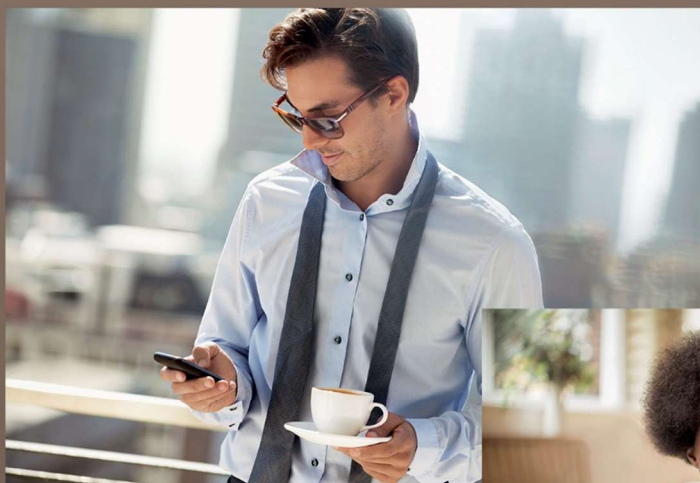


# Interim Report

as at and for the three months ended 31 March 2016



**Dalla pianta alla tazzina, Massimo Zanetti Beverage Group  
è l'ambasciatore italiano del caffè nel mondo.**

*Massimo Zanetti*

MASSIMO ZANETTI  
BEVERAGE GROUP

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## **Company Information**

Massimo Zanetti Beverage Group S.p.A.

### **Registered Office**

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

### **Corporate Information**

Authorized Share Capital Euro 34,300,000  
Share capital subscribed and paid in Euro 34,300,000

Tax Code/Business Register/VAT No. 02120510371C

## Corporate and supervisory bodies of the Company

### **Board of Directors**

Massimo Zanetti  
*Chairman and CEO*

Matteo Zanetti (\*\*)  
*Director*

Laura Zanetti (\*\*)  
*Director*

Massimo Mambelli  
*Director*

Lawrence L. Quier  
*Director*

Maria Pilar Arbona Palmeiro Goncalves Braga  
Pimenta (\*\*)  
*Director*

Josè Fernando Pinto dos Santos (\*) (2) (4)  
*Director*

Roberto H. Tentori (\*) (2) (3)  
*Director*

Anna Paola Tonelli (\*) (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**

Pier Paolo Pascucci  
*Chairman*

Ermanno Era  
*Statutory Auditor*

Maria Augusta Scagliarini  
*Statutory Auditor*

Simona Gnudi  
*Alternate auditor*

Franco Squizzato  
*Alternate auditor*

### **Corporate Reporting Manager**

Massimo Zuffi

### **Independent Auditors**

PricewaterhouseCoopers S.p.A.

## **DISCLAIMER**

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

## **INTERIM REPORT**

### **Introduction**

With reference to the three months ended 31 March 2016, the financial information included in this report and the comments reported therein are intended to provide an overview of the financial position and results of operations of the Group, the relevant changes that occurred during such period, and any key events that have occurred affecting the results for the period.

### **Structure and Operations of the Group**

Massimo Zanetti Beverage Group S.p.A. (the “**Company**”) and its subsidiaries (together referred to as the “**Group**” or “**MZB Group**”) are international players in the production and sale of roasted coffee. In order to support its core business, the MZB Group also produces and sells (or grants free use) of coffee machines and coffee equipment for use in the home, the workplace and professional offices. The Group also operates an international network of cafés (primarily under a franchise model). To complement its range of products, the MZB Group sells certain selected 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) Foodservice, and iii) Private Label.

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

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

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

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

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

## Results of operations

### Introduction

In addition to the financial information and financial indicators set forth by IFRS, this document presents reclassified financial information and certain alternative performance indicators. Management believe that such information also provides useful and relevant information regarding the Group's financial position and financial performance. Such reclassified financial information and indicators should not be considered a substitute for financial information and indicators set forth by the IFRS.

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

### Results of operations for the three months ended 31 March 2016

The following table sets forth the reclassified consolidated income statement for the three months ended 31 March 2016 and 2015:

<i>(in thousands of Euro)</i>	Three months ended 31 March				Change	
	2016	(**)	2015 <sup>*</sup>	(**)	2016-2015	
Revenue	218,123	100.0%	217,266	100.0%	857	0.4%
Purchases of goods	(129,304)	-59.3%	(133,723)	-61.5%	4,419	-3.3%
<b>Gross Profit<sup>(1)</sup></b>	<b>88,819</b>	<b>40.7%</b>	<b>83,543</b>	<b>38.5%</b>	<b>5,276</b>	<b>6.3%</b>
Purchases of services, leases and rentals	(41,981)	-19.2%	(40,270)	-18.5%	(1,711)	4.2%
Personnel costs	(32,917)	-15.1%	(29,687)	-13.7%	(3,230)	10.9%
Other operating costs, net <sup>(2)</sup>	(425)	-0.2%	(426)	-0.2%	1	-0.2%
Impairment <sup>(3)</sup>	(741)	-0.3%	(902)	-0.4%	161	-17.8%
<b>EBITDA<sup>(1)</sup></b>	<b>12,755</b>	<b>5.8%</b>	<b>12,258</b>	<b>5.6%</b>	<b>497</b>	<b>4.1%</b>
Depreciation and amortization <sup>(5)</sup>	(7,728)	-3.5%	(7,556)	-3.5%	(172)	2.3%
<b>Operating profit</b>	<b>5,027</b>	<b>2.3%</b>	<b>4,702</b>	<b>2.1%</b>	<b>325</b>	<b>6.9%</b>
Net finance costs <sup>(6)</sup>	(2,507)	-1.1%	(2,651)	-1.2%	144	-5.4%
<b>Profit before tax</b>	<b>2,520</b>	<b>1.2%</b>	<b>2,051</b>	<b>0.9%</b>	<b>469</b>	<b>22.9%</b>
Income tax expense	(1,224)	-0.6%	(985)	-0.5%	(239)	24.3%
<b>Profit for the period</b>	<b>1,296</b>	<b>0.6%</b>	<b>1,066</b>	<b>0.4%</b>	<b>230</b>	<b>21.6%</b>

(\*) Restated following finalization of the fair value of the net assets acquired of the Boncafe companies (See note 3).

(\*\*) Percentage of revenue

*Reconciliation between the reclassified consolidated income statement and the condensed consolidated income statement:*

- (1) For additional information, refer to "Non-GAAP" alternative performance indicators
- (2) Includes other income and other operating costs
- (3) Includes impairment of receivables
- (4) Includes IPO costs
- (5) Includes depreciation of property, plant and equipment and investment properties and amortization of intangible assets
- (6) Includes finance income and finance costs

## Revenue

"Revenue" of Euro 218,213 thousand for the three months ended 31 March 2016 was up by Euro 857 thousand (0.4%) compared to the same period of 2015. The increase is mainly due to:

- the increase in the volumes of roasted coffee sold (7.3%);
- foreign currency exchange rate impact, which led to an increase in revenue on translation of financial statements of Group entities expressed in currencies other than the Euro, and in particular those expressed in U.S. Dollars (1.1%); which were partially offset by
- decrease in the sales price of roasted coffee (-8.0%).

