

# Interim Financial Report

for the nine months ended September 30, 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**

Share capital authorized 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 nine months ended September 30, 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, the relevant changes that occurred during the period, and the significant events that have occurred affecting the results of the period.

### Structure and Operations of the Group

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

The Group sells roasted coffee and related products, primarily in the following three sales channels, which are monitored separately by Management: i) Mass Market, ii) 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 the IFRS, this document presents reclassified financial information and certain alternative performance indicators. Management believes 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 nine months, should not be considered representative of all or a portion of the full year.

### Results of operations for the nine months ended September 30, 2016

The following table sets forth the reclassified consolidated income statement for the nine months ended September 30, 2016 and 2015.

<i>(in thousands of Euro)</i>	Nine months ended September 30,				Change	
	2016	(*)	2015	(*)	2016-2015	
Revenue	670,696	100.0%	691,774	100.0%	(21,078)	-3.0%
Purchases of goods	(386,840)	-57.7%	(427,704)	-61.8%	40,864	-9.6%
<b>Gross Profit<sup>(1)</sup></b>	<b>283,856</b>	<b>42.3%</b>	<b>264,070</b>	<b>38.2%</b>	<b>19,786</b>	<b>7.5%</b>
Purchases of services, leases and rentals	(130,360)	-19.4%	(125,491)	-18.1%	(4,869)	3.9%
Personnel costs	(103,610)	-15.4%	(93,296)	-13.5%	(10,314)	11.1%
Other operating costs, net <sup>(2)</sup>	(545)	-0.1%	(3,188)	-0.5%	2,643	-82.9%
Impairment <sup>(3)</sup>	(3,186)	-0.5%	(2,759)	-0.4%	(427)	15.5%
<b>EBITDA<sup>(1)</sup></b>	<b>46,155</b>	<b>6.9%</b>	<b>39,336</b>	<b>5.7%</b>	<b>6,819</b>	<b>17.3%</b>
Non recurring expense <sup>(4)</sup>	-	0.0%	2,940	0.4%	(2,940)	-100.0%
<b>Adjusted EBITDA<sup>(1)</sup></b>	<b>46,155</b>	<b>6.9%</b>	<b>42,276</b>	<b>6.1%</b>	<b>3,879</b>	<b>9.2%</b>
Depreciation and amortization <sup>(5)</sup>	(24,000)	-3.6%	(23,411)	-3.4%	(589)	2.5%
<b>Operating profit</b>	<b>22,155</b>	<b>3.3%</b>	<b>15,925</b>	<b>2.3%</b>	<b>6,230</b>	<b>39.1%</b>
Net finance costs <sup>(6)</sup>	(5,122)	-0.8%	(7,742)	-1.1%	2,620	-33.8%
<b>Profit before tax</b>	<b>17,033</b>	<b>2.5%</b>	<b>8,183</b>	<b>1.2%</b>	<b>8,850</b>	<b>&gt;100%</b>
Income tax expense	(6,491)	-1.0%	(2,946)	-0.4%	(3,545)	>100%
<b>Profit for the period</b>	<b>10,542</b>	<b>1.5%</b>	<b>5,237</b>	<b>0.8%</b>	<b>5,305</b>	<b>&gt;100%</b>

(\*) Percentage of revenue

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

- (1) For additional information, refer to the "Non-GAAP" alternative performance indicators section.
- (2) Includes other income and other operating costs.
- (3) Includes impairment of receivables.
- (4) Includes costs associated with the IPO.
- (5) Includes depreciation of property, plant and equipment and investment properties and amortization of intangible assets.
- (6) This item includes finance income and costs and the share of profits (losses) of companies accounted for using the equity method.

## Revenue

**Revenue** amounted to Euro 670,696 thousand for the nine months ended September 30, 2016, a decrease of Euro 21,078 thousand (-3.0%) compared to the nine months ended September 30, 2015. This change is mainly due to the combined effect of:

- a decrease in the sales price of roasted coffee (-7.1%);
- an increase in the sales volumes of roasted coffee (3.6%); and
- the contribution to results of Nutricafés S.A., a company acquired and included in the scope of consolidation in September 2016 (0.5%). For more details on the acquisition, please see note 5 "Business Combinations".

At constant scope of consolidation, the decrease in revenue is mainly due to the change in "Roasted coffee sales", which amounted to Euro 20,295 thousand (-3.3%). This change is mainly due to the combined effect of:

- a decrease in the sales prices of roasted coffee, which resulted in a decrease in revenue of 7.4%, linked to the reduction in the average purchase price of green coffee;
- an increase in the volumes of roasted coffee sold of 4.1% compared to the first nine months of 2015. At constant scope of consolidation, the volumes of roasted coffee sold amounted to 96.3 thousand tonnes and 92.5 thousand tonnes in the nine months ended September 30, 2016 and 2015, respectively. This increase was recorded in the Mass Market channel in Northern Europe (1.9 thousand tonnes), the Private Label channel in the Americas (1.4 thousand tonnes) and the Private Label and Mass Market channels in Southern Europe (0.5 thousand tonnes). The Asia-Pacific and Cafés area has remained largely stable.

The following table provides a breakdown of revenue for the nine months ended September 30, 2016 and 2015, by sales channel.

<i>(in thousands of Euro)</i>	Nine months ended September 30,				Change	
	2016	(*)	2015	(*)	2016-2015	
<i>Foodservice</i>	141,994	21.2%	138,073	20.0%	3,921	2.8%
<i>Mass Market</i>	251,114	37.4%	246,758	35.7%	4,356	1.8%
<i>Private Label</i>	236,016	35.2%	260,800	37.7%	(24,784)	-9.5%
<i>Other</i>	41,572	6.2%	46,143	6.7%	(4,571)	-9.9%
<b>Total</b>	<b>670,696</b>	<b>100.0%</b>	<b>691,774</b>	<b>100.0%</b>	<b>(21,078)</b>	<b>-3.0%</b>

(\*) Percentage of revenue

The following table provides a breakdown of revenue for the nine months ended September 30, 2016 and 2015, by geographical area.

