335)	11,777
Items that may be subsequently reclassified to profit or loss	**(25,075)**	**11,766**
Remeasurements of employee benefit obligations	(86)	(184)
Items that will not be reclassified to profit or loss	**(86)**	**(184)**
Total comprehensive (loss)/income for the period	**(45,624)**	**19,699**
Comprehensive income attributable to non-controlling interests	(159)	138
Comprehensive (loss)/income attributable to owners of the parent	**(45,465)**	**19,561**

Consolidated Condensed Interim Statement of Financial Position

(in thousands of Euro)	Note	As of September, 30 2020	As of December 31 2019
Intangible assets		214,201	227,016
Property, plant and equipment		251,884	265,436
Investment properties		4,840	4,934
Investments in joint ventures and associates		10,295	11,166
Non-current trade receivables		2,853	2,949
Deferred tax assets		14,838	12,908
Non-current contract assets		8,515	7,505
Other non-current assets		14,615	15,010
Total non-current assets		**522,041**	**546,924**
Inventories		161,708	154,525
Trade receivables		93,042	114,635
Income tax assets		3,224	3,512
Current contract assets		2,601	3,317
Other current assets		16,440	19,271
Cash and cash equivalents		74,621	94,846
Total current assets		**351,636**	**390,106**
Total assets		**873,677**	**937,030**
Share capital		34,300	34,300
Other reserves		79,337	103,914
Retained earnings		169,903	197,308
Total equity attributable to owners of the Parent		**283,540**	**335,522**
Non-controlling interests		1,726	1,885
Total equity		**285,266**	**337,407**
Non-current borrowings	**10**	223,510	219,869
Employee benefits		10,195	10,491
Other non-current provisions	**11**	2,987	3,039
Deferred tax liabilities		26,891	29,205
Non-current contract liabilities		353	418
Other non-current liabilities		4,006	3,627
Total non-current liabilities		**267,942**	**266,649**
Current borrowings	**10**	155,942	143,498
Trade payables		126,924	155,238
Income tax liabilities		1,384	2,531
Current contract liabilities		1,058	1,817
Other current liabilities		35,161	29,890
Total current liabilities		**320,469**	**332,974**
Total liabilities		**588,411**	**599,623**
Total equity and liabilities		**873,677**	**937,030**

Consolidated Condensed Interim Statement of Cash Flows

(in thousands of Euro)	Note	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Profit before tax		**(20,203)**	**13,805**
Adjustments for:			
Amortization, depreciation and impairment	**13**	38,818	35,253
Provisions for employee benefits and other charges		359	469
Finance costs		7,361	7,061
Other non-monetary items		1,974	621
Net cash generated from operating activities before changes in net working capital		**28,309**	**57,209**
Decrease/(Increase) in inventories		(9,672)	(21,236)
Decrease/(Increase) in trade receivables		17,952	2,000
Increase/(Decrease) in trade payables		(26,188)	3,017
Changes in other assets/liabilities		(1,513)	(1,582)
Payments of employee benefits		(558)	(425)
Interest paid		(4,932)	(5,239)
Income tax paid		(3,064)	(6,456)
Net cash generated from / (used in) operating activities		**334**	**27,288**
Acquisition of subsidiary, net of cash acquired	**8**	(1,616)	(20,960)
Purchase of property, plant and equipment		(21,159)	(20,199)
Purchase of intangible assets		(3,140)	(3,994)
Proceeds from sale of property, plant and equipment		947	608
Proceeds from sale of intangible assets		7	16
Investments in joint ventures and associates		-	(1,500)
Changes in financial receivables		(3,571)	1,774
Interest received		29	101
Net cash used in investing activities		**(28,503)**	**(44,154)**
Proceeds from long-term borrowings	**10**	45,405	61,232
Repayment of long-term borrowings	**10**	(37,342)	(33,545)
Increase / (decrease) in short-term borrowings		16,975	1,553
Repayment of lease liabilities	**7**	(7,918)	(7,713)
Dividends paid		(6,517)	(6,657)
Net cash generated from / (used in) financing activities		**10,603**	**14,870**
Exchange gains/(losses) on cash and cash equivalents		(2,659)	1,750
Net increase (decrease) in cash and cash equivalents		**(20,225)**	**(246)**
Cash and cash equivalents at the beginning of the period		94,846	93,491
Cash and cash equivalents at the end of the period		**74,621**	**93,245**