The increase in revenue is mainly related to "Roasted coffee Sales", amounting to Euro 1,483 thousand (0.8%). The increase is mainly due to the combined effect of:

- the increase in the volumes of roasted coffee sold of 8.3% compared to the first three months of 2015. The volumes of roasted coffee sold amounted to 31.1 thousand tonnes and 28.7 thousand tonnes for the three months ended 31 March 2016 and 2015, respectively. This increase mainly related to Northern Europe (1.4 thousand tonnes) and the Americas (1.0 thousand tonnes) in the Mass Market and Private Label channels respectively;
- foreign currency exchange rate impact, which led to an increase in revenue on translation of financial statements of Group entities expressed in currencies other than the Euro, and in particular those expressed in U.S. Dollars (1.2%); which were partially offset by
- decrease in the sales prices of roasted coffee, which resulted in a decrease in revenue of 8.7%, due to the decrease of the purchase price of green coffee;

The following table provides a breakdown of revenue of the Group for the three months ended 31 March 2016 and 2015, by sales channel:

<i>(in thousands of Euro)</i>	Three months ended 31 March				Change	
	2016	(**)	2015*	(**)	2016-2015	
Mass Market	81,407	37.3%	74,167	34.1%	7,240	9.8%
Foodservice	44,010	20.2%	44,053	20.3%	(43)	-0.1%
Private Label	78,907	36.2%	84,604	38.9%	(5,697)	-6.7%
Other	13,799	6.3%	14,442	6.7%	(643)	-4.5%
<b>Total</b>	<b>218,123</b>	<b>100.0%</b>	<b>217,266</b>	<b>100.0%</b>	<b>857</b>	<b>0.4%</b>

(\*) Restated following finalization of the fair value of the net assets acquired of the Boncafe companies (See note 3).

(\*\*) Percentage of revenue

The following table provides a breakdown of revenue of the Group for the three months ended 31 March 2016 and 2015, by geographical area:

<i>(in thousands of Euro)</i>	Three months ended 31 March				Change	
	2016	(**)	2015*	(**)	2016-2015	
Americas	110,958	50.9%	114,556	52.7%	(3,598)	-3.1%
Northern Europe	42,558	19.5%	35,916	16.5%	6,642	18.5%
Southern Europe	48,114	22.1%	49,171	22.6%	(1,057)	-2.1%
Asia-Pacific & Cafés	16,493	7.6%	17,623	8.1%	(1,130)	-6.4%
<b>Total</b>	<b>218,123</b>	<b>100.0%</b>	<b>217,266</b>	<b>100.0%</b>	<b>857</b>	<b>0.4%</b>

(\*) Restated following finalization of the fair value of the net assets acquired of the Boncafe companies (See note 3).

(\*\*) Percentage of revenue

## Gross Profit

**Gross Profit** of Euro 88,819 thousand for the three months ended 31 March 2016, was up by Euro 5,276 thousand (6.3%) compared to the same period of 2015.

On a constant currency basis and scope of consolidation, Gross Profit increased by Euro 4,650 thousand (5.6%). This increase is mainly due to the aforementioned increase in the volumes of roasted coffee (8.3%), which was partially offset by the trends of average sales price of roasted coffee and average purchase price of green coffee (-1.0%) attributable to the different sales mix in 2016 and 2015.

## EBITDA

The following table provides a reconciliation between **EBITDA** and profit for the three months ended 31 March 2016 and 2015:

<i>(in thousands of Euro)</i>	Three months ended 31 March				Change	
	2016	(**)	2015*	(**)	2016-2015	
Profit for the period	1,296	0.6%	1,066	0.5%	230	-21.6%
Income tax expense	1,224	0.6%	985	0.5%	239	24.3%
Finance costs	2,567	1.2%	2,697	1.2%	(130)	-4.8%
Finance income	(60)	0.0%	(46)	0.0%	(14)	30.4%
Depreciation and amortization <sup>1)</sup>	7,728	3.4%	7,556	3.6%	172	2.3%
<b>EBITDA<sup>2)</sup></b>	<b>12,755</b>	<b>5.8%</b>	<b>12,258</b>	<b>5.8%</b>	<b>497</b>	<b>4.1%</b>

(\*) Restated following finalization of the fair value of the net assets acquired of the Boncafe companies (See note 3).

(\*\*) 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 "Non-GAAP" alternative performance indicators.

**EBITDA**, amounted to Euro 12,755 thousand for the three months ended 31 March 2016, an increase of Euro 497 thousand (4.1%) compared to the same period in 2015.

On a constant currency basis between Euro and U.S. Dollar, the change, other than as previously described for Gross Profit, is mainly attributable to higher net operating costs (Euro 4,196 thousand), due to:

- costs incurred for advertising and promotional activities to support the growth of the single serving in the USA and to sponsor the cycling team Trek-Segafredo; and
- personnel costs, which increased as a result of the new management structure of the Group, higher social security contributions in the USA and different timing of certain variable cost compared to 2015.



## Reclassified statement of financial position

The following table shows the reclassified statement of financial position of the Group at 31 March 2016 and at 31 December 2015:

<i>(in thousands of Euro)</i>	At 31 March	At 31 December
	2016	2015
<b>Investments:</b>		
Intangible assets	116,642	117,834
Property, plant and equipment	206,862	208,871
Investment properties	4,396	4,422
Non-current trade receivables	13,942	13,783
Deferred tax assets and other non-current assets <sup>(2)</sup>	18,926	17,049
<b>Non-current assets (A)</b>	<b>360,768</b>	<b>361,959</b>
<b>Net working capital (B)<sup>(1)</sup></b>	<b>150,093</b>	<b>159,170</b>
Employee benefits	(9,601)	(9,624)
Other non-current provisions	(2,493)	(2,258)
Deferred tax liabilities and other non-current liabilities <sup>(3)</sup>	(30,473)	(29,889)
<b>Non-current liabilities (C)</b>	<b>(42,567)</b>	<b>(41,771)</b>
<b>Net invested capital (A+B+C)</b>	<b>468,294</b>	<b>479,358</b>
<b>Sources:</b>		
Equity	287,317	293,686
Net financial indebtedness	180,977	185,672
<b>Sources of financing</b>	<b>468,294</b>	<b>479,358</b>

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

- (1) For additional information, refer to “Non-GAAP” alternative performance indicators  
(2) Includes deferred tax assets, investments in joint ventures and other non-current assets  
(3) Includes deferred tax liabilities and other non-current liabilities

The following table shows the breakdown of **Net Working Capital** of the Group at 31 March 2016 and at 31 December 2015:

<i>(in thousands of Euro)</i>	At 31 March	At 31 December
	2016	2015
Inventories	125,023	134,807
Trade receivables	114,881	115,950
Income tax receivables	2,818	3,242
Other current assets <sup>(1)</sup>	13,210	12,272
Trade payables	(77,364)	(80,745)
Income tax liabilities	(893)	(620)
Other current liabilities	(27,582)	(25,736)
<b>Net working capital<sup>(2)</sup></b>	<b>150,093</b>	<b>159,170</b>

- (1) Other current assets excludes current financial receivables which are included in net financial indebtedness  
(2) For additional information, refer to “Non-GAAP” alternative performance indicators.

