PRESS RELEASE

MASSIMO ZANETTI BEVERAGE GROUP SPA: THE BOARD OF DIRECTORS APPROVES

THE NINE MONTHS 2019 RESULTS

MASSIMO ZANETTI, THE GROUP'S CHAIRMAN AND CHIEF EXECUTIVE OFFICER, SAID: "'In the first nine months of 2019, the Group reported a growth in revenue of 2% at current forex, highlighting a progressively improving trend over the recent months. In particular, the Food Service channel recorded a solid growth in the third quarter, +7% at current forex, thanks to the positive performance in all the markets.

Also the Mass Market channel reported a satisfactory performance, with the third quarter growing by 3% at current forex, driven by the positive performance of the sales mix, confirming the good results of the new products, which drove the expansion of the gross margin in a highly competitive context.

This increase in the gross margin partially offset the investments in marketing and the strengthening of the commercial structures in APAC and in Europe.

Looking at the rest of the year, our prospects remain essentially unchanged and we are confident that we will achieve a positive performance on the main growth indicators for the year".

- **REVENUES**: EURO 666.9 MILLION COMPARED TO EURO 654.0 MILLION IN THE NINE MONTHS OF 2018; +2.0% AT CURRENT EXCHANGE RATES, -0.8% AT CONSTANT EXCHANGE RATES. VOLUMES: +0.6%
- **GROSS PROFIT**: EURO 300.0 MILLION, +5.0% COMPARED TO EURO 285.8 MILLION IN THE NINE MONTHS OF 2018 WITH THE MARGIN ON REVENUES OF 45.0% COMPARED TO 43.7% (+130 BASIS POINTS)
- **EBITDA ADJUSTED AND EXCLUDING IFRS 16 EFFECTS ***: EURO 50.9 MILLION, +0.7% COMPARED TO EURO 50.6 MILLION IN THE NINE MONTHS OF 2018
- **EBITDA**: EURO 55.9 MILLION, +10.4% COMPARED TO EURO 50.6 MILLION IN THE NINE MONTHS OF 2018
- **NET PROFIT ADJUSTED AND EXCLUDING IFRS 16 EFFECTS ***: EURO 10.2 MILLION, -18.0% COMPARED TO EURO 12.4 MILLION IN THE NINE MONTHS OF 2018

(*) before non-recurring items of Euro 2.4 million and excluding the effects of the adoption of IFRS 16 accounting standard. For additional information, please refer to the annex of this press release.

- NET DEBT EXCLUDING IFRS 16 EFFECTS: EURO 211.7 MILLION COMPARED TO EURO 174.7 MILLION AT DECEMBER 31, 2018 (EURO 259.7 MILLION AT SEPTEMBER 30, 2019 INCLUDING IFRS 16 EFFECT)

Villorba, November 7, 2019. The Board of Directors of Massimo Zanetti Beverage Group S.p.A., one of the leading brands worldwide in the production, processing and marketing of roasted coffee, listed on the Milan Stock Exchange (MZB.MI), approved today the Consolidated Results as of September 30, 2019.

VOLUMES

In the nine months of 2019, the roasted coffee sales volumes of Massimo Zanetti Beverage Group S.p.A. were equal to 94.0 thousand tons, +0.6% compared with the same period of 2018.

This is a result of a positive impact from Northern Europe (+0.9 thousand tons) mainly in the Mass Market channels and from the Asia-Pacific (+0.9 thousand tons) in the Private Label and food service channels. Americas was stable (+0.2 thousand tons) and the Southern Europe decreased (-1.4 thousand tons) mainly in the Mass Market channel, linked to the timing of the introduction of new Segafredo products in Italy.

CONSOLIDATED REVENUES

The Group's consolidated revenues amounted to Euro 666.9 million in the nine months of 2019 showing an increase of Euro 12.8 million (+2.0%) compared to the nine months of 2018. This increase is a result of:

- the foreign exchange rates (mainly Euro against the US dollars) had a positive impact of +2.7%
- the roasted coffee sales volumes, +0.6% compared with the same period last year
- the decrease of roasted coffee sales price (-1.3%) as a consequence of the decrease of the cost of raw material (green coffee).

Revenue for the nine months 2019 includes, for Euro 9.2 million, the impact deriving from the acquisition, done in February 2019, of the business and asset of a group of companies in Australia known as "The Bean Alliance" ("BAG").