Consolidated Condensed Interim Statement of Changes in Equity

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

(in thousands of Euro)	Share capital	Other reserves	Retained earnings	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total
As of December 31, 2019	**34,300**	**103,914**	**197,308**	**335,522**	**1,885**	**337,407**
Profit for the period	-	-	(20,334)	(20,334)	(129)	**(20,463)**
Remeasurements of employee benefit obligations	-	-	(86)	(86)	-	**(86)**
Loss from cash flow hedges	-	(3,740)	-	(3,740)	-	**(3,740)**
Currency translation differences	-	(21,305)	-	(21,305)	(30)	**(21,335)**
Total income for the period	**-**	**(25,045)**	**(20,420)**	**(45,465)**	**(159)**	**(45,624)**
Transaction with Shareholders						
Dividends paid	-	-	(6,517)	(6,517)	-	**(6,517)**
Reclassifications	-	468	(468)	-	-	**-**
As of September 30, 2020	**34,300**	**79,337**	**169,903**	**283,540**	**1,726**	**285,266**

Notes

1. General information

Massimo Zanetti Beverage Group S.p.A. (hereinafter the "**Company**" or the "**Parent Company**") is a company established and domiciled in Italy and organized under the laws of the Republic of Italy. The registered offices of the Company are located in Viale Felissent, 53 - Villorba (Treviso). The Company is controlled by Massimo Zanetti Industries S.A. (hereinafter also referred to as "**MZ Industries**"), based in Luxembourg. The Company and its subsidiaries (hereinafter referred to as the "**Group**") operate in the coffee business. In particular, the Group manages numerous well-known international brands and a vast assortment of other products, including coffee, tea, cocoa and spices.

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

The Group's interim report as at September 30, 2020 was prepared in accordance with article 154 ter, paragraph 5 of Legislative Decree no. 58/98 - TUF (Consolidated Law on Finance) as amended, and also article 2.2.3, paragraph 3 of the Regulation on Markets Organised and Managed by Borsa Italiana S.p.A., and taking account of Notice 7587 of April 21, 2016 of Borsa Italiana S.p.A.

The notes provide a summary and do not include all the information required for the annual financial statements, given that they refer only to those items which, in terms of amount, composition or changes, are essential to understand the economic and financial situation of the Group. This interim report must therefore be read together with the consolidated financial statements as at December 31, 2019.

This interim report as of September 30, 2020 was prepared in accordance with the same accounting standards and basis of preparation as those used for the consolidated financial statements as at December 31, 2019, with exception of those expressly applicable to interim reports.

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**").

The interim report as of September 30, 2020 has been prepared and presented in Euro, which is the currency used in the countries where the Company mainly operates. Unless otherwise indicated, all the amounts included in this document are stated in thousands of Euro.

The interim report was approved by the Board of Directors on November 9, 2020 and is unaudited.

2. Accounting Policies

This interim report was prepared in accordance with the same accounting standards and basis of preparation as those used for the consolidated financial statements as at 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 equity at a rate other than the rate applicable at the reporting date.