## Reclassified cash flow statement

The following table shows the reclassified cash flow statement for the three months ended 31 March 2016 and 2015.

<i>(in thousands of Euro)</i>	At and for the three months ended 31 March	
	2016	2015*
<b>Adjusted EBITDA</b> <sup>(1)</sup>	<b>12,755</b>	<b>12,258</b>
Non-recurring items		
Changes in net working capital	2,387	(24,947)
Net recurring investments <sup>(2)</sup>	(6,897)	(6,236)
Income tax paid	(1,537)	(796)
Other operating items	1,205	434
<b>Free Cash Flow</b> <sup>(1)</sup>	<b>7,913</b>	<b>(19,287)</b>
Net non-recurring investments <sup>(3)</sup>	(2,509)	(2,839)
Interest expense	(1,203)	(1,776)
Net cash generated from financing activities	13,719	31,459
Net cash from discontinuing operations	-	-
Exchange gains on cash and cash equivalents	(354)	848
<b>Net increase in cash and cash equivalents</b>	<b>17,566</b>	<b>8,405</b>
Cash and cash equivalents at the beginning of the period	25,574	18,302
<b>Cash and cash equivalents at the end of the period</b>	<b>43,140</b>	<b>26,707</b>

(\*) Restated following finalization of the fair value of the net assets acquired of the Boncafe companies (*See note 3*).

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

(2) Net recurring investments include purchases of property, plant and equipment and intangible assets, net of asset deals

(3) Net non-recurring investments include business combinations, asset deals and other minor items

**Free Cash Flow** amounted to Euro 7,913 thousand for the three months ended 31 March 2016, an increase of Euro 27,200 thousand compared to the same period in 2015. This increase is mainly due to the changes in net working capital.

The following table shows the breakdown of the changes in the Net Working Capital for the three months ended 31 March 2016 and 2015:

<i>(in thousands of Euro)</i>	Three months ended 31 March	
	2016	2015*
Changes in inventories	7,181	2,459
Changes in trade receivables	(1,220)	(313)
Changes in trade payables	(3,464)	(16,359)
Changes in other assets/liabilities	217	(10,560)
Payments of employee benefits	(327)	(174)
<b>Changes in net working capital</b>	<b>2,387</b>	<b>(24,947)</b>

(\*) Restated following finalization of the fair value of the net assets acquired of the Boncafe companies (*See note 3*).

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

**Changes in the net working capital** amounted to Euro 2,387 thousand for the three months ended 31 March 2016, an increase of Euro 27,334 thousand, compared to the same period in 2015. This increase is mainly due to changes in trade payables and changes in other assets/liabilities primarily related to advance payments in 2015 principally related to an important Private Label customer in the USA for the purchase of green coffee (Euro 14,133 thousand).

**Net recurring investments** amounted to Euro 6,897 thousand for the three months ended 31 March 2016, substantially in line with the same period of 2015.

**Net non-recurring investments** amounted to Euro 2,509 thousand and Euro 2,839 thousand for the three months ended 31 March 2016 and 2015, respectively.

The cash flows used in net non-recurring investments for the three months ended 31 March 2016 mainly relate to the acquisition of Segafredo Zanetti Worldwide Italia S.p.A., net of cash acquired, amounting to Euro 2,624 thousand.

The cash flows used in net non-recurring investments for the three months ended 31 March 2015 mainly relate to payment of the price adjustment for the acquisition of the Boncafe companies for an amount of USD 2,975 thousand.

**Cash flows from financing activities** decreased from Euro 31,459 thousand for the three months ended 31 March 2015 to Euro 13,719 thousand for the same period in 2016. This decrease is mainly due to changes in short-term borrowings, for which the trends in the three months ended 31 March 2016 and 2015 are in line with the change in the net working capital.

### Net Financial Indebtedness

The following table shows the breakdown of net financial indebtedness of the Group at 31 March 2016 and at 31 December 2015, determined in accordance with the CONSOB Communication dated 28 July 2006, and in compliance with ESMA Recommendation 2013/319:

<i>(in thousands of Euro)</i>	At 31 March	At 31 December
	2016	2015
A Cash and cash equivalents	(2,020)	(811)
B Cash at bank	(41,120)	(24,763)
C Securities held for trading	-	-
<b>D Liquidity (A+B+C)</b>	<b>(43,140)</b>	<b>(25,574)</b>
<b>E Current financial receivables</b>	<b>(106)</b>	<b>(192)</b>
F Current loans	85,341	87,739
G Current portion of non-current loans	27,892	25,291
H Other current financial payables	125	70
<b>I Current indebtedness (F+G+H)</b>	<b>113,358</b>	<b>113,100</b>
<b>J Net current indebtedness (I+E+D)</b>	<b>70,112</b>	<b>87,334</b>
K Non-current loans	109,378	97,787
L Issued bonds	-	-
M Other non-current financial liabilities	1,487	551
<b>N Non-current indebtedness (K+L+M)</b>	<b>110,865</b>	<b>98,338</b>
<b>O Net financial indebtedness (J+N)</b>	<b>180,977</b>	<b>185,672</b>

**Net Financial Indebtedness** amounted to Euro 180,977 thousand at 31 March 2016, a decrease of Euro 4,695 thousand compared to 31 December 2015. This decrease is mainly due to the combined effect of the following:

- impact of Free Cash Flow of Euro 7,913 thousand for the three months ended 31 March 2016;
- Net non-recurring investments for the three months ended 31 March 2016, amounting to Euro 2,509 thousand, mainly related to the acquisition of Segafredo Zanetti Worldwide Italia S.p.A., net of the cash acquired;
- interest paid in the three months ended 31 March 2016 of Euro 1,203 thousand; and
- the Euro/USD foreign currency exchange rate impact and other non-cash items.

## Capital expenditure

The following table shows the breakdown of capital expenditure in property, plant and equipment, intangible assets and business combinations for the three months ended 31 March 2016 and 2015.

<i>(in thousands of Euro)</i>	Three months ended 31 March			
	2016		2015	
	Additions	Cash-out	Additions	Cash-out
Business combinations	-	-	-	2,640
Business combinations under common control	-	2,624	-	-
Intangible assets	316	316	267	267
Property, plant and equipment	7,867	6,842	6,185	6,185
<b>Total</b>	<b>8,183</b>	<b>9,782</b>	<b>6,452</b>	<b>9,092</b>

### *Business combinations and Business combinations under common control*

Cash-out amounted to Euro 2,624 thousand and Euro 2,640 thousand for the three months ended 31 March 2016 and 2015, respectively, relating to the acquisition of Segafredo Zanetti Worldwide Italia S.p.A., net of the cash acquired and payment of the price adjustment for the acquisition of the Boncafe companies.

### *Property, plant and equipment*

Capital expenditure for the three months ended 31 March 2016 mainly relates to bar equipment, land and assets under construction, amounting to Euro 3,240 thousand and Euro 1,901 thousand, respectively.