<i>(in thousands of Euro)</i>	Nine months ended September 30,				Change	
	2016	(*)	2015	(*)	2016-2015	
Americas	331,529	49.4%	357,576	51.7%	(26,047)	-7.3%
Northern Europe	128,384	19.1%	122,354	17.7%	6,030	4.9%
Southern Europe	159,771	23.8%	159,238	23.0%	533	0.3%
Asia-Pacific and Cafés (**)	51,012	7.6%	52,606	7.6%	(1,594)	-3.0%
<b>Total</b>	<b>670,696</b>	<b>100.0%</b>	<b>691,774</b>	<b>100.0%</b>	<b>(21,078)</b>	<b>-3.0%</b>

(\*) Percentage of revenue.

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

## Gross profit

**Gross Profit** amounted to Euro 283,856 thousand for the nine months ended September 30, 2016, an increase of Euro 19,786 thousand (7.5%) compared to the nine months ended September 30, 2015. This result benefited from the contribution to results of Nutricafés S.A. in September 2016 (0.7%).

At constant scope of consolidation, the increase in Gross Profit of Euro 17,976 (6.8%) was driven mainly by the sale of roasted coffee and was due to *i*) the increase in the volumes of roasted coffee (3.5%) and *ii*) the favourable trends in sales and purchase prices respectively of roasted and green coffee (3.3%) due to the different mix found in the sales channels in 2016 and 2015.

### *EBITDA and Adjusted EBITDA*

The following table provides a reconciliation between **EBITDA** and profit for the nine months ended September 30, 2016 and 2015.

<i>(in thousands of Euro)</i>	Nine months ended September 30,				Change	
	2016	(*)	2015	(*)	2016-2015	
Profit for the period	10,542	1.6%	5,237	0.8%	5,305	>100%
Income tax expense	6,491	1.0%	2,946	0.4%	3,545	>100%
Share of profits (losses) of companies accounted for using the equity method	82	0.0%	(13)	0.0%	95	>100%
Finance costs	5,240	0.8%	7,879	1.1%	(2,639)	-33.5%
Finance income	(200)	0.0%	(124)	0.0%	(76)	61.3%
Depreciation and amortization <sup>(1)</sup>	24,000	3.5%	23,411	3.3%	589	2.5%
<b>EBITDA<sup>(2)</sup></b>	<b>46,155</b>	<b>6.9%</b>	<b>39,336</b>	<b>5.6%</b>	<b>6,819</b>	<b>17.3%</b>

(\*) Percentage of revenue

(1) Includes depreciation of property, plant and equipment and investment properties and amortization of intangible assets

(2) For additional information, refer to the “Non-GAAP” alternative performance indicators section.

The following table provides a reconciliation between EBITDA and **Adjusted EBITDA** for the nine months ended September 30, 2016 and 2015.

<i>(in thousands of Euro)</i>	Nine months ended September 30,				Change	
	2016	(*)	2015	(*)	2016-2015	
EBITDA <sup>(1)</sup>	46,155	6.9%	39,336	5.7%	6,819	17.3%
Costs associated with the IPO	-	0.0%	2,940	0.4%	(2,940)	-100.0%
<b>Adjusted EBITDA<sup>(1)</sup></b>	<b>46,155</b>	<b>6.9%</b>	<b>42,276</b>	<b>6.1%</b>	<b>3,879</b>	<b>9.2%</b>

(\*\*) Percentage of revenue

(1) For additional information, refer to the “Non-GAAP” alternative performance indicators section

**Adjusted EBITDA** amounted to Euro 46,155 thousand for the nine months ended September 30, 2016 and increased by Euro 3,879 thousand (9.2%) compared to the same period in 2015. It includes the contribution to results of Nutricafés S.A. in September 2016, which amounted to Euro 662 thousand (1.5%).

At constant scope of consolidation, the increase in Adjusted EBITDA is mainly due to the combined effect of:

- the increase in Gross Profit of Euro 17,976 thousand, due to the factors described above, and only partially offset
- by the increase in operating costs of Euro 14,759 thousand, due to higher expenses for:
  - advertising and promotional activities (Euro 3,506 thousand) related to the development of the global Segafredo Zanetti brand and local brands, especially in the US; and
  - personnel costs (Euro 9,792 thousand) due to the strengthening of the management structure to develop the management and coordination activities of the Group and the different timing of certain variable cost components compared to 2015.

### *Operating profit*

**Operating profit** amounted to Euro 22,155 thousand for the nine months ended September 30, 2016, an increase of Euro 6,230 thousand (39.1 %) compared to the nine months ended September 30, 2015. This increase, in addition to the factors previously described for Adjusted EBITDA, was mainly due to costs associated with the IPO in 2015 amounting to Euro 2,940 thousand.



### *Profit for the period*

**Profit for the period** amounted to Euro 10,542 thousand for the nine months ended September 30, 2016, an increase of Euro 5,305 thousand compared to the nine months ended September 30, 2015. In addition to what previously described for operating profit, the increase is also due to the combined effect of:

- the reduction in net finance costs, amounting to Euro 2,620 thousand, mainly due to lower Net Financial Indebtedness recorded in most of the first nine months of 2016 compared to 2015, also in relation to the repayment of USD 82,700 thousand in the first nine months of 2015 of the loan used to finance the acquisition of the Boncafe companies;
- the increase in income taxes amounting to Euro 3,545 thousand, mainly due to the higher taxable income generated by the Group in the first nine months of 2016 compared to 2015.

### **Reclassified statement of financial position**

The following table shows the reclassified statement of financial position at September 30, 2016 and at December 31, 2015.