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

Currency		Average exchange rate		Exchange rate as of September 30,			Exchange rate as of December 31,	
		2020	2019	2020	2019	2018	2019	2018
US Dollar	USD	1.12	1.12	1.17	1.09	1.16	1.12	1.15
United Arab Emirates Dinar	AED	4.13	4.13	4.30	4.00	4.25	4.13	4.21
Argentine Peso	ARS	89.12	49.85	89.12	62.40	46.05	67.27	43.16
Australian Dollar	AUD	1.66	1.61	1.64	1.61	1.60	1.60	1.62
Brazilian Real	BRL	5.71	4.36	6.63	4.53	4.65	4.52	4.44
Canadian Dollar	CAD	1.52	1.49	1.57	1.44	1.51	1.46	1.56
Swiss Franc	CHF	1.07	1.12	1.08	1.08	1.13	1.09	1.13
Chilean Peso	CLP	901.53	770.28	920.47	791.24	764.18	844.86	794.37
Costarican Colon	CRC	649.71	664.75	706.38	633.94	673.34	642.01	694.77
Czech Koruna	CZK	26.39	25.70	27.23	25.82	25.73	25.41	25.72
Colombian Peso	COP	4.166,00	n.a.	4.550,37	n.a.	n.a.	n.a.	n.a.
Danish Crown	DKK	7,46	7,46	7,45	7,47	7,46	7,47	7,47
Renminbi (Yuan)	CNY	7,86	7,71	7,97	7,78	n.a	7,82	7,88
British Pound	GBP	0,88	0,88	0,91	0,89	0,89	0,85	0,89
Hong Kong Dollar	HKD	8,72	8,81	9,07	8,54	9,06	8,75	8,97
Croatian Kuna	HRK	7,53	7,41	7,56	7,41	7,43	7,44	7,41
Hungarian Forint	HUF	348,12	323,00	365,53	334,83	324,37	330,53	320,98
Indonesian Rupiah	IDR	16.448,66	15.923,49	17.497,84	15.456,94	17.249,98	15.595,60	16.500,00
Japanese Yen	JPY	120,84	122,62	123,76	117,59	131,23	121,94	125,85
Mexican Peso	MXN	24,51	21,63	26,18	21,45	21,78	21,22	22,49
Malaysian Ringgit	MYR	4,76	4,65	4,87	4,56	4,79	4,60	4,73
Maldivian Rufiyaa	MVR	17,29	17,29	18,03	16,74	n.a	17,28	n.a
New Zealand Dollar	NZD	1,76	1,69	1,78	1,74	1,75	1,67	1,71
Polish Zloty	PLZ	4,42	4,30	4,55	4,38	4,28	4,26	4,30
Romanian Leu	RON	4,83	4,74	4,87	4,75	4,66	4,78	4,66
Singapore Dollar	SGD	1,56	1,53	1,60	1,51	1,58	1,51	1,56
Thai Bhat	THB	35,43	35,18	37,08	33,32	37,45	33,42	37,05
Vietnamese Dong	VND	26.145,89	26.114,56	27.143,00	25.266,00	27.014,00	26.033,00	26.547,00

4. Use of Estimates

The preparation of the Consolidated Condensed Interim Financial Statements as of September 30, 2020 requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and disclosure of contingent liabilities. Actual results may differ from these estimates and assumptions.

In preparing these Consolidated Condensed Interim Financial Statements as of September 30, 2020, the significant estimates and assumptions made by management in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those applied to the Consolidated Financial Statements.

5. Management of Financial Risks

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

As mentioned above, 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 nine months 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 amendment of the contractual terms. This negotiation was completed during September 2020.

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.

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

6. Seasonality

While the Group's business is not subject to significant seasonal or cyclical fluctuations, the revenue and cost flows are not entirely uniform throughout the year. The analysis of the financial and economic indicators and results for the period may therefore not be considered to be fully representative, and it would be incorrect to consider the indicators for the period as proportional to the year as a whole.

7. Impacts from new accounting standards

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 been adopted by the European Union on October 9th 2020. 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 September 30, 2020

In the first nine 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 September 30, 2019

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

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

9. Operating Segments

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

Details of revenue by product line, distribution channel and geographical area are provided in Note 12 - Revenue.

10. Current and Non-current borrowings

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

As of September 30, 2020 *(in thousands of Euro)*	**Less than 12 months**	**Between 1 and 5 years**	**Over 5 years**	**Total**
Long-term borrowings	62,117	179,046	6,630	247,793
Short-term borrowings	74,464	-	-	74,464
Advances from factors and banks	4,264	-	-	4,264
Finance lease liabilities	12,166	26,912	8,396	47,474
Other financial liabilities	2,931	2,526	-	5,457
Total	**155,942**	**208,484**	**15,026**	**379,452**

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 September 30, 2020 and December 31, 2019:

Interest rate	Year	Initial principal amount *(in thousands of Euro)*	As of September 30 2020 *(in thousands of Euro)*	As of December 31 2019
denominated in Euro				
Euribor 3M + 1.25%	2015	12,000	4,667	5,667
Euribor 3M + 1.10%	2016	15,000	1,663	4,963
Euribor 6M + 2.6%	2016	50,000	37,901	45,000
Euribor 6M + 0.90%	2016	9,000	4,000	3,998
Euribor 6M + 2.6%	2016	50,000	24,854	34,898
Euribor 6M + 0.9%	2016	10,000	2,513	5,017
Euribor 3M + 0.75%	2016	10,000	3,143	5,022
Euribor 6M + 1%	2016	10,000	4,992	4,994
1.02%	2017	10,000	10,000	9,994
Euribor 3M + 0.85%	2017	15,000	8,566	10,751
Euribor 3M + 1.05%	2017	10,000	5,066	5,066
Euribor 3M + 0.75%	2018	15,000	11,920	13,764
Euribor 3M + 0.95%	2019	15,000	14,413	14,968
Euribor 6M + 1.25%	2019	20,000	19,953	19,946
Euribor 6M + 1.125%	2019	6,000	5,500	6,000
Euribor 3M + 1.55%	2019	20,000	17,142	19,980
Euribor 6M + 1.50%	2019	5,000	4,901	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	3,000	3,000	-
Other loans	-	-	4,247	3,966
		subtotal	**228,441**	**218,874**
denominated in USD				
6.5% /Libor 3M + 7.5%	2015	3,000	1,059	1,389
Libor 3M + 1.50%	2017	30,000	18,293	20,969
		subtotal	**19,352**	**22,358**
Total			**247,793**	**241,231**
of which non-current			*185,676*	*175,001*
of which current			*62,117*	*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. The group, after negotiations with the involved banks, obtained a waiver and the variation of contractual terms referring to the relatives covenants.

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.

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 BPER Bank 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.

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

	As of September, 30	**As of December, 31**
(in thousands of Euro)	**2020**	**2019**
Principal amount of long-term borrowings		
- at variable rate	238,525	231,981
- at fixed rate	10,000	10,000
Notional value of derivatives on interest rates	82,241	99,205
Long-term borrowings converted at fixed rate	37%	45%
Remaining portion of long-term borrowings at variable rate	63%	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 29,288 thousand as of September 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”.

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 47,474 thousand as of September 30, 2020 (51,615 as of 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 Debt

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

		As of September, 30	As of December, 31
(in thousands of Euro)		**2020**	**2019**
A	Cash and cash equivalents	(972)	(1,108)
B	Cash at bank	(73,649)	(93,738)
C	Securities held for trading	-	-
D	**Liquidity (A+B+C)**	**(74,621)**	**(94,846)**
E	**Current financial receivables**	**(5,505)**	**(1,994)**
F	Current loans	78,728	61,699
G	Current portion of non-current loans	62,117	66,230
H	Other current financial payables	15,097	15,569
I	**Current debt (F+G+H)**	**155,942**	**143,498**
J	**Net current debt (I+E+D)**	**75,816**	**46,658**
K	Non-current medium/long-term loans	185,676	175,001
L	Issued bonds	-	-
M	Other non-current financial payables	37,834	44,868
N	**Non-current debt (K+L+M)**	**223,510**	**219,869**
O	**Net debt (J+N)**	**299,326**	**266,527**

11. 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.

In late August 2020, the Court handed the Joint Defense Group (the "JDG"), of which the Company's U.S.-based subsidiary Massimo Zanetti Beverage USA, Inc. is a member, a victory in this nearly decade-old litigation. The Court granted the JDG's Motion for Summary Judgment, providing for no injunctive or financial penalties against any of the JDG members. That grant ended this litigation at the trial court level. It should be noted, however, that as of this writing it remains unknown whether the plaintiff (Council for Education and Research on Toxics) will appeal this decision, and if so on what grounds, to a California state appellate court.

Management remains confident about the outcome of the current proceedings and therefore has not proceeded to allocate provisions for the dispute.

12. Revenue

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

	Nine months ended September 30,	
(in thousands of Euro)	**2020**	**2019**
Food Service	106,909	160,335
Mass Market	256,670	236,849
Private Label	207,556	222,677
Other	39,420	47,006
Total	**610,555**	**666,867**

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

	Nine months ended September 30,	
(in thousands of Euro)	**2020**	**2019**
Americas	295,088	292,119
Northern Europe	125,458	134,749
Southern Europe	131,776	168,470
Asia-Pacific and Cafés (*)	58,233	71,529
Total	**610,555**	**666,867**

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

13. Amortization, Depreciation and Impairment

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

	Nine months ended September 30,	
(in thousands of Euro)	**2020**	**2019**
Depreciation of property, plant and equipment	32,079	30,051
Amortization of intangible assets	3,986	3,875
Depreciation of investment property	94	94
Allowances for doubtful accounts	2,659	1,233
Total	**38,818**	**35,253**

As previously mentioned, "Allowances for doubtful accounts" equal to Euro 2,659 thousand in the first nine month of 2020 (Euro 1,233 thousand at September 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.