Capital expenditure for the three months ended 31 March 2015 mainly relates to bar equipment and assets under construction, amounting to Euro 3,618 thousand and Euro 1,113 thousand, respectively.

### *Intangible assets*

Capital expenditure for the three months ended 31 March 2016 amounting to Euro 316 thousand mainly relates to software and other intangible assets.

Capital expenditure for the three months ended 31 March 2015 amounting to Euro 267 thousand mainly relates to brands and licences.

## Key events for the three months ended 31 March 2016

In the three months ended 31 March 2016, the Group acquired the entire share capital of Segafredo Zanetti Worldwide Italia S.p.A., a company owned directly by Massimo Zanetti, chairman and CEO of the Company, which deals above all in franchising transactions in the Foodservice channel. The agreed purchase price amounts to Euro 2,800 thousand on the basis of an expert valuation.

## Subsequent events

At the end of April 2016, the Group finalised the acquisition of a 15.1% non-controlling interest in the share capital of Club Coffee, Toronto, a leading Canadian company in innovative technological solutions in the single serve market, at a price of 15.1 million Canadian Dollars (CAD). The Group has an option on an additional 10% of the share capital of Club Coffee, Toronto that may be exercised within 13 months from the acquisition, at a price that will be defined according to market conditions.

Through this strategic acquisition, the Group intends to boost sales and expand its global presence on new geographical markets and in business segments that are more profitable.

### **Business outlook**

Based on the results achieved in the three months ended 31 March 2016 and on the current market trends the outlook for the Group performance in 2016 is substantially unchanged.

### **“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 the such items used by management is described below:

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

### **Unusual transactions and/or events**

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

### **Treasury shares**

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

### **Related-party transactions**

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

The aforementioned procedure was approved by the Board of Directors of the Company on 15 July 2014 and amended on 28 August 2015 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](http://www.mzb-group.com).

With respect to the information provided in the notes to the consolidated financial statements at 31 December 2015, no unusual transactions in terms of amount or importance were carried out in the three months ended 31 March 2016 with related parties.

During the three months ended 31 March 2016, the Group acquired the entire share capital of Segafredo Zanetti Worldwide Italia S.p.A. ("SZWI"), a company directly held by the Chairman and CEO of MZBG Massimo Zanetti and therefore a related party to MZBG.

Pursuant to MZBG's "Related Party Procedure", the transaction qualifies as a "Less Significant Related Party Transaction". For this reason and in accordance with the aforementioned Procedure, the transaction was submitted for prior assessment by MZBG's Related Party Committee, which expressed a favorable opinion on the soundness, and substantial fairness of the terms and conditions, of the transaction.

**CONDENSED CONSOLIDATED FINANCIAL INFORMATION AT AND FOR THE THREE MONTHS ENDED 31 MARCH 2016**

***Condensed Consolidated Income Statement***

<i>(in thousands of Euro)</i>	Note	Three months ended 31 March	
		2016	2015*
Revenue	9	218,123	217,266
Other income		1,324	1,067
Purchases of goods		(129,304)	(133,723)
Purchases of services, leases and rentals		(41,981)	(40,270)
Personnel costs		(32,917)	(29,687)
Other operating costs		(1,749)	(1,493)
Amortization, depreciation and impairment	10	(8,469)	(8,458)
<b>Operating profit</b>		<b>5,027</b>	<b>4,702</b>
Finance income		60	46
Finance costs		(2,567)	(2,697)
<b>Profit before tax</b>		<b>2,520</b>	<b>2,051</b>
Income tax expense		(1,224)	(985)
<b>Profit for the period</b>		<b>1,296</b>	<b>1,066</b>
<i>Profit attributable to:</i>			
<i>Non-controlling interests</i>		55	64
<i>Owners of the parent</i>		1,241	1,002
<b>Basic and diluted earnings per share (in Euro)</b>	11	<b>0.04</b>	<b>0.04</b>

(\*) Restated following finalization of the fair value of the net assets acquired of the Boncafe companies (See note 3).

## Condensed Consolidated Statement of Comprehensive Income

<i>(in thousands of Euro)</i>	Three months ended 31 March	
	2016	2015*
<b>Profit for the period</b>	<b>1,296</b>	<b>1,066</b>
Gain / (loss) on cash flow hedges	(1,209)	145
Losses on net investment hedges	-	(6,344)
Currency translation differences	(5,098)	20,713
<b>Items that may be subsequently transferred to profit or loss</b>	<b>(6,307)</b>	<b>14,514</b>
Remeasurements of employee benefit obligations	16	-
<b>Items that will not be reclassified to profit or loss</b>	<b>16</b>	<b>-</b>
<b>Total comprehensive (loss)/income for the period</b>	<b>(4,995)</b>	<b>15,580</b>
Comprehensive income attributable to non-controlling interests	60	64
<b>Comprehensive (loss)/income attributable to owners of the parent</b>	<b>(5,055)</b>	<b>15,516</b>

(\*) Restated following finalization of the fair value of the net assets acquired of the Boncafe companies (See note 3).



## Condensed Consolidated Statement of Financial Position

<i>(in thousands of Euro)</i>	Note	At 31 March	At 31 December
		2016	2015
Intangible assets		116,642	117,834
Property, plant and equipment		206,862	208,871
Investment properties		4,396	4,422
Investments in joint ventures		134	138
Non-current trade receivables		13,942	13,783
Deferred tax assets		12,821	11,046
Other non-current assets		5,971	5,865
<b>Total non-current assets</b>		<b>360,768</b>	<b>361,959</b>
Inventories		125,023	134,807
Trade receivables		114,881	115,950
Income tax receivables		2,818	3,242
Other current assets		13,316	12,464
Cash and cash equivalents		43,140	25,574
<b>Total current assets</b>		<b>299,178</b>	<b>292,037</b>
<b>Total assets</b>		<b>659,946</b>	<b>653,996</b>
Share capital		34,300	34,300
Other reserves		115,496	121,803
Retained earnings		135,664	135,786
<b>Equity attributable to owners of the parent</b>		<b>285,460</b>	<b>291,889</b>
Non-controlling interests		1,857	1,797
<b>Total equity</b>		<b>287,317</b>	<b>293,686</b>
Non-current borrowings	7	110,865	98,338
Employee benefits		9,601	9,624
Other non-current provisions		2,493	2,258
Deferred tax liabilities		24,524	24,008
Other non-current liabilities		5,949	5,881
<b>Total non-current liabilities</b>		<b>153,432</b>	<b>140,109</b>
Current borrowings	7	113,358	113,100
Trade payables		77,364	80,745
Income tax liabilities		893	620
Other current liabilities		27,582	25,736
<b>Total current liabilities</b>		<b>219,197</b>	<b>220,201</b>
<b>Total liabilities</b>		<b>372,629</b>	<b>360,310</b>
<b>Total equity and liabilities</b>		<b>659,946</b>	<b>653,996</b>