<i>(in thousands of Euro)</i>	<b>At September 30,</b>	<b>At December 31,</b>
	<b>2016</b>	<b>2015</b>
<b><i>Investments:</i></b>		
Intangible assets	181,123	117,834
Property, plant and equipment and investment properties <sup>(1)</sup>	220,572	213,293
Investments in joint ventures and associates	10,374	138
Non-current trade receivables	14,244	13,783
Deferred tax assets and other non-current assets <sup>(2)</sup>	19,013	16,911
<b>Non-current assets (A)</b>	<b>445,326</b>	<b>361,959</b>
<b>Net working capital (B)<sup>(3)</sup></b>	<b>131,992</b>	<b>159,170</b>
Employee benefits	(9,266)	(9,624)
Other non-current provisions	(2,459)	(2,258)
Deferred tax liabilities and other non-current liabilities <sup>(4)</sup>	(31,382)	(29,889)
<b>Non-current liabilities (C)</b>	<b>(43,107)</b>	<b>(41,771)</b>
<b>Net invested capital (A+B+C)</b>	<b>534,211</b>	<b>479,358</b>
<b><i>Sources:</i></b>		
Equity	297,372	293,686
Net Financial Indebtedness	236,839	185,672
<b>Sources of financing</b>	<b>534,211</b>	<b>479,358</b>

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

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

The following table shows the breakdown of the Group's Net Working Capital at September 30, 2016 and at December 31, 2015.

<i>(in thousands of Euro)</i>	At September 30,	At December 31,
	2016	2015
Inventories	128,592	134,807
Trade receivables	132,324	115,950
Income tax assets	4,269	3,242
Other current assets <sup>(1)</sup>	13,346	12,272
Trade payables	(113,773)	(80,745)
Income tax liabilities	(1,936)	(620)
Other current liabilities	(30,830)	(25,736)
<b>Net working capital<sup>(2)</sup></b>	<b>131,992</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 the "Non-GAAP" alternative performance indicators section

## Reclassified cash flow statement

The following table shows the reclassified cash flow statement for the nine months ended September 30, 2016 and 2015.

<i>(in thousands of Euro)</i>	Nine months ended September 30,	
	2016	2015
Adjusted EBITDA <sup>(1)</sup>	46,155	42,276
Changes in Net Working Capital	21,156	(32,336)
Net recurring investments <sup>(2)</sup>	(21,763)	(19,648)
Income tax paid	(4,358)	(5,512)
Other operating items	3,570	(121)
<b>Free Cash Flow <sup>(1)</sup></b>	<b>44,760</b>	<b>(15,341)</b>
Net non-recurring investments <sup>(3)</sup>	(52,320)	(6,810)
Interest paid	(5,164)	(6,225)
Net cash generated from financing activities	33,713	38,359
Exchange gains/(losses) on cash and cash equivalents	(192)	(159)
<b>Net increase in cash and cash equivalents</b>	<b>20,797</b>	<b>9,824</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>46,371</b>	<b>28,126</b>

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

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

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

**Free Cash Flow** amounted to positive Euro 44,760 thousand for the nine months ended September 30, 2016, an increase of Euro 60,101 thousand compared to the nine months ended September 30, 2015. This increase is mainly due to the changes in net working capital.

The following table shows the breakdown of changes in net working capital for the nine months ended September 30, 2016 and 2015.

<i>(in thousands of Euro)</i>	Nine months ended September 30,	
	2016	2015
Changes in inventories	7,974	(7,084)
Changes in trade receivables	(15,717)	(10,274)
Changes in trade payables	26,995	963
Changes in other assets/liabilities	2,755	(15,496)
Payments of employee benefits	(851)	(445)
<b>Changes in net working capital</b>	<b>21,156</b>	<b>(32,336)</b>

**Changes in Net Working Capital**, with a positive balance of Euro 21,156 thousand for the nine months ended September 30, 2016 show an increase of Euro 53,492 thousand compared to the nine months ended September 30, 2015.

This increase is mainly due to the following items:

- the changes in inventories amounting to Euro 15,058 thousand, reflecting the decline in the average price of green coffee in stock for the types most commonly used by the Group;
- the changes in trade payables, amounting to Euro 26,032 thousand, which benefited from the change in payment terms agreed with Cofiroasters S.A. to standardize across the Group the different conditions applied previously; and
- the changes in other assets/liabilities, amounting to Euro 18,251 thousand, mainly reflecting the full use in 2015 of the advance payments previously made by a major Private Label customer in the USA for the purchase of green coffee.

**Net recurring investments** amounted to Euro 21,763 thousand for the nine months ended September 30, 2016, an increase of Euro 2,115 thousand compared to the nine months ended September 30, 2015. This increase is mainly due to *i*) the upgrading of the IT infrastructure in Northern and Southern Europe and *ii*) the purchase of a new property to expand the Company's offices.

**Net non-recurring investments** amounted to Euro 52,320 thousand and Euro 6,810 thousand for the nine months ended September 30, 2016 and 2015, respectively.

The cash flows absorbed by net non-recurring investments in the first nine months of 2016 refer mainly to *i*) the acquisition of Nutricafés S.A. for Euro 38,909 thousand, *ii*) the purchase of a minority stake of 15.1% in the capital of Club Coffee LP for CAD 15,100 thousand (Euro 10,139 thousand), and *iii*) the purchase of Segafredo Zanetti Worldwide Italia S.p.A. at a price of 2,624 thousand, net of acquired cash.

The cash flows used in net non-recurring investments in the first nine months of 2015 relate primarily to: *i*) payment of the price adjustment for the acquisition of the Boncafe companies in the amount of Euro 2,640 thousand, and *ii*) acquisition of Ceca S.A. assets for USD 4,200 thousand.

**Cash flows from financing activities** decreased from Euro 38,359 thousand for the nine months ended September 30, 2015 to Euro 33,713 thousand for the nine months ended September 30, 2016.