REVENUES BY CHANNEL

The revenues from the Food Service channel, were up 3.5% at current exchange rates, +3.3% at constant exchange rates, compared with the nine months of 2018, thanks to the performance in the Americas and in APAC and with a third quarter growing by 6.7% at current forex, increasing in all the geographical areas.

Mass Market declined 1.5% at current forex, 3.5% at constant forex, compared with the nine months of 2018. The channel showed a progressive improvement in all the geographical areas in the last quarter (+3.0% compared to the third quarter of 2018), after a first half negatively affected by the weakness of the Americas and the timing effect of the introduction of the renewed Segafredo product range in Italy.

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

	Nine months ended September 30				Change	
(in Thousand of Euro)	2019		2018		Current FX	Constant FX
Foodservice	160,335	24.0%	154,851	23.7%	3.5%	3.3%
Mass Market	236,849	35.5%	240,406	36.8%	-1.5%	-3.5%
Private Label	222,677	33.4%	215,513	33.0%	3.3%	-1.7%
Other	47,006	7.1%	43,278	6.5%	8.6%	4.6%
Total	**666,867**	**100.0%**	**654,048**	**100.0%**	**2.0%**	**-0.8%**

REVENUES BY REGION

Revenue in the Americas, at Euro 292.1 million in the nine months of 2019 was down 4.0% at constant exchange rates compared with the nine months of 2018, attributable to the Mass Market channel, mainly due to the decline in the market in the cans category, the slight decline of Private Label channel, due to the slight decrease of roasted coffee sales price, partially compensated by the solid growth achieved in the Food Service channel.

Revenue generated in Northern Europe, increased 1.4% at constant exchange rates compared to the nine months of 2018, showing a positive performance in all channels.

Revenue in Southern Europe decreased by 3.6% compared with the nine months of 2018, due to the sales prices adjustment in the Private Label and the timing of the introduction of new Segafredo products in the Italian Mass Market.

Asia-Pacific and Cafés, which also includes the revenue generated by the international network of cafés, posted revenue of Euro 71.5 million, with a growth of 18.7% at constant exchange rates compared with the nine months of 2018, also reflecting the recent acquisition of the Australian BAG.

	Nine months ended September 30				Change	
(in Thousand of Euro)	2019		2018		Current FX	Constant FX
Americas	292,119	43.8%	288,428	44.1%	1.3%	-4,0%
Northern Europe	134,749	20.2%	133,053	20.3%	1.3%	1,4%
Southern Europe	168,470	25.3%	174,802	26.7%	-3.6%	-3,6%
Asia-Pacific and Cafés	71,529	10.7%	57,765	8.8%	23.8%	18,7%
Total	**666,867**	**100.0%**	**654,048**	**100.0%**	**2.0%**	**-0,8%**

GROSS PROFIT

Gross Profit at Euro 300.0 million shows an increase of Euro 14.2 million compared with the nine months of 2018 (+5.0%). This increase is explained by the favourable impact of exchange rates (Euro 5.5 million compared with the nine months of 2018) and by the increase in Gross Profit resulting from the sales of roasted coffee and other products.

The increase in Gross Profit from the sale of roasted coffee is mainly due to the positive impact of the trends in sales and purchase prices respectively of roasted and green coffee and to the different mix in the sales channels. In percent of revenues the Gross Profit increased 130 basis points (from 43.7% of revenues to 45.0%).

Gross Profit for the nine months ended September 30, 2019 includes Euro 5.2 million deriving from the acquisition of BAG.

EBITDA ADJUSTED

EBITDA adjusted amounts to Euro 58.2 million compared to Euro 50.6 million in the nine months of 2018.

This result was attributable to:

- the increase in Gross Profit, as mentioned above
- the increase in operating costs (of Euro 9.1 million) mainly driven by the personnel costs and costs for services, also impacted from the acquisition of BAG for Euro 3.9 million
- the positive impact of exchange rate fluctuations (Euro 0.7 million)
- and the positive impact of the adoption of the new accounting standard IFRS 16, applicable since January 1st, 2019 (amounting to Euro 7.3 million) as a result of lower costs for leased assets.

EBITDA adjusted of the nine months of 2019 excludes non-recurring costs of Euro 2.4 million, mainly related to reorganization plans launched at the subsidiaries as well as the re-launch of the Segafredo Zanetti brand in the Mass Market channel in Italy.