## Condensed Consolidated Statement of Cash Flows

<i>(in thousands of Euro)</i>	Note	Three months ended 31 March	
		2016	2015*
<b>Profit before tax</b>		<b>2,520</b>	<b>2,051</b>
<b>Adjustments for:</b>			
Amortization, depreciation and impairment	10	8,469	8,458
Provisions for employee benefits and other charges		417	278
Finance costs		2,507	2,651
Other non-monetary items		47	(746)
<b>Net cash generated from operating activities before changes in net working capital</b>		<b>13,960</b>	<b>12,692</b>
Changes in inventories		7,181	2,459
Changes in trade receivables		(1,220)	(313)
Changes in trade payables		(3,464)	(16,359)
Changes in other assets/liabilities		217	(10,560)
Payments of employee benefits		(327)	(174)
Interest paid		(1,203)	(1,776)
Income tax paid		(1,537)	(796)
<b>Net cash generated from / (used by) operating activities</b>		<b>13,607</b>	<b>(14,827)</b>
Acquisition of subsidiary, net of cash acquired	6	-	(2,640)
Acquisition under common control, net of cash acquired	6	(2,624)	-
Purchase of property, plant and equipment		(6,842)	(6,185)
Purchase of intangible assets		(316)	(267)
Proceeds from sale of property, plant and equipment		261	216
Proceeds from sale of intangible assets			-
Changes in financial receivables		73	(243)
Interest received		42	44
<b>Net cash flow used in investing activities</b>		<b>(9,406)</b>	<b>(9,075)</b>
Proceeds from borrowings	7	20,000	12,754
Repayment of borrowings	7	(4,413)	(2,313)
Increase/(decrease) in short-term loans		(1,868)	21,018
<b>Net cash generated from financing activities</b>		<b>13,719</b>	<b>31,459</b>
Exchange gains on cash and cash equivalents		(354)	848
<b>Net increase in cash and cash equivalents</b>		<b>17,566</b>	<b>8,405</b>
Cash and cash equivalents at the beginning of the period		25,574	18,302
<b>Cash and cash equivalents at the end of the period</b>		<b>43,140</b>	<b>26,707</b>

(\*) Restated following finalization of the fair value of the net assets acquired of the Boncafe companies (See note 3).

### Condensed Consolidated Statement of Changes in Equity

<i>(in thousands of Euro)</i>	Share capital	Other reserves	Retained earnings	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total
<b>At 31 December 2014</b>	<b>28,000</b>	<b>51,708</b>	<b>126,567</b>	<b>206,275</b>	<b>1,759</b>	<b>208,034</b>
Profit for the period	-	-	1,002	1,002	64	1,066
Gain from cash flow hedges	-	145	-	145	-	145
Losses from net investment hedges	-	(6,344)	-	(6,344)	-	(6,344)
Currency translation differences	-	20,713	-	20,713	-	20,713
<b>Total profit for the period</b>	<b>-</b>	<b>14,514</b>	<b>1,002</b>	<b>15,516</b>	<b>64</b>	<b>15,580</b>
Reclassifications	-	520	(520)	-	-	-
<b>At 31 March 2015*</b>	<b>28,000</b>	<b>66,742</b>	<b>127,049</b>	<b>221,791</b>	<b>1,823</b>	<b>223,614</b>

<i>(in thousands of Euro)</i>	Share capital	Other reserves	Retained earnings	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total
<b>At 31 December 2015</b>	<b>34,300</b>	<b>121,803</b>	<b>135,786</b>	<b>291,889</b>	<b>1,797</b>	<b>293,686</b>
Profit for the period	-	-	1,241	1,241	55	1,296
Remeasurements of employee benefit obligations	-	-	11	11	5	16
Losses from cash flow hedges	-	(1,209)	-	(1,209)	-	(1,209)
Currency translation differences	-	(5,098)	-	(5,098)	-	(5,098)
<b>Total loss for the period</b>	<b>-</b>	<b>(6,307)</b>	<b>1,252</b>	<b>(5,055)</b>	<b>60</b>	<b>(4,995)</b>
<i>Shareholders transactions</i>						
Acquisition of Segafredo Zanetti World Wide S.p.A.	-	-	(1,374)	-	-	-
<b>At 31 March 2016</b>	<b>34,300</b>	<b>115,496</b>	<b>135,664</b>	<b>286,834</b>	<b>1,857</b>	<b>288,691</b>

(\*) Restated following finalization of the fair value of the net assets acquired of the Boncafe companies (*See* note 3).

## *Notes*

### **1. General information**

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

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

The Group’s interim report at 31 March 2016 was prepared in accordance with article 154 ter c. 5 of Legislative Decree no. 58/98 - TUF (Consolidated Law on Finance) - as subsequently amended and integrated.

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 31 December 2015.

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 31 December 2015, with exception of those expressly applicable to interim reports. It should be noted that the amendments of the IFRS applicable to the financial year ending on 31 December 2016 are not expected to produce a significant impact on the consolidated financial statements of the Group.

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

The interim report was approved by the Board of Directors on 12 May 2016 and is unaudited.

### **2. Conversion of the financial statements in currencies other than the Euro**

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

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

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

Currency		Average exchange rate for the three months ended 31 March		Exchange rate as at 31 March		Exchange rate as at 31 December	
		2016	2015	2016	2015	2015	2014
US Dollar	USD	1.10	1.13	1.14	1.08	1.09	1.21
Australian Dollar	AUD	1.53	1.43	1.48	1.42	1.49	1.48
Japanese Yen	JPY	127.02	134.19	127.90	128.95	131.07	145.23
Swiss Franc	CHF	1.10	1.07	1.09	1.05	1.08	1.20
Brazilian Real	BRL	4.31	3.22	4.12	3.50	4.31	3.22
British Pound	GBP	0.77	0.74	0.79	0.73	0.73	0.78
Costa Rican Colon	CRC	590.01	605.05	608.61	573.69	585.64	655.72
Argentine Peso	ARS	15.91	9.79	16.62	9.48	14.10	10.28
Danish Krone	DKK	7.46	7.45	7.45	7.47	7.46	7.45
Polish Zloty	PLZ	4.37	4.19	4.26	4.09	4.26	4.27
Chilean Peso	CLP	773.34	703.90	763.86	676.53	772.71	737.30
Czech Koruna	CSK	27.04	27.63	27.05	27.53	27.02	27.74
Mexican Peso	MXN	19.89	16.83	19.59	16.51	18.91	17.87
New Zealand Dollar	NZD	1.66	1.50	1.64	1.44	1.59	1.55
Singapore Dollar	SGD	1.55	1.53	1.53	1.48	1.54	1.61
Thai Bhat	THB	39.28	36.79	40.02	35.02	39.25	39.91
United Arab Emirates Dirham	AED	4.04	4.14	4.18	3.95	4.00	4.46
Malaysian Ringgit	MYR	4.62	4.08	4.41	3.99	4.70	4.25
Vietnamese Dong	VND	24,618.47	24,086.27	25,382.90	23,182.20	24,475.10	25,972.10
Croatian Kuna	HRK	7.62	7.68	7.53	7.65	7.64	7.66
Hong Kong Dollar	HKD	8.57	8.74	8.83	8.34	8.44	9.42
Romanian Leu	RON	-	-	-	-	4.52	-
Hungarian Forint	HUF	312.07	308.94	314.12	299.43	315.98	315.54

### 3. Restatement of comparative figures

During the third quarter of 2015, the *purchase price allocation* was finalized to determine the fair value of the Boncafe companies net assets acquired in August 2014. In accordance with IFRS 3, the accounting effects of the finalization of such exercise have been retrospectively reflected from the date that control was obtained.