The cash flow generated in 2016 was mainly due to the issue of new long-term loans, which, net of repayments in the period amounted to Euro 63,469 thousand, intended to finance the acquisition of Nutricafés S.A. and the restructuring of the non-current financial debt, which involved the early repayment of some loans (for more details see note 7 “Current and non-current borrowings”). The cash thus generated is partly offset by the decrease in short-term loans for Euro 26,669 thousand as a result of the cash generated by operations; it is also partly offset by the payment of dividends in the amount of Euro 3,087 thousand.

The cash flow generated in 2015 was mainly due to the cash raised through the Company's capital increase, totalling Euro 69,423 thousand, net of transaction costs and partially offset by the use of cash to manage short and medium/long-term loans, amounting to Euro 30,962 thousand, mainly as a consequence of the early repayment of the loan obtained from Intesa San Paolo S.p.A. to acquire the Boncafe companies.

## Net Financial Indebtedness

The following table shows the breakdown of net financial indebtedness of the Group at September 30, 2016 and at December 31, 2015, determined in accordance with the CONSOB Communication dated July 28, 2006, and in compliance with the ESMA Recommendation 2013/319:

<i>(in thousands of Euro)</i>	At September 30,		At December 31,	
	2016		2015	
A Cash and cash equivalents		(2,202)		(811)
B Cash at bank		(44,169)		(24,763)
C Securities held for trading		-		-
<b>D Liquidity (A+B+C)</b>		<b>(46,371)</b>		<b>(25,574)</b>
<b>E Current financial receivables</b>		<b>(140)</b>		<b>(192)</b>
F Current loans		64,318		87,739
G Current portion of non-current loans		28,777		25,291
H Other current financial payables		1,204		70
<b>I Current indebtedness (F+G+H)</b>		<b>94,299</b>		<b>113,100</b>
<b>J Net current indebtedness (I+E+D)</b>		<b>47,788</b>		<b>87,334</b>
K Non-current loans		186,291		97,787
L Issued bonds		-		-
M Other non-current financial payables		2,760		551
<b>N Non-current indebtedness (K+L+M)</b>		<b>189,051</b>		<b>98,338</b>
<b>O Net financial indebtedness (J+N)</b>		<b>236,839</b>		<b>185,672</b>

**Net Financial Indebtedness** amounted to Euro 236,839 thousand at September 30, 2016, an increase of Euro 51,167 thousand compared to December 31, 2015. This increase is mainly due to the combined effect of the following:

- positive Free Cash Flow of Euro 44,760 thousand for the nine months ended September 30, 2016;
- net non-recurring investments made in the nine months ended September 30, 2016 amounting to Euro 52,320 thousand and relating mainly to the acquisition of Nutricafés S.A. as well as the investment in 15.1% of the share capital of Club Coffee LP;
- consolidation of the financial indebtedness of Nutricafés S.A. at the acquisition date, in the amount of Euro 34,994 thousand;
- interest paid of Euro 5,164 thousand in the nine months ended September 30, 2016;
- dividends paid in 2016 amounting to Euro 3,087 thousand;
- the Euro/USD foreign currency exchange rate impact and other non-cash items.

## Capital expenditure

The following table sets forth capital expenditure in business combinations, property, plant and equipment and intangible assets for the nine months ended September 30, 2016 and 2015:

<i>(in thousands of Euro)</i>	Nine months ended September 30,			
	2016		2015	
	Additions	Cash-out	Increases	Cash-out
Business combinations, including those under common control	54,041	41,912	-	2,640
Property, plant and equipment	21,968	20,956	19,945	19,945
Intangible assets	1,457	1,457	4,856	4,406
<b>Total non-current assets</b>	<b>77,466</b>	<b>64,325</b>	<b>24,801</b>	<b>26,991</b>

### *Business combinations*

Cash-out amounted to Euro 41,912 thousand and Euro 2,640 thousand for the nine months ended September 30, 2016 and 2015, respectively. It related mainly to the acquisition of Nutricafés S.A. (for more details, please see note 5 “Business Combinations”) and of Segafredo Zanetti Worldwide Italia S.p.A., in 2016 and to payment of the price adjustment for the acquisition of the Boncafe companies in 2015.

### *Property, plant and equipment*

Capital expenditure in property, plant and equipment for the nine months ended September 30, 2016 mainly relates to bar equipment and assets under construction, amounting to Euro 10,872 thousand and Euro 4,694 thousand, respectively.

Capital expenditure in property, plant and equipment for the nine months ended September 30, 2015 mainly relates to bar equipment and assets under construction, amounting to Euro 10,469 thousand and Euro 4,104 thousand, respectively, and includes USD 700 thousand related to coffee roasting machinery and vehicles acquired from Ceca S.A..

### *Intangible assets*

Capital expenditure in the nine months ended September 30, 2016 relate to software and other intangible assets and to trademarks and licences.

Capital expenditure in intangible assets for the nine months ended September 30, 2015 mainly relates to assets acquired from Ceca S.A., amounting to USD 3,500 thousand, and consists mainly of trademarks, brands and commercial information.

### **Key events in the nine months ended September 30, 2016**

In February, 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, active mainly in commercial franchising of operators in the Foodservice channel. The acquisition is of strategic importance as it has brought to the Group activities for the promotion and development of the MZBG Italian coffee shops managed by Segafredo Zanetti Worldwide Italia S.p.A., which completed the process of redefining its business model and improving its profitability. The purchase price, based on a valuation prepared by an independent expert, amounted to Euro 2,800 thousand.

On April 19, 2016 the Shareholders' Meeting of Massimo Zanetti Beverage Group S.p.A. approved the financial statements for 2015 and resolved to distribute a dividend of € 0.09 (Euro nine cents) per share for the year 2015. The total dividend of Euro 3,087 thousand, was paid in May.

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 LP, 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 LP, 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.