OPERATING INCOME (EBIT)

Operating income (EBIT) is equal to Euro 21.9 million, a decrease of 1.8 million compared to the nine months of 2018. In addition to that disclosed about EBITDA, the decrease is mainly attributable to the increase in amortization and depreciation, equal to Euro 7.1 million. This is mainly a result of the first application of IFRS 16, from January 1, 2019, that raised amortization and depreciation by Euro 6.7 million due to the new accounting of lease contracts.

NET PROFIT

The net profit is equal to Euro 8.1 million, a decrease of Euro 4.3 million compared to the nine months ended September 30, 2018. In addition to what was previously described for the operating profit, this increase is also due to the combined effect of:

- the increase in net finance costs Euro 2.1 million, mainly due to: *i)* the impact deriving from the first application of IFRS 16 for Euro 1.0 million; *ii)* increase in net finance costs due to the fair value on derivatives for Euro 0.5 million; *iii)* increase on interests expenses for Euro 0.7 million;
- the increase in the shares of losses of companies accounted for using the equity method, amounting to Euro 0.2 million;
- the increase in income taxes amounting to Euro 0.2 million.

NET DEBT

Net debt, excluding the effect of the IFRS 16 adoption, is equal to Euro 211.7 million compared to 174.7 million at December 31, 2018. This increase is mainly due to the following:

- Free Cash Flow with a positive impact of Euro 9.0 million in the nine months ended September 30, 2019;
- dividends paid amounting to Euro 6.7 million;
- interest paid of Euro 5.2 million for the nine months ended September 30, 2019;
- non-recurring investments of Euro 22.5 million in the nine months ended September 30, 2019 (these investments includes acquisitions of BAG and of the Portuguese companies Cafés Nandi SA and Multicafès Industria de Cafè) and the discounted value of potential earn-out deriving from the Australian acquisition (Euro 6.0 million).

Lastly, the adoption of the new accounting standard IFRS 16 increased the Net Debt by Euro 48.1 million. As a result, the Net Debt as of September 30, 2019, after the adoption of IFRS 16, amounted to Euro 259.7 million.

FORECAST FOR OPERATIONS AND SIGNIFICANT SUBSEQUENT EVENTS

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

- slight increase in revenues driven by:
    - the improvement in product and channel mix
    - growth in volumes in line with market trends
- increase in EBITDA adjusted of approximately +1%
- net debt is expected to be around Euro 195 million

These forecasts are assumed at constant exchange rates and exclude the impact of the application of IFRS 16.

CONFERENCE CALL TO PRESENT NINE MONTHS 2019 FINANCIAL RESULTS

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

Digital Playback service will be available for 8 days, dialling the following numbers: +1 718 705 8797 (US and Canada), +39 02 72495 (Italy), +44 1 212 818 005 (UK) with the following passcode: **901#**

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

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

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

FOR MORE INFORMATION

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MASSIMO ZANETTI BEVERAGE GROUP S.P.A.

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

DISCLAIMER

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

MASSIMO ZANETTI
BEVERAGE GROUP

ANNEX

RECLASSIFIED CONSOLIDATED INCOME STATEMENT

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

IFRS 16 has been adopted since January 1st, 2019. The effects of this adoption, in the nine months of 2019, were: an increase in EBITDA of Euro 7.3 million, an increase in amortisation and depreciation of Euro 6.7 million, an increase in finance costs of Euro 1.0 million, a decrease of net profit of Euro 0.3 million, and an increase in the Net Debt of Euro 48.1 million.

MASSIMO ZANETTI
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RECLASSIFIED CONSOLIDATED BALANCE SHEET

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

(*) The adoption of the new accounting standard IFRS 16 increased the Net Debt in the nine months of 2019 by Euro 48.1 million.

NET WORKING CAPITAL

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

RECLASSIFIED CONSOLIDATED CASH FLOW STATEMENT

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

CHANGES IN NET WORKING CAPITAL

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

NET DEBT

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

(*) The adoption of the new accounting standard IFRS 16 increased the Net Debt in the nine months of 2019 by Euro 48.1 million.

