



PRESS RELEASE

MASSIMO ZANETTI BEVERAGE GROUP SPA: THE BOARD OF DIRECTORS APPROVES THE NINE MONTHS 2020 RESULTS

MASSIMO ZANETTI, THE GROUP'S CHAIRMAN AND CHIEF EXECUTIVE OFFICER, SAID: "The results for the first nine months of 2020 have been considerably affected by the global measures aimed at containing the spread of Covid-19. In particular, most markets with a strong presence in the Food Service channel suffered an abrupt slowdown beginning in March and subsequently recorded gradual improvements despite the still complex global scenario. Forecasts on the evolution of the public health crisis, whose impact and size remain to be defined, are uncertain, especially in the light of the recent increase in contagion, which has already led to new selective closures in several markets. Meanwhile, we are implementing all the initiatives necessary to preserve the Group's solidity and carrying out cost containment actions in all geographical areas".

- **VOLUMES** STABLE COMPARED TO THE FIRST NINE MONTHS 2019 (-6.1% ON A COMPARABLE BASIS*)
- **REVENUES:** EURO 610.6 MILLION COMPARED TO EURO 666.9 MILLION OF FIRST NINE MONTHS 2019; -8.4% AT CURRENT EXCHANGE RATES, -7.6% AT CONSTANT EXCHANGE RATES, -9.7% ON A COMPARABLE BASIS
- **GROSS PROFIT:** EURO 256.7 MILLION COMPARED TO EURO 300.0 MILLION OF THE FIRST NINE MONTHS 2019 WITH THE MARGIN ON REVENUES OF 42.0% COMPARED TO 45.0% OF THE FIRST NINE MONTHS 2019
- **EBITDA ADJUSTED:** EURO 28.3 MILLION, COMPARED TO EURO 58.2 MILLION OF THE FIRST NINE MONTHS 2019
- **NET RESULTS:** EURO -20,5 MILLION, COMPARED TO EURO 8,1 OF THE FIRST NINE MONTHS 2019
- **NET DEBT:** EURO 299.3 MILLION COMPARED TO EURO 266.5 MILLION AT DECEMBER 31, 2019.

Villorba, November 9, 2020. The Board of Directors of Massimo Zanetti Beverage Group S.p.A., one of the leading brands worldwide in the production, processing and marketing of roasted coffee, listed on the Milan Stock Exchange (MZB.MI), approved today the first nine months of 2020 results..

() comparable basis: at constant forex and LFL (like-for-like, at the same perimeter, excluding acquisitions of Café Pacaembu completed in October 2019 and Bean Alliance Group, completed at the end of January 2019)*



VOLUMES

The first nine months of the year has been characterized by the progressive reduction in volumes in the Food Service channel, impacted by the measures adopted by governments worldwide to combat the spread of the virus Covid-19, with the full closure of all non-core activities, in most of the country around the world for several weeks.

As the restrictions were gradually eased, the Group saw a recovery that was increasingly robust despite the continuing complex contest.

In the first nine months of 2020, the roasted coffee sales volumes of Massimo Zanetti Beverage Group ("Group" or "MZB Group") were equal to 94.0 thousand tons, stable compared with the first nine months 2019, -6.1% on a comparable basis.

At the geographical level, the Americas recorded 6.7% growth on the first nine months of 2019, driven by the positive performance *Mass Market* and *Food Service*; on a comparable basis, volumes declined slightly, by 3.8%. Northern Europe recorded an increase in volumes of 0.6% on the first nine months of 2019 due to the positive performance of the Mass Market channel, which offset the decline recorded in the Food Service channel. Southern Europe, with a decline in volumes of 15.1% compared to the first nine months of 2019, was particularly impacted by the weak performance of the Food Service and Private Label channels. The Asia-Pacific and Cafés area was down by 19.0% (-22.0% on a comparable basis) compared to the first nine months of 2019, due to the Food Service and Private Label channels, partially offset by the growth of the Mass Market channel.

CONSOLIDATED REVENUES

The Group's consolidated revenues amounted to Euro 610.6 million showing a decrease of Euro 56.3 million (-8.4% at current exchange rates, -7.6% at constant exchange rates) compared to the first nine months of 2019. This decline is mainly due to the decrease of roasted coffee sales price (-6.7%) impacted by (i) the measures adopted by governments worldwide to limit the Covid-19 pandemic which heavily penalised the mix in products and sales channels, and by (ii) the decrease of the cost of raw material (green coffee).