In the month of September the Group, through its subsidiary Segafredo Zanetti Portugal S.A., completed the purchase of 100% of the capital in Nutricafés S.A., one of the main coffee market operators in Portugal. This acquisition will allow the Group to achieve synergies with the operations already present in the Iberian peninsula, also relying on the local coffee roasting plant which will serve the Spanish and Portuguese markets. This acquisition is part of the Group's strategy, which aims to develop further the food service channel and the single serve range.

The total price paid for the acquisition was Euro 40,459 thousand. The price was covered by long-term loans granted to the Group by the banking system. The acquired company's results were consolidated starting from the month of September 2016.

### **Subsequent events**

In October, the Group continued the restructuring process of its non-current financial indebtedness, in order to extend maturity and optimise costs, by concluding new long-term financing agreements at better terms and conditions than some previous agreements, for which gradual early repayment is being implemented.

In particular, the Group has secured medium-long term loans from the banking system totalling Euro 39,000 thousand, including Euro 19,000 thousand already paid out.

### **Business outlook**

For the remaining part of the year management forecasts to achieve the 2016 Group *performance* goals.

This thanks to the results achieved by Nutricafés S.A. which will compensate the decrease in roasted coffee sales volumes, mainly related to the loss of an important customer in USA in the Private Label channel and the reduction in margins, due to increases in the green coffee market.

Net Financial Position as at December 31st 2016, after taking into account the beneficial effect coming from the operating activity, is expected to increase versus yearend 2015 mainly because of the aforementioned Nutricafés S.A. acquisition.

### **“Non-GAAP” alternative performance indicators**

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

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

- Gross Profit is defined by the Group as the difference between revenue and 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 Net Working Capital, net recurring investments, income tax paid and other operating items.

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

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

### **Treasury shares**

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

### **Related-party transactions**

With respect to the information provided in the notes to the consolidated condensed interim financial statements as at and for the six months ended June 30, 2016 and the consolidated financial statements for the year ended December 31, 2015, it should be noted that no related-party transactions with unusual characteristics or of significant amount were carried out in the third quarter of 2016.

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

The aforementioned procedure was approved by the Board of Directors of the Company on July 15, 2015 and amended on August 28, 2015 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).

In the three months ended March 31, 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 and as such a related party to MZBG ("SWZI").

Pursuant to MZBG's Procedure governing Transactions with Related Parties, the purchase of Segafredo Zanetti Worldwide Italia S.p.A. has been qualified as a "Less Significant Related-Party Transaction". For this reason and in accordance with the Procedure, the transaction was submitted for prior assessment by MZBG's Related Party Committee, which expressed a favourable opinion on the soundness, and substantial fairness of the terms and conditions, of the transaction.

**CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS AS AT AND FOR  
THE NINE MONTHS ENDED SEPTEMBER 30, 2016**

***Consolidated Condensed Interim Income Statement***

	Note	Nine months ended September 30,	
		2016	2015
<i>(in thousands of Euro)</i>			
Revenue	9	670,696	691,774
Other income		4,420	4,333
Purchases of goods		(386,840)	(427,704)
Purchases of services, leases and rentals		(130,360)	(125,491)
Personnel costs		(103,610)	(93,296)
Other operating costs		(4,965)	(7,521)
Amortization, depreciation and impairment	10	(27,186)	(26,170)
<b>Operating profit</b>		<b>22,155</b>	<b>15,925</b>
Finance income		200	124
Finance costs		(5,240)	(7,879)
Share of profits (losses) of companies accounted for using the equity method		(82)	13
<b>Profit before tax</b>		<b>17,033</b>	<b>8,183</b>
Income tax expense		(6,491)	(2,946)
<b>Profit for the period</b>		<b>10,542</b>	<b>5,237</b>
<i>Profit attributable to:</i>			
<i>Non-controlling interests</i>		138	115
<i>Owners of the parent</i>		10,404	5,122
<b>Earnings per share basic / diluted (in euro)</b>	11	<b>0.30</b>	<b>0.17</b>



## *Consolidated Condensed Interim Statement of Comprehensive Income*

<i>(in thousands of Euro)</i>	Nine months ended September 30,	
	2016	2015
<b>Profit for the period</b>	<b>10,542</b>	<b>5,237</b>
Gains/(Losses) from cash flow hedges	131	(609)
Losses on net investment hedges	-	(3,688)
Currency translation differences	(2,418)	5,434
<b>Items that may be subsequently reclassified to profit or loss</b>	<b>(2,287)</b>	<b>1,137</b>
Remeasurements of employee benefit obligations	(108)	95
<b>Items that will not be reclassified to profit or loss</b>	<b>(108)</b>	<b>95</b>
<b>Comprehensive income for the period</b>	<b>8,147</b>	<b>6,469</b>
Comprehensive income attributable to non-controlling interests	134	118
<b>Comprehensive income attributable to owners of the parent</b>	<b>8,013</b>	<b>6,351</b>

**Consolidated Condensed Interim Statement of Financial Position**

<i>(in thousands of Euro)</i>	Note	At September 30, At December 31,	
		2016	2015
Intangible assets		181,123	117,834
Property, plant and equipment		216,228	208,871
Investment properties		4,344	4,422
Investments in joint ventures and associates		10,374	138
Non-current trade receivables		14,244	13,783
Deferred tax assets		11,682	11,046
Other non-current assets		7,331	5,865
<b>Total non-current assets</b>		<b>445,326</b>	<b>361,959</b>
Inventories		128,592	134,807
Trade receivables		132,324	115,950
Income tax receivables		4,269	3,242
Other current assets		13,486	12,464
Cash and cash equivalents		46,371	25,574
<b>Total current assets</b>		<b>325,042</b>	<b>292,037</b>
<b>Total assets</b>		<b>770,368</b>	<b>653,996</b>
Share capital		34,300	34,300
Other reserves		116,447	121,803
Retained earnings		144,694	135,786
<b>Equity attributable to owners of the parent</b>		<b>295,441</b>	<b>291,889</b>
Non-controlling interests		1,931	1,797
<b>Total equity</b>		<b>297,372</b>	<b>293,686</b>
Non-current borrowings	7	189,051	98,338
Employee benefits		9,266	9,624
Other non-current provisions		2,459	2,258
Deferred tax liabilities		25,393	24,008
Other non-current liabilities		5,989	5,881
<b>Total non-current liabilities</b>		<b>232,158</b>	<b>140,109</b>
Current borrowings	7	94,299	113,100
Trade payables		113,773	80,745
Income tax liabilities		1,936	620
Other current liabilities		30,830	25,736
<b>Total current liabilities</b>		<b>240,838</b>	<b>220,201</b>
<b>Total liabilities</b>		<b>472,996</b>	<b>360,310</b>
<b>Total equity and liabilities</b>		<b>770,368</b>	<b>653,996</b>