MASSIMO ZANETTI
BEVERAGE GROUP

CONSOLIDATED CONDENSED INTERIM INCOME STATEMENT

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

MASSIMO ZANETTI
BEVERAGE GROUP

CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

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

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOW

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

IMPACTS FROM NEW ACCOUNTING STANDARDS: IFRS 16

IFRS 16 "Leases" eliminates the difference between operating and finance leases for the purposes of the preparation of lessees' financial statements. For all leases with a term of more than 12 months, except for those related to assets with a low unit value, an entity shall recognise an asset and a liability, representing the right to use the underlying asset and the obligation to make contract payments, respectively. Conversely, for the purposes of lessors' financial statements preparation, the difference between operating and finance leases is maintained. IFRS 16 strengthens disclosure requirement for both lessors and lessees.

Starting from January 1, 2019 the Group applied IFRS 16 using the simplified approach, which does not require the restatement and recalculation of the accounting balances prior to the application of the standard. Specifically, the right-of-use asset is equal to the carrying amount of the related liability at the date of first-time adoption, adjusted to reflect the prepayments and accrued expenses related to back-and front-loaded lease payments recognised on January 1, 2019.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Reliance on previous assessments on whether leases are onerous;
- The accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as "Short-term leases";
- The accounting for operating leases for which the underlying asset is low value as "Low value leases";
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application;
- The use of hindsight in determine the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessments made applying IAS 17 – Leasing and IFRIC 4 - Determining whether an Arrangement contains a Lease.

Lease liabilities will be measured at the present value of the residual lease payments at the date of the first-time application of the standard, which are fixed and remain substantially fixed over the lease term. The lease term includes all non-cancellable periods for which the Group has the right to use an underlying asset and the periods covered by an extension option if exercise of that option by the Group is reasonably certain. Lease liabilities do not include significant non-lease components.

The discount rate used to measure the carrying amount of lease liabilities considers the country and currency risks, the lease term and the Group's credit risk. The weighted average lessee's discount rate used by the Group to measure the carrying amount of lease liabilities on January 1, 2019 was 3.74%.

The table here below shows the reconciliation between operating lease commitments disclosed as at December 31, 2018 in the note 31 - *"Commitments"* and the amount of the lease liability recognised as at January 1, 2019:

(in thousands of Euro)	As of January 1, 2019
Operating lease commitments as at December 31, 2018	50,154
Discount effects	(6,124)
Finance lease liabilities as at December 31, 2018	4,246
Short-term leases recognised as expense	(1,316)
Low-value leases recognised as expense	(246)
Contracts reassessed as service agreements	(16,505)
Adjustments as a result of a different treatment of extension and termination option	17,394
Adjustments relating to changes in the index or rate affecting variable payments	1,046
Lease liability recognised as at January 1, 2019	**48,649**
Of which:	
-non-current lease financial liability	*37,906*
-current lease financial liability	*10,744*

The amount "Contracts reassessed as service agreements" includes the portion of commitments disclosed as at December 31, 2018 that were not recognised as lease component as they relate to maintenance service of tangible asset subject to operating lease contracts.

As mentioned above, when reporting the impact from the first adoption of IFRS 16, the Group has used the "modified retrospective method". According to this method, the cumulated effects related to the implementation of the new standard are recorded in the "Retained Earnings" as at January 1, 2019, without presenting the comparative amounts, as shown in the following table:

	As of December 31,	IFRS 16 effects	As of January 1,
(in thousands of Euro)	2018		2019
Asset			
Property, plant and equipment	215,127	34,098	249,225
Other non-current assets	6,574	8,629	15,203
Other current assets	15,572	1,677	17,249
Liability			
Non-current borrowings	(175,300)	(35,402)	(210,702)
Current borrowings	(96,637)	(9,001)	(105,638)

"Other non-current asset" and "Other current asset" refers to some sub-leasing contracts that, due to the adoption of IFRS 16, are qualified as finance lease and for those the Group accounts lease financial receivable instead of the relative right-of-use.

Lease contracts recognised by the Group refers to property, plant and equipment as well as other non-current assets, mainly vehicles.

The application of IFRS 16 in the Consolidated Condensed Interim Income Statements as at September 30, 2019 increase the EBITDA of Euro 7,286 thousand, due to the reduction of use of third-party costs for Euro 9,157 thousand partially compensated by the decrease of revenue for renting activity of Euro 1,871 thousand due to subleasing contracts recognized as finance lease.

The application of IFRS 16 increase also the amount of depreciation of the right-of-use accounted among the depreciation of tangible asset for Euro 6,661 thousand as well as, the amount of finance income and expense for interests calculated on lease liabilities and lease receivables for Euro 960 thousand.