Revenues on a comparable basis (at constant forex and with the same perimeter) decreased 9.7% compared to the first nine months of 2019.

REVENUES BY CHANNEL

The revenues from the Food Service channel were down 32.4% at constant FX (-33.5% on a comparable basis) compared with the first nine months of 2019 as a result of the complete closure of all non-essential activities in all countries to limit the spread of Covid-19.



Mass Market increased 9.4% at constant FX (+7.1% on a comparable basis) compared with the first nine months of 2019 and showed positive performance of all countries.

The Private Label revenues decreased 6.1% at constant FX (-8.8% on a comparable basis).

(in Thousand of Euro)	First nine months ended September 30,				Change	
	2020		2019		Current FX	Constant FX
Foodservice	106,909	17.5%	160,335	24.0%	-33.3%	-32.4%
Mass Market	256,670	42.0%	236,849	35.5%	8.4%	9.4%
Private Label	207,556	34.0%	222,677	33.4%	-6.8%	-6.1%
Other	39,420	6.5%	47,006	7.1%	-16.1%	-15.4%
Total	610,555	100.0%	666,867	100.0%	-8.4%	-7.6%

REVENUES BY REGION

Revenue in the Americas, at Euro 295.1 million in the first nine months of 2020, was up 2.6% at constant exchange rates (-1.9% on a comparable basis) compared with the first nine months of 2019, attributable to a positive performance of the *Mass Market* channel.

Revenue generated in Northern Europe, decreased 6.5% at constant exchange rates compared to the first nine months of 2019, showing a decrease of sales of the Food Service channel partially offset by a solid growth of the Mass Market channel.

Revenue in Southern Europe decreased 21.8% compared to the first nine months of 2019 due to the negative performance of the Food Service channel.

Revenues from Asia Pacific, which also include those from the international network of cafés, amount to Euro 58.2 million, a decrease of 18.8% on a comparable basis, due to the decline of the Food Service channel, partially offset by the growth of *Mass Market* channel.

(in Thousand of Euro)	First nine months ended September 30,				Change	
	2020		2019		Current FX	Constant FX
Americas	295,088	48.3%	292,119	43.8%	1.0%	2.6%
Northern Europe	125,458	20.6%	134,749	20.2%	-6.9%	-6.5%
Southern Europe	131,776	21.6%	168,470	25.3%	-21.8%	-21.8%
Asia-Pacific and Cafés	58,233	9.5%	71,529	10.7%	-18.6%	-17.5%
Total	610,555	100.0%	666,867	100.0%	-8.4%	-7.6%



GROSS PROFIT

Gross Profit at Euro 256.7 million in the first first nine months of 2020 shows a decrease of Euro 43.3 million compared with the first nine months of 2019 (-14.4%). This is mainly explained by the decline of Gross Profit resulting from the sales of roasted coffee and by the impact of the exchange rates (-0.8%).

The trend in Gross Profit from the sale of roasted coffee is mainly due to the effect of the aforementioned pandemic on the mix sold in 2020, in addition to the trends in sales and purchase prices respectively of roasted and green coffee (-13.2%).

In percent of revenues the Gross Profit is 42.0% compared with 45.0% of the first nine months of 2019.

EBITDA ADJUSTED

EBITDA adjusted amounts to Euro 28.3 million in the first nine months 2020, compared with Euro 58.2 million of the first nine months 2019. In addition to the factors commented on at the level of gross profit, this change was influenced by the positive impact of exchange rate fluctuations of Euro 2.1 million and by the decrease in operating costs of Euro 11.2 million. 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.

Adjusted EBITDA excludes non-recurring costs incurred, amounting to Euro 4.6 million primarily related to:

- efficiency projects in America
- the resolution of a litigation with an American client;
- as well as the accrual to the bad debt provision made exceptionally to take into account the likely impacts of potential credit loss due to the Covid-19 pandemic.