## Consolidated Condensed Interim Statement of Cash Flows

<i>(in thousands of Euro)</i>	Note	Nine months ended September 30,	
		2016	2015
<b>Profit before tax</b>		<b>17,033</b>	<b>8,183</b>
<b>Adjustments for:</b>			
Amortization, depreciation and impairment	10	27,186	26,170
Provisions for employee benefits and other charges		421	553
Finance costs		5,122	7,742
Other non-monetary items		(37)	(493)
<b>Net cash generated from operating activities before changes in net working capital</b>		<b>49,725</b>	<b>42,155</b>
Changes in inventories		7,974	(7,084)
Changes in trade receivables		(15,717)	(10,274)
Changes in trade payables		26,995	963
Changes in other assets/liabilities		2,755	(15,454)
Payments of employee benefits		(851)	(445)
Interest paid		(5,164)	(6,225)
Income tax paid		(4,358)	(5,554)
<b>Net cash generated from / (used in) operating activities</b>		<b>61,359</b>	<b>(1,918)</b>
Acquisition of subsidiary, net of cash acquired	5	(39,288)	(2,640)
Acquisition of subsidiary under common control, net of cash acquired	5	(2,624)	-
Purchase of property, plant and equipment		(20,956)	(19,945)
Purchase of intangible assets		(1,457)	(4,406)
Proceeds from sale of property, plant and equipment		528	259
Changes in financial receivables		122	615
Investments in joint ventures and associates		(10,139)	-
Changes in financial receivables		(278)	(503)
Interest received		9	162
<b>Net cash used in investing activities</b>		<b>(74,083)</b>	<b>(26,458)</b>
Proceeds from borrowings	7	129,000	35,856
Repayment of borrowings	7	(65,531)	(86,715)
Increase/(Decrease) in short-term loans		(26,669)	19,897
Proceeds from sale of shares		-	69,423
Dividends paid		(3,087)	(102)
<b>Net cash generated from financing activities</b>		<b>33,713</b>	<b>38,359</b>
Exchange gains/(losses) on cash and cash equivalents		(192)	(159)
<b>Net increase in cash and cash equivalents</b>		<b>20,797</b>	<b>9,824</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>46,371</b>	<b>28,126</b>

### Consolidated Condensed Interim 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 December 31, 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	-	-	10,404	10,404	138	<b>10,542</b>
Remeasurements of employee benefit obligations	-	-	(104)	(104)	(4)	<b>(108)</b>
Gain from cash flow hedges	-	131	-	131	-	<b>131</b>
Currency translation differences	-	(2,418)	-	(2,418)	-	<b>(2,418)</b>
<b>Total profit for the period</b>	<b>-</b>	<b>(2,287)</b>	<b>10,300</b>	<b>8,013</b>	<b>134</b>	<b>8,147</b>
<i>Shareholders transactions</i>						
Acquisition of Segafredo Zanetti World Wide S.p.A.	-	-	(1,374)	(1,374)	-	<b>(1,374)</b>
Dividends paid	-	(3,087)	-	(3,087)	-	<b>(3,087)</b>
Reclassifications	-	18	(18)	-	-	-
<b>At September 30, 2016</b>	<b>34,300</b>	<b>116,447</b>	<b>144,694</b>	<b>295,441</b>	<b>1,931</b>	<b>297,372</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 December 31, 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	-	-	5,122	5,122	115	<b>5,237</b>
Remeasurements of employee benefit obligations	-	-	92	92	3	<b>95</b>
Losses from cash flow hedges	-	(609)	-	(609)	-	<b>(609)</b>
Losses from net investment hedges	-	(3,688)	-	(3,688)	-	<b>(3,688)</b>
Currency translation differences	-	5,434	-	5,434	-	<b>5,434</b>
<b>Total income for the period</b>	<b>-</b>	<b>1,137</b>	<b>5,214</b>	<b>6,351</b>	<b>118</b>	<b>6,469</b>
<i>Shareholders transactions</i>						
Increase in share capital, net of transaction costs	6,300	63,123	-	69,423	-	<b>69,423</b>
Other changes	-	-	(1,303)	(1,303)	(102)	<b>(1,405)</b>
Reclassifications	-	520	(520)	-	-	-
<b>At September 30, 2015</b>	<b>34,300</b>	<b>116,488</b>	<b>129,958</b>	<b>280,746</b>	<b>1,775</b>	<b>282,521</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 September 30, 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 supplemented as well as with article 2.2.3 section 3 of the “*Regolamento dei Mercati Organizzati e Gestiti da Borsa Italiana S.p.A.*” (“Rules of the Market and related Instruction”) and with Borsa Italiana S.p.A. Bulletin n.7587 issued on April 21<sup>st</sup> 2016.

The notes provide a summary and do not include all the information required for the annual financial statements, given that they refer only to those items which, in terms of amount, composition or changes, are essential to understand the economic and financial situation of the Group. This interim report must therefore be read together with the consolidated financial statements as at December 31, 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 December 31, 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 December 31, 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 10 November 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 those generated by translating opening equity at a rate other than the rate applicable at the reporting date.