The effects of the finalization of the purchase price allocation and fair value determination of the Boncafe Companies net assets on the condensed consolidated income statement and the condensed consolidated comprehensive income statement for the three months ended 31 March 2015, are as follows:

<i>(in thousands of Euro)</i>	<b>Three months ended 31 March 2015</b>		
	<b>Reported</b>	<b>Fair value adjustment Boncafe</b>	<b>Restated</b>
Revenue	217,266	-	217,266
Other income	1,067	-	1,067
Purchases of goods	(133,723)	-	(133,723)
Purchases of services, leases and rentals	(40,270)	-	(40,270)
Personnel costs	(29,687)	-	(29,687)
Other operating costs	(1,493)	-	(1,493)
Amortization, depreciation and impairment	(8,244)	(214)	(8,458)
<b>Operating profit</b>	<b>4,916</b>	<b>(214)</b>	<b>4,702</b>
Finance income	46	-	46
Finance costs	(2,697)	-	(2,697)
<b>Profit before tax</b>	<b>2,265</b>	<b>(214)</b>	<b>2,051</b>
Income tax expense	(1,022)	37	(985)
<b>Profit for the period from operating activities</b>	<b>1,243</b>	<b>(177)</b>	<b>1,066</b>
<b>Profit for the period</b>	<b>1,243</b>	<b>(177)</b>	<b>1,066</b>
<i>Profit attributable to:</i>			
Non-controlling interests	64	-	64
Owners of the parent	1,179	(177)	1,002

<i>(in thousands of Euro)</i>	<b>Three months ended 31 March 2015</b>		
	<b>Reported</b>	<b>Fair value adjustment Boncafe</b>	<b>Restated</b>
<b>Profit for the period</b>	<b>1,243</b>	<b>(177)</b>	<b>1,066</b>
Gain from cash flow hedges	145	-	145
Losses from net investment hedges	(6,344)	-	(6,344)
Currency translation differences	21,117	(404)	20,713
<b>Items that may be subsequently reclassified to profit or loss</b>	<b>14,918</b>	<b>(404)</b>	<b>14,514</b>
<b>Comprehensive income for the period</b>	<b>16,161</b>	<b>(581)</b>	<b>15,580</b>
Comprehensive income attributable to non-controlling interests	64	-	64
<b>Comprehensive income attributable to owners of the parent</b>	<b>16,097</b>	<b>(581)</b>	<b>15,516</b>

#### 4. Management of Financial Risks

There have been no changes in the risk management department or in any risk management policies since the year end.

#### 5. 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.

## 6. Business combinations

*Three months ended 31 March 2016*

In the three months ended 31 March 2016, the Group acquired the entire share capital of Segafredo Zanetti Worldwide Italia S.p.A., a company owned directly by Massimo Zanetti, Chairman and CEO of the Company, which deals above all in franchising transactions in the Foodservice channel. The agreed purchase price amounts to Euro 2,800 thousand on the basis of an expert valuation .

This acquisition is described as “*under common control*” and therefore the acquired assets and liabilities were recognised based on their historical carrying amounts, without recognising any gains.

The following table provides a comparison between the amount paid and the carrying amount of the net assets acquired:

<i>(in thousands of Euro)</i>	<b>Carrying amount</b>
Intangible assets	500
Property, Plant and Equipment	629
Other assets	1,372
Deferred tax assets	52
Cash and cash equivalents	176
Other non-current provisions	(60)
Employee benefits	(67)
Current borrowings	(292)
Trade payables	(588)
Other liabilities	(296)
<b>Net assets acquired</b>	<b>1,426</b>
Consideration	(2,800)
<b>Reserve for transactions under common control</b>	<b>(1,374)</b>

*Three months ended 31 March 2015*

During the three months ended 31 March 2015, the Group paid the price adjustment of the Boncafe Companies according to the accounting changes in the period between 1 January 2014 and the actual date of acquisition of control (August 2014), for an amount equal to USD 2,975 thousand.

## 7. Current and Non-current borrowings

The following tables provide a breakdown of current and non-current borrowings at 31 March 2016 and 31 December 2015.

<b>At 31 March 2016</b> <i>(in thousands of Euro)</i>	<b>Less than 12 months</b>	<b>Between 1 and 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
Long-term borrowings	27,892	104,446	4,932	137,270
Short-term borrowings	75,959	-	-	75,959
Advances from factors and banks	9,382	-	-	9,382
Finance lease liabilities	125	1,281	206	1,612
<b>Total</b>	<b>113,358</b>	<b>105,727</b>	<b>5,138</b>	<b>224,223</b>

<b>At 31 December 2015</b> <i>(in thousands of Euro)</i>	<b>Less than 12 months</b>	<b>Between 1 and 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
Long-term borrowings	25,291	87,513	10,274	123,078
Short-term borrowings	75,394	-	-	75,394
Advances from factors and banks	12,345	-	-	12,345
Finance lease liabilities	70	344	207	621
<b>Total</b>	<b>113,100</b>	<b>87,857</b>	<b>10,481</b>	<b>211,438</b>

### ***Long-term borrowings***

In accordance with international practice, certain of the Group's loan contracts require compliance with financial covenants, including negative pledges and cross-defaults, which had been complied with at 31 March 2016 and 31 December 2015.

In the three months ended 31 March 2016, the Group signed two long term financing arrangements with the following financial institutions:

- Banca popolare dell'Emilia Romagna on 15 February 2016 for a principal amount of Euro 5,000 thousand, with maturity date on 15 July 2019; and
- UBI Banca popolare commercio e industria on 21 March 2016 for a principal amount of Euro 15,000 thousand, with maturity date on 21 March 2021.

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

<i>(in thousands of Euro)</i>	<b>At 31 March</b>	<b>At 31 December</b>
	<b>2016</b>	<b>2015</b>
<i>Principal amount of long-term borrowings</i>		
- at variable rate	138,012	121,173
- at fixed rate	-	2,717
Notional value of derivatives on interest rates	46,517	48,166
Long-term borrowings converted at fixed rate	34%	41%
Remaining portion of long-term borrowings at variable rate	66%	59%
Long-term borrowings denominated in Euro	75%	70%
Long-term borrowings denominated in USD	25%	30%

It should be noted that the interest rate swaps, which the Group uses to reduce the exposure to interest rate fluctuations, do not comply with the requirements for hedge accounting set forth by IAS 39 "Financial instruments: recognition and valuation".