14. Earnings per share

The following table provides a breakdown of earnings per share:

	Nine months ended September 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	(20,334)	7,990
Basic and diluted (loss)/earnings per share (in Euro)	**(0.59)**	**0.23**

Basic loss and earnings per share and diluted loss and earnings per share were the same for the nine months ended September 30, 2020 and 2019, as there were no dilutive options or other potentially dilutive ordinary shares.

List of companies included in the Consolidated Condensed Interim Financial Statements

Company	Registered office	Reporting date	Share capital		Percentage held as at	
			Currency	Amount (000)	31 December 2020	31 December 2019
Massimo Zanetti Beverage S.A.	Ginevra	31 december	CHF	192,900	100%	100%
Segafredo Zanetti S.p.A.	Bologna	31 december	EUR	38,800	100%	100%
La San Marco S.p.A.	Gorizia	31 december	EUR	7,000	90%	90%
Segafredo Zanetti Sarl	Ginevra	31 december	CHF	20	100%	100%
Segafredo Zanetti Argentina S.A.	Buenos Aires	31 december	ARS	4,913	100%	100%
Segafredo Zanetti Australia Pty Ltd.	Sydney	31 december	AUD	4,400	100%	100%
Segafredo Zanetti Austria Gmbh	Salisburgo	31 december	EUR	727	100%	100%
Segafredo Zanetti Belgium S.A.	Bruxelles	31 december	EUR	4,392	100%	100%
Segafredo Zanetti Chile S.A.	Santiago	31 december	CLP	25,000	100%	100%
Segafredo Zanetti Coffee System S.p.A.	Treviso	31 december	EUR	6,000	100%	100%
Segafredo Zanetti CR spol.sro	Praga	31 december	CZK	9,300	100%	100%
Segafredo Zanetti Deutschland Gmbh	Monaco	31 december	EUR	1,534	100%	100%
Segafredo Zanetti Espresso Worldwide Ltd.	Ginevra	31 december	CHF	30,000	98%	98%
Segafredo Zanetti Japan Inc.	Tokyo	31 december	YEN	50,000	98%	98%
Segafredo Zanetti France S.A.S.	Rouen	31 december	EUR	8,500	100%	100%
Segafredo Zanetti Hellas S.A.	Atene	31 december	EUR	950	100%	100%
Segafredo Zanetti Hungaria KFT	Budapest	31 december	HUF	46,630	100%	100%
Tiktak/Segafredo Zanetti Nederland BV	Groningen	31 december	EUR	18	100%	100%
Segafredo Zanetti Poland Sp.z.o.o.	Bochnia	31 december	PLN	47,615	100%	100%
Segafredo Zanetti SR Spol S.r.o.	Bratislava	31 december	EUR	200	100%	100%
Segafredo Zanetti Trgovanje s kavo. d.o.o.	Ljubljana	31 december	EUR	651	100%	100%
Brodie Melrose Drysdale & CO Ltd.	Edimburgo	31 december	GBP	244	100%	100%
Brulerie des Cafés Corsica SAS	Ajaccio	31 december	EUR	152	100%	100%
Distribuidora Cafè Montaña S.A.	San Josè	31 december	CRC	304,010	100%	100%
Massimo Zanetti Beverage USA Inc.	Wilmington	31 december	USD	73,641	100%	100%
Meira Eesti Oü	Tallin	31 december	EUR	15	100%	100%
Meira Oy Ltd.	Helsinki	31 december	EUR	1,000	100%	100%
Puccinos Worldwide Ltd	Edimburgo	31 december	GBP	-	100%	100%
Massimo Zanetti Beverage Mexico SA de CV (*)	Mazatlán	31 december	MXN	1,806	50%	50%
MZB Cafes USA Inc	Wilmington	31 december	USD	-	100%	100%
Kauai Coffee Company LLC	Wilmington	31 december	USD	-	100%	100%
Massimo Zanetti Beverage USA Food Service LLC	Wilmington	31 december	USD	-	100%	100%
Segafredo Zanetti New Zealand Ltd	Auckland	31 december	NZD	-	100%	100%
Segafredo Zanetti Croatia d.o.o.	Zagreb	31 december	HRK	4,850	100%	100%
Massimo Zanetti Beverage Vietnam Company Ltd	Ben Cat district - Binh Duong	31 december	VND	21,000,000	100%	100%
Segafredo Zanetti (Thailand) Ltd	Bangkok	31 december	THB	15,300	100%	100%
Boncafe International Pte Ltd	Singapore	31 december	SGD	18,710	100%	100%
Boncafe (Cambodia) Ltd	Phnom Penh	31 december	KHR	108,000	100%	100%
Boncafe (M) Sendirian Berhad	Kuala Lumpur	31 december	MYR	200	100%	100%
Six Degrees Café Pte Ltd	Singapore	31 december	SGD	-	100%	100%
Massimo Zanetti Beverage Services Asia Ltd	Bangkok	31 december	THB	4,000	100%	100%
Boncafe Middle East Co LLC	Dubai	31 december	AED	300	100%	100%
Boncafe (Thailand) Ltd	Bangkok	31 december	THB	150,000	100%	100%
Massimo Zanetti Beverage (Thailand) Ltd	Bangkok	31 december	THB	30,000	100%	100%
Boncafe (Hong Kong) Ltd	Hong Kong	31 december	USD	500	100%	100%
Segafredo Zanetti Grandi Eventi S.r.l.	Bologna	31 december	EUR	20	n.a.	100%
Massimo Zanetti Beverage Services SRL (*)	Municipiul Brasov	31 december	RON	1	51%	51%
Boncafe Vietnam Company Ltd	Ho Chi Minh City	31 december	VND	12,268,000	100%	100%
Massimo Zanetti Beverage USA (Canada), Inc.	Wilmington	31 december	USD	-	100%	100%
Massimo Zanetti Beverage Canada Investment ULC	Vancouver	31 december	CAD	-	100%	100%
Club Coffee LP (*)	Toronto	25 april	CAD	4,000	15%	15%
Massimo Zanetti Beverage Ibéria S.A.	Lisbona	31 december	EUR	40,000	100%	100%
Virtus pallacanestro Bologna SSD a.r.l. (*)	Bologna	30 september	EUR	2,901	37%	37%
PT Bon cafe Indonesia	Jakarta	31 december	IDR	2,525,000	67%	67%
Boncafe China Company Ltd	Shenzhen	31 december	USD	400	100%	100%
Bean Alliance Group PTY Ltd	Melbourne	31 december	AUD	15,000	100%	100%
Boncafe Maldives	Male	31 december	MVR	5,850	100%	100%
Segafredo Zanetti (Brasil) Com. distr. de Cafè S.A. (**)	Belo Horizonte	31 december	BRL	-	n.a.	100%
Pacaembu Holding Partecipações Ltda	Vargem Grande do Sul	31 december	BRL	1,242	100%	100%
Cafè Pacaembu Ltda	Vargem Grande do Sul	31 december	BRL	20,184	100%	n.a.
Segafredo Zanetti Colombia S.A.S	Bogotà	31 december	COP	10,000	100%	n.a