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

Currency	Average exchange rate for the nine months ended September 30,		Exchange rate as at September 30,		Exchange rate as at December 31,		
	2016	2015	2016	2015	2015	2014	
US Dollar	USD	1.12	1.11	1.12	1.12	1.09	1.21
Australian Dollar	AUD	1.51	1.46	1.47	1.59	1.49	1.48
Japanese Yen	JPY	121.11	134.74	113.09	134.69	131.07	145.23
Swiss Franc	CHF	1.09	1.06	1.09	1.09	1.08	1.20
Brazilian Real	BRL	3.96	3.52	3.62	4.48	4.31	3.22
British Pound	GBP	0.80	0.73	0.86	0.74	0.73	0.78
Costa Rican Colon	CRC	603.60	596.21	615.59	599.06	585.64	655.72
Argentine Peso	ARS	16.22	9.99	17.02	10.55	14.10	10.28
Danish Krone	DKK	7.45	7.46	7.45	7.46	7.46	7.45
Polish Zloty	PLZ	4.36	4.16	4.32	4.24	4.26	4.27
Chilean Peso	CLP	758.99	713.02	734.35	783.24	772.71	737.30
Czech Koruna	CSK	27.04	27.36	27.02	27.19	27.02	27.74
Mexican Peso	MXN	20.41	17.35	21.74	18.98	18.91	17.87
New Zealand Dollar	NZD	1.61	1.57	1.54	1.76	1.59	1.55
Singapore Dollar	SGD	1.53	1.52	1.52	1.59	1.54	1.61
Thai Bhat	THB	39.33	37.59	38.70	40.71	39.25	39.91
United Arab Emirates Dirham	AED	4.10	4.09	4.10	4.11	4.00	4.46
Malaysian Ringgit	MYR	4.56	4.21	4.61	4.92	4.70	4.25
Vietnamese Dong	VND	24,907.29	24,235.76	24,891.82	25,179.00	24,475.10	25,972.10
Croatian Kuna	HRK	7.54	7.61	7.52	7.64	7.64	7.66
Hong Kong Dollar	HKD	8.66	8.64	8.65	8.68	8.44	9.42
Romanian Leu	RON	4.49	n.a.	4.45	n.a.	4.52	n.a.
Hungarian Forint	HUF	312.16	308.98	309.79	313.45	315.98	315.54
Canadian Dollar	CAD	1.48	n.a.	1.47	n.a.	n.a.	n.a.

### 3. Management of Financial Risks

There have been no changes in the risk management department or in any risk management policies since December 31, 2015.

### 4. 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.

### 5. Business combinations

*For the nine months ended September 30, 2016*

*Nutricafés S.A.*

In the month of September the Group, through its subsidiary Segafredo Zanetti Portugal S.A., completed the purchase of 100% of the capital in Nutricafés S.A., one of the main coffee market operators in Portugal. This acquisition will allow the Group to achieve synergies with the operations already present in the Iberian peninsula, also relying on the local coffee roasting plant which will serve the Spanish and Portuguese markets. This acquisition is part of the Group's strategy, which aims to develop further the food service channel and the single serve range.

The total price paid for the acquisition was Euro 40,459 thousand, inclusive of the price adjustment made to account for the difference between the company's net working capital as at July 31, 2016 and the same-date theoretical value of the acquired company estimated during the negotiation. The price was covered by long-term loans granted to the Group by the banking system (for more information on this point, please see note 7 "Current and Non-Current Borrowings").

The contribution to revenue and to operating profit of this interim report in 2016 was respectively of Euro 2,957 thousand and Euro 448 thousand. The acquired company was consolidated starting from the month of September 2016.

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

<i>(in thousands of Euro)</i>	<b>Provisional Fair value</b>
Intangible assets	10,340
Property, plant and equipment	8,235
Other assets	890
Deferred tax assets	628
Inventory	3,365
Trade receivables	5,165
Cash and cash equivalents	1,550
Other non-current provisions	(85)
Borrowings	(34,994)
Trade payables	(6,083)
Other liabilities	(2,319)
<b>Fair value of net assets acquired</b>	<b>(13,308)</b>
Consideration	(40,459)
<b>Provisional goodwill</b>	<b>53,767</b>

#### *Segafredo Zanetti Worldwide Italia S.p.A.*

In February 2016, the Group acquired the entire share capital of Segafredo Zanetti Worldwide Italy S.p.A., a company owned directly by Massimo Zanetti, Chairman and CEO of the Company, active mainly in the commercial franchising of operators in the Foodservice channel. The agreed purchase price amounts to Euro 2,800 thousand on the basis of an independent expert's 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>

Moreover, in the first nine months of 2016 the Group made other acquisitions, not as significant yet still supporting the business in Vietnam, Italy and Australia, for a total amount of Euro 379 thousand net of cash acquired, which led to the recognition of goodwill of Euro 276 thousand.

*For the nine months ended September 30, 2015*

During the nine months ended June 30, 2015, the Group adjusted the purchase price for the accounting variations for the period between January 1, 2014 and the date of acquisition, for an amount of USD 2,975 thousand.

As previously explained, during the third quarter of 2015, the fair value was finalized for the net assets of the Boncafe companies acquired in August 2014.

As a result of the finalization of the fair value of the Boncafe companies' net assets acquired, intangible assets, as well as the related tax impacts, were recorded in relation to the Boncafe family of trademarks.

## **6. Operating Segments**

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

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



## 7. Current and Non-current borrowings

The following tables provide a breakdown of current and non-current borrowings at September 30, 2016 and December 31, 2015.