### ***Advances from factors and banks***

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



## Net financial indebtedness

The following table shows the breakdown of net financial indebtedness of the Group at 31 March 2016 and 31 December 2015, determined in accordance with CONSOB communication dated 28 July 2006 and ESMA/2013/319 Recommendation:

<i>(in thousands of Euro)</i>	At 31 March	At 31 December
	2016	2015
A Cash and cash equivalents	(2,020)	(811)
B Cash at bank	(41,120)	(24,763)
C Securities held for trading	-	-
<b>D Liquidity (A+B+C)</b>	<b>(43,140)</b>	<b>(25,574)</b>
<b>E Current financial receivables</b>	<b>(106)</b>	<b>(192)</b>
F Current loans	85,341	87,739
G Current portion of non-current loans	27,892	25,291
H Other current financial payables	125	70
<b>I Current indebtedness (F+G+H)</b>	<b>113,358</b>	<b>113,100</b>
<b>J Net current indebtedness (I+E+D)</b>	<b>70,112</b>	<b>87,334</b>
K Non-current loans	109,378	97,787
L Issued bonds	-	-
M Other non-current financial payables	1,487	551
<b>N Non-current indebtedness (K+L+M)</b>	<b>110,865</b>	<b>98,338</b>
<b>O Net financial indebtedness (J+N)</b>	<b>180,977</b>	<b>185,672</b>

## 8. Contingent liabilities

On 9 May 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, 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).

In December 2015, Massimo Zanetti Beverage U.S.A. Inc. and the defendants summoned in the court case have been unsuccessful in the proceeding. Pending the opening of an appeal procedure, Massimo Zanetti Beverage U.S.A. Inc. and the defendants in the court case do not exclude a possible extra-judicial resolution of the dispute, considering the possible recognition of an amount for the resolution.

## 9. Revenue

The following table sets forth a breakdown of revenue for the three months ended 31 March 2016 and 2015, the trends of which are illustrated in the management report:

<i>(in thousands of Euro)</i>	Three months ended 31 March	
	2016	2015*
Sales of roasted coffee	193,315	191,832
Sale of regional products and other food related products	11,009	10,992
Sales of coffee machines	8,357	7,366
Revenue from cafe network	2,623	2,930
Other revenue	2,819	4,146
<b>Total</b>	<b>218,123</b>	<b>217,266</b>

(\*) The figures are restated following calculation of the fair value of the net assets acquired by the Boncafe companies (See note 3).

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

<i>(in thousands of Euro)</i>	<b>Three months ended 31 March</b>	
	<b>2016</b>	<b>2015*</b>
Mass Market	81,407	74,167
Foodservice	44,010	44,053
Private Label	78,907	84,604
Other	13,799	14,442
<b>Total</b>	<b>218,123</b>	<b>217,266</b>

(\*) Restated following finalization of the fair value of the net assets acquired of the Boncafe companies (See note 3).

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

<i>(in thousands of Euro)</i>	<b>Three months ended 31 March</b>	
	<b>2016</b>	<b>2015*</b>
Americas	110,958	114,556
Northern Europe	42,558	35,916
Southern Europe	48,114	49,171
Asia-Pacific & Cafés	16,493	17,623
<b>Total</b>	<b>218,123</b>	<b>217,266</b>

(\*) Restated following finalization of the fair value of the net assets acquired of the Boncafe companies (See note 3).

## 10. Amortization, Depreciation and Impairment

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

<i>(in thousands of Euro)</i>	<b>Three months ended 31 March</b>	
	<b>2016</b>	<b>2015*</b>
Depreciation of property, plant and equipment	6,926	6,797
Amortization of intangible assets	776	733
Depreciation of investment property	26	26
Allowances for doubtful accounts	741	902
<b>Total</b>	<b>8,469</b>	<b>8,458</b>

(\*) Restated following finalization of the fair value of the net assets acquired of the Boncafe companies (See note 3).

## 11. Earnings per share

The following table provides a breakdown of earnings per share:

<i>(In thousands of Euro, unless otherwise indicated)</i>	<b>Three months ended 31 March</b>	
	<b>2016</b>	<b>2015*</b>
Average number of ordinary shares	34,300,000	28,000,000
Profit attributable to owners of the parent	1,241	1,002
<b>Basic and diluted earnings per share (in Euro)</b>	<b>0.04</b>	<b>0.04</b>

(\*) Restated following finalization of the fair value of the net assets acquired of the Boncafe companies (See note 3).

Basic earnings per share and diluted earnings per share were the same for the three months ended 31 March 2016 and 2015 as there were no dilutive effects.

## List of companies included in the Condensed Interim Consolidated Financial Information

Company	Registered office	Reporting date	Share capital		Percentage held as at	
			Currency	Amount ('000)	31 March 2016	31 December 2015
Massimo Zanetti Beverage S.A.	Geneva	31 December	CHF	149,900	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	Geneva	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	Salzburg	31 December	EUR	727	100%	100%
Segafredo Zanetti Belgium S.A.	Brussels	31 December	EUR	892	100%	100%
Segafredo Zanetti (Brasil) Com. Distr. de Café SA	Belo Horizonte	31 December	BRL	16,479	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	Prague	31 December	CSK	9,300	100%	100%
Segafredo Zanetti Danmark Aps	Copenhagen	31 December	DKK	141	100%	100%
Segafredo Zanetti Deutschland GmbH	Munich	31 December	EUR	1,534	100%	100%
Segafredo Zanetti Espresso Texas Inc.	Houston	31 December	USD	-	100%	100%
Segafredo Zanetti Espresso Worldwide Ltd.	Geneva	31 December	CHF	38,000	98%	98%
Segafredo Zanetti Espresso Worldwide Japan Inc.	Tokyo	31 December	YEN	100,000	98%	98%
Segafredo Zanetti France S.A.S.	Rouen	31 December	EUR	8,500	100%	100%
Segafredo Zanetti Hellas S.A.	Athens	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 Portugal S.A.	Porto	31 December	EUR	570	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 Merlose Drysdale & CO Ltd.	Edinburgh	31 December	GBP	11	100%	100%
Brulerie des Cafés Corsica SAS	Ajaccio	31 December	EUR	152	100%	100%
Distribuidora Café Montaña S.A.	San Jose	31 December	CRC	304,000	100%	100%
El Barco Herrumdrado S.A.	San Jose	31 December	CRC	10	100%	100%
Massimo Zanetti Beverage U.S.A. Inc.	Suffolk	31 December	USD	67,891	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	Edinburgh	31 December	GBP	-	100%	100%
Massimo Zanetti Beverage Mexico SA de CV	Mazatlán	31 December	MXN	1,806	50%	50%
MZB Cafés USA Inc	Suffolk	31 December	USD	-	100%	100%
Kauai Coffee Company LLC	Hawaii	31 December	USD	-	100%	100%
Massimo Zanetti Beverage Food Services LLC	Wilmington	31 December	USD	-	100%	100%
Coffee Care (South West) Ltd	Weddmore	31 December	GBP	-	50%	50%
Segafredo Zanetti New Zealand Ltd	Auckland	31 December	NZD	-	100%	100%
Segafredo Zanetti Croatia d.o.o.	Zagreb	31 December	HRK	1,850	100%	100%
Doge Finland Oy	Helsinki	31 December	EUR	3	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	3,200	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%
Boncafe (East Malaysia) Sdn Bhd	Kota Kinabalu	31 December	MYR	-	100%	100%
Six Degrees Café Pte Ltd	Singapore	31 December	SGD	-	100%	100%
BeanToCup (Thailand) 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%