OPERATING INCOME (EBIT)

Operating income (EBIT) is equal to Euro -12.4 million, a decrease of Euro 34.3 million compared to the first nine months of 2019. In addition to that disclosed about EBITDA, the decrease is attributable to the increase in amortization and depreciation, for Euro 2.1 million.

NET RESULT

Net result is equal to Euro -20.5 million in the first nine months 2020, a decrease of Euro 28.6 million compared to the first nine months of 2019. This performance, in addition to what was previously described for the operating profit, 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 0.6 million;
- the increase in net finance costs for Euro 0.3 million;
- the decrease in income taxes for Euro 5.4 million, mainly due to lower profit before taxes compared with the same period of 2019.



NET DEBT

Net debt before IFRS 16 effect is equal to Euro 254.9 million as of September 30, 2020, compared with Euro 219.4 million as of December 31, 2019. The adoption of IFRS 16 accounting standard increased the net debt of Euro 44.4 million as of September 30, 2020 and Euro 47.2 million as of December 31, 2019.

Net debt (including IFRS 16 effect) is equal to Euro 299.3 million at September 30, 2020 an increase of Euro 32.8 million compared to December 31, 2019. This increase is mainly due to the following:

- Free Cash Flow negative for Euro 18.1 million
- Dividend paid for Euro 6.5 million
- Interest paid of Euro 4.9 million
- the Euro/USD foreign currency exchange rate impact and other items.

FORECAST FOR OPERATIONS AND SIGNIFICANT SUBSEQUENT EVENTS - UPDATE IN RELATION TO COVID-19 IMPACTS

The Covid-19 public health emergency which characterized 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 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.



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.

CONFERENCE CALL TO PRESENT FINANCIAL RESULTS

Conference call to present Financial results will not be held today. For more information please see below.

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 20 facilities across Europe, Asia and the Americas, and through a global network of about 400 coffee shops in 50 countries. Moreover, Massimo Zanetti Beverage Group completes the range of its products through the sale of professional coffee machines "La San Marco" and complementary products, such as tea, cocoa, chocolate and top-quality spices.

DISCLAIMER

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

ANNEX

RECLASSIFIED CONSOLIDATED INCOME STATEMENT

<i>(in thousands of Euro)</i>	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	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	(2,967)	-0.5%	(739)	-0.1%	(2,228)	>100%
Impairment	(2,659)	-0.4%	(1,233)	-0.2%	(1,426)	>100%
EBITDA	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	28,273	4.6%	58,224	8.7%	(29,952)	-51.4%
Depreciation and amortization	(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	(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%

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

RECLASSIFIED CONSOLIDATED BALANCE SHEET

	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	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	37,968	35,423
Non-current assets (A)	522,041	546,924
Net working capital (B)	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	(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

NET WORKING CAPITAL

	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	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	106,983	103,790



RECLASSIFIED CONSOLIDATED CASH FLOW STATEMENT

<i>(in thousands of Euro)</i>	Nine months ended September 30,	
	2020	2019
EBITDA Adjusted	28,273	58,224
Non-recurring Items	(2,822)	(2,830)
Changes in Net Working Capital	(19,979)	(18,226)
Net recurring investments	(23,345)	(23,569)
Income tax paid	(3,064)	(6,456)
Other operating items	2,858	1,815
Free Cash Flow	(18,079)	8,958
Net non-recurring investments	(1,616)	(22,460)
Investments in financial receivables	(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

CHANGES IN NET WORKING CAPITAL

<i>(in thousands of Euro)</i>	Nine months ended September 30,	
	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)

NET DEBT

<i>(in thousands of Euro)</i>		As of September, 30	As of December, 31
		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



CONSOLIDATED CONDENSED INTERIM INCOME STATEMENT

<i>(in thousands of Euro)</i>	Nine months ended September 30,	
	2020	2019*
Revenue	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	(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
<i>Profit attributable to:</i>		
<i>Non-controlling interests</i>	(129)	127
<i>Owners of the parent</i>	(20,334)	7,990
Basic/diluted earnings per share (in Euro)	(0.59)	0.23

CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

	As of September, 30	As of December 31
<i>(in thousands of Euro)</i>	2020	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	223,510	219,869
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	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 FLOW

<i>(in thousands of Euro)</i>	Nine months ended September 30,	
	2020	2019
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	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	(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
Repayment of lease liabilities	(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