(*) Consolidated with equity method

(**) merged in Cafè Pacaembu Ltda at 01/08/2020

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

	Nine months ended September 30,			
(in thousands of Euro)	**2020**	***of which related parties***	**2019***	***of which related parties***
Revenue	610,555	66	666,867	200
Other income	3,308	117	3,864	211
Raw, ancillary, and consumable materials and goods	(353,864)	(97,927)	(366,878)	(115,789)
Purchases of services, leases and rentals	(115,867)	(6,466)	(127,333)	(2,385)
Personnel costs	(111,479)	(2,914)	(114,812)	(4,297)
Other operating costs	(6,275)		(4,603)	-
Amortization, depreciation and impairment	(38,818)		(35,253)	
Operating result	**(12,440)**		**21,852**	
Finance income	465	18	529	16
Finance costs	(7,826)	(989)	(7,590)	(1,412)
Share of losses of companies accounted for using the equity method	(402)		(986)	
Result before tax	**(20,203)**		**13,805**	
Income tax expense	(260)		(5,688)	
Result for the year	**(20,463)**		**8,117**	
Profit attributable to:				
Non-controlling interests	*(129)*		*127*	
Owners of the parent	*(20,334)*		*7,990*	
	-		-	
Basic and diluted earnings per share (in Euro)	**(0.59)**		**0.23**	