Company	Registered office	Reporting date	Share capital		Percentage held as at	
			Currency	Amount (000)	31 March 2016	31 December 2015
Boncafe (Hong Kong) Ltd	Hong Kong	31 December	USD	500	100%	100%
Segafredo Zanetti Grandi Eventi Srl	Italy	31 December	EUR	20	100%	100%
SZE Service SRL	Municipiul Brasov	31 December	RON	1	51%	51%
Segafredo Zanetti Worldwide Italia S.p.A.	Pianoro	31 December	EUR	2,295	100%	-

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

<i>(in thousands of Euro)</i>	<b>Three months ended 31 March</b>			
	<b>2016</b>	<i>of which related parties</i>	<b>2015*</b>	<i>of which related parties</i>
Revenue	218,123	20	217,266	34
Other income	1,324		1,067	
Purchases of goods	(129,304)	(40,635)	(133,723)	(61,794)
Purchases of services, leases and rentals	(41,981)	(43)	(40,270)	(49)
Personnel costs	(32,917)	(827)	(29,687)	(642)
Other operating costs	(1,749)		(1,493)	
Amortization, depreciation and impairment	(8,469)		(8,458)	
<b>Operating profit</b>	<b>5,027</b>		<b>4,702</b>	
Finance income	60		46	
Finance costs	(2,567)	(273)	(2,697)	(265)
<b>Profit before tax</b>	<b>2,520</b>		<b>2,051</b>	
Income tax expense	(1,224)		(985)	
<b>Profit for the period from continuing operations</b>	<b>1,296</b>		<b>1,066</b>	
<i>Profit attributable to:</i>				
<i>Non-controlling interests</i>	55		64	
<i>Owners of the parent</i>	1,241		1,002	
	-		-	
<b>Basic and diluted earnings per share (in Euro)</b>	<b>0.04</b>		<b>0.04</b>	

(\*) Restated following finalization of the fair value of the net assets acquired of the Boncafe companies (See note 3).

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

<i>(in thousands of Euro)</i>	At 31 March		At 31 December	
	2016	<i>of which related parties</i>	2015	<i>of which related parties</i>
Intangible assets	116,642		117,834	
Property, plant and equipment	206,862		208,871	
Investment properties	4,396		4,422	
Investments in joint ventures	134		138	
Non-current trade receivables	13,942		13,783	
Deferred tax assets	12,821		11,046	
Other non-current assets	5,971		5,865	
<b>Total non-current assets</b>	<b>360,768</b>		<b>361,959</b>	
Inventories	125,023		134,807	
Trade receivables	114,881	106	115,950	533
Income tax receivables	2,818		3,242	
Other current assets	13,316		12,464	40
Cash and cash equivalents	43,140		25,574	
<b>Total current assets</b>	<b>299,178</b>		<b>292,037</b>	
<b>Total assets</b>	<b>659,946</b>		<b>653,996</b>	
Share capital	34,300		34,300	
Other reserves	115,496		121,803	
Retained earnings	135,664		135,786	
<b>Equity attributable to owners of the parent</b>	<b>285,460</b>		<b>291,889</b>	
Non-controlling interests	1,857		1,797	
<b>Total equity</b>	<b>287,317</b>		<b>293,686</b>	
Non-current borrowings	110,865		98,338	
Employee benefits	9,601		9,624	
Other non-current provisions	2,493		2,258	
Deferred tax liabilities	24,524		24,008	
Other non-current liabilities	5,949		5,881	
<b>Total non-current liabilities</b>	<b>153,432</b>		<b>140,109</b>	
Current borrowings	113,358		113,100	
Trade payables	77,364	29,984	80,745	13,507
Income tax liabilities	893		620	
Other current liabilities	27,582		25,736	
<b>Total current liabilities</b>	<b>219,197</b>		<b>220,201</b>	
<b>Total liabilities</b>	<b>372,629</b>		<b>360,310</b>	
<b>Total equity and liabilities</b>	<b>659,946</b>		<b>653,996</b>	

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

<i>(in thousands of Euro)</i>	<b>Three months ended 31 March</b>			
	<b>2016</b>	<i>of which related parties</i>	<b>2015*</b>	<i>of which related parties</i>
<b>Profit before tax</b>	<b>2,520</b>		<b>2,051</b>	
<b>Adjustments for:</b>				
Amortization, depreciation and impairment	8,469		8,458	
Provisions for employee benefits and other charges	417		278	
Finance costs	2,507	273	2,651	265
Other non-monetary items	47		(746)	
<b>Net cash generated from operating activities before changes in net working capital</b>	<b>13,960</b>		<b>12,692</b>	
Changes in inventories	7,181		2,459	
Changes in trade receivables	(1,220)	(8)	(313)	28
Changes in trade payables	(3,464)	16,565	(16,359)	(6,014)
Changes in other assets/liabilities	217	17	(10,560)	(12)
Payment of employee benefits	(327)		(174)	
Interest paid	(1,203)	(273)	(1,776)	(265)
Income tax paid	(1,537)		(796)	
<b>Net cash generated from/(used in) operating activities</b>	<b>13,607</b>		<b>(14,827)</b>	
Acquisition of subsidiary, net of cash acquired	-		(2,640)	
Acquisitions under common control, net of cash acquired	(2,624)	(2,624)	-	
Purchase of property, plant and equipment	(6,842)		(6,185)	
Purchase of intangible assets	(316)		(267)	
Proceeds from sale of property, plant and equipment	261		216	
Proceeds from sale of intangible assets	-		-	
Change in financial receivables	73		(243)	
Interest received	42		44	-
<b>Net cash flow used in investing activities</b>	<b>(9,406)</b>		<b>(9,075)</b>	
Proceeds from borrowings	20,000		12,754	
Repayment of borrowings	(4,413)		(2,313)	
Increase/(decrease) in short-term loans	(1,868)		21,018	(838)
<b>Net cash generated from financing activities</b>	<b>13,719</b>		<b>31,459</b>	
Exchange gains on cash and cash equivalents	(354)		848	
<b>Net increase in cash and cash equivalents</b>	<b>17,566</b>		<b>8,405</b>	
Cash and cash equivalents at the beginning of the period	25,574		18,302	
<b>Cash and cash equivalents at the end of the period</b>	<b>43,140</b>		<b>26,707</b>	

(\*) Restated following finalization of the fair value of the net assets acquired of the Boncafe companies (See note 3).



**Declaration of the Manager on the Interim Report as at 31 March 2016 pursuant to section 154 bis, paragraph 2 of Legislative Decree no. 58/98 as subsequently amended and integrated**

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

Pursuant to art. 154-bis, paragraph 2 of TUF, Massimo Zuffi, the Manager in Charge of the Financial Reports, declares that the accounting information contained in the present interim financial report at March 31, 2016 corresponds to the underlying documentary and accounting records.

Villorba (TV), May 12, 2016

*Manager in Charge of the Company's  
Financial Reports*  
Massimo Zuffi

A handwritten signature in black ink, appearing to be 'MZuffi', written over the printed name of Massimo Zuffi.