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

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

	As at September 30		As at December 31	
(in thousands of Euro)	**2020**	***of which related parties***	**2019**	***of which related parties***
Intangible assets	214,201		227,016	
Property, plant and equipment	251,884		265,436	
Investment properties	4,840		4,934	
Investments in joint venture	10,295		11,166	
Non-current trade receivables	2,853		2,949	
Deferred tax assets	14,838		12,908	
Non-current contract assets	8,515		7,505	
Other non-current assets	14,615	685	15,010	560
Total non-current assets	**522,041**		**546,924**	
Inventories	161,708		154,525	
Trade receivables	93,042	-	114,635	32
Income tax assets	3,224		3,512	
Current contract assets	2,601		3,317	
Other current assets	16,440	191	19,271	133
Cash and cash equivalents	74,621		94,846	
Total current assets	**351,636**		**390,106**	
Total assets	**873,677**		**937,030**	
Share capital	34,300		34,300	
Other reserves	79,337		103,914	
Retained earnings	169,903		197,308	
Equity attributable to owners of the Parent	**283,540**		**335,522**	
Non-controlling interests	1,726		1,885	
Total equity	**285,266**		**337,407**	
Non-current borrowings	223,510	413	219,869	465
Employee benefits	10,195		10,491	
Other non-current provisions	2,987		3,039	
Deferred tax liabilities	26,891		29,205	
Non-current contract liabilities	353		418	
Other non-current liabilities	4,006		3,627	
Total non-current liabilities	**267,942**		**266,649**	
Current borrowings	155,942	71	143,498	58
Trade payables	126,924	32,884	155,238	41,926
Income tax liabilities	1,384		2,531	
Current contract liabilities	1,058		1,817	
Other current liabilities	35,161		29,890	
Total current liabilities	**320,469**		**332,974**	
Total liabilities	**588,411**		**599,623**	
Total equity and liabilities	**873,677**		**937,030**	

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

	Nine months ended September 30,			
(in thousands of Euro)	**2019**	*of which related parties*	**2018**	*of which related parties*
Profit before tax	**(20,203)**		**13,805**	
Adjustments for:				
Amortization, depreciation and impairment	38,818		35,253	
Provisions for employee benefits and other charges	359		469	
Finance costs	7,361	971	7,061	1,396
Other non-monetary items	1,974		621	
Net cash generated from operating activities before changes in net working capital	**28,309**		**57,209**	
Changes in inventories	(9,672)		(21,236)	
Changes in trade receivables	17,952	32	2,000	(42)
Changes in trade payables	(26,188)	(9,042)	3,017	(4,003)
Changes in other assets/liabilities	(1,513)	(183)	(1,582)	(138)
Payments of employee benefits	(558)		(425)	
Interest paid	(4,932)	(989)	(5,239)	(1,412)
Income tax paid	(3,064)		(6,456)	
Net cash generated from operating activities	**334**		**27,288**	
Acquisition of subsidiary, net of cash acquired	(1,616)		(20,960)	
Purchase of property, plant and equipment	(21,159)		(20,199)	
Purchase of intangible assets	(3,140)		(3,994)	
Proceeds from sale of property, plant and equipment	947		608	
Proceeds from sale of intangible assets	7		16	
Investments in joint ventures and associates	-		(1,500)	
Changes in financial receivables	(3,571)		1,774	
Interest received	29		101	
Net cash used in investing activities	**(28,503)**		**(44,154)**	
Proceeds from long-term borrowings	45,405		61,232	
Repayment of long-term borrowings	(37,342)		(33,545)	
Increase / (decrease) in short-term borrowings	16,975		1,553	
	(7,918)	(38)	(7,713)	(47)
Dividends paid	(6,517)		(6,657)	
Net cash (used)/generated from financing activities	**10,603**		**14,870**	
Exchange gains/(losses) on cash and cash equivalents	(2,659)		1,750	
Net increase (decrease) in cash and cash equivalents	**(20,225)**		**(246)**	
Cash and cash equivalents at the beginning of the period	94,846		93,491	
Cash and cash equivalents at the end of the period	**74,621**		**93,245**	

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

Declaration by the Manager in Charge of the Company's Financial Reports

Pursuant to art. 154-bis, paragraph 2 of TUF, Leonardo Rossi, Manager in Charge of the Financial Reports, certifies that the accounting information contained in the present interim financial report at September 30, 2020 corresponds to the underlying documentary and accounting records.

Villorba (TV), November 9, 2020

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