<b>At September 30, 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	28,777	137,286	49,005	215,068
Short-term borrowings	55,504	-	-	55,504
Advances from factors and banks	8,814	-	-	8,814
Finance lease liabilities	1,204	2,526	234	3,964
<b>Total</b>	<b>94,299</b>	<b>139,812</b>	<b>49,239</b>	<b>283,350</b>

<b>At December 31, 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*

The following table provides details of the main long-term borrowings in place as at September 30, 2016 and December 31, 2015:

<b>Interest rate</b>	<b>Year</b>	<b>Initial principal amount</b>	<b>As at September 30</b>	<b>As at December 31,</b>
			<b>2016</b>	<b>2015</b>
<i>(in thousands of Euro)</i>				
<b>denominated in Euro</b>				
Euribor 6M + 4.95%	2013	24,000	11,910	14,871
Euribor 6M + 3.00%	2013	20,000	9,951	11,428
Euribor 3M + 3.50%	2013	12,000	6,241	7,419
Euribor 6M + 2.50%	2011	15,000	2,768	5,362
Euribor 6M + 3.00%	2013	8,000	5,498	6,073
Euribor 3M + 3.375%	2014	5,000	2,260	3,175
Euribor 3M + 4.50%	2014	5,000	833	2,083
Euribor 6M + 2.30%	2015	20,000	-	19,826
Euribor 6M + 1.25%	2015	5,000	2,525	4,181
Euribor 3M + 1.25%	2015	12,000	10,000	11,000
Euribor 6M + 1%	2016	5,000	4,862	-
Euribor 3M + 1.1%	2016	15,000	14,969	-
Euribor 6M + 1.35%	2016	50,000	50,000	-
Euribor 6M + 0.90%	2016	9,000	8,985	-
Euribor 6M + 1.05%	2016	50,000	50,000	-
Other loans			1,027	834
		<b>subtotal</b>	<b>181,829</b>	<b>86,252</b>
<b>denominated in USD</b>				
Libor 3M + 2.50%	2015	39,620	30,797	34,109
6.5% / 7.5%	2015	3,000	2,442	2,717
		<b>subtotal</b>	<b>33,239</b>	<b>36,826</b>
<b>Total</b>			<b>215,068</b>	<b>123,078</b>
<i>of which non-current</i>			<i>186,291</i>	<i>97,691</i>
<i>of which current</i>			<i>28,777</i>	<i>25,387</i>

The Group's loan agreements include the negative pledges and financial covenants typically found in international practice, to be fulfilled by the debtor companies.

These covenants are constantly monitored by Group management and were complied with as at September 30, 2016 and December 31, 2015.

In the third quarter of 2016, also in order to raise the resources to finance the acquisition of Nutricafés S.A., the Group launched a process for the restructuring of its non-current financial indebtedness, in order to extend repayment plans and optimise their cost, by concluding new long-term financing agreements at better conditions than some previous agreements, for which gradual early repayment has been started.

In detail, to finance the acquisition of the Portuguese company Nutricafés S.A., the Group has taken out the following loans: i) from Banca Intesa San Paolo dated August 11, 2016 for a nominal amount of Euro 50,000 thousand, with maturity on September 30, 2022 and ii) from Rabobank, dated September 6, 2016 for a nominal amount of Euro 50,000 thousand and maturity on September 6, 2022.

In the nine months ended September 30, 2016, the Group entered into three medium-long-term financing agreements with the following banks:

- Banca Popolare dell'Emilia Romagna on February 15, 2016 for a principal amount of Euro 5,000 thousand, with maturity date on July 15, 2019; and
- UBI Banca Popolare Commercio e Industria on March 21, 2016 for a principal amount of Euro 15,000 thousand, with maturity date on March 21, 2021;
- FriulAdria – entered into on May 15, 2016 for a principal amount of Euro 9,000 thousand and with maturity date on June 30, 2020.

In the context of the above-mentioned loan restructuring process, in September 2016 two loans were repaid early: respectively one granted by i) Unicredit to the Company in 2015 in the amount of Euro 20,000 thousand and one granted by ii) Abanca Corporación Bancaria S.A. to Nutricafés S.A. prior to the acquisition, in the amount of Euro 29,620 thousand.

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>As at September 30</b>	<b>As at December 31</b>
	<b>2016</b>	<b>2015</b>
<i>Principal amount of long-term borrowings</i>		
- at variable rate	215,578	121,173
- at fixed rate	-	2,717
Notional value of derivatives on interest rates	39,289	48,166
Long-term borrowings converted at fixed rate	18%	41%
Remaining portion of long-term borrowings at variable rate	82%	59%
Long-term borrowings denominated in Euro	85%	70%
Long-term borrowings denominated in USD	15%	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 factors or other banks in relation to trade receivables assigned during the year that do not meet the criteria established for the de-recognition of the financial asset.

## Net financial indebtedness

The following table shows the breakdown of net financial indebtedness of the Group at September 30, 2016 and December 31, 2015, determined in accordance with CONSOB communication dated July 28, 2006 and ESMA/2013/319 Recommendation:

<i>(in thousands of Euro)</i>	<b>As at September 30, As at December 31,</b>	
	<b>2016</b>	<b>2015</b>
A Cash and cash equivalents	(2,202)	(811)
B Cash at bank	(44,169)	(24,763)
C Securities held for trading	-	-
<b>D Liquidity (A+B+C)</b>	<b>(46,371)</b>	<b>(25,574)</b>
<b>E Current financial receivables</b>	<b>(140)</b>	<b>(192)</b>
F Current loans	64,318	87,739
G Current portion of non-current loans	28,777	25,291
H Other current financial payables	1,204	70
<b>I Current indebtedness (F+G+H)</b>	<b>94,299</b>	<b>113,100</b>
<b>J Net current indebtedness (I+E+D)</b>	<b>47,788</b>	<b>87,334</b>
K Non-current loans	186,291	97,787
L Issued bonds	-	-
M Other non-current financial payables	2,760	551
<b>N Non-current indebtedness (K+L+M)</b>	<b>189,051</b>	<b>98,338</b>
<b>O Net financial indebtedness (J+N)</b>	<b>236,839</b>	<b>185,672</b>

## 8. Contingent liabilities

As a result of the fact that the Group operates globally in a range of businesses, it is exposed to various legal risks.

On May 9, 2011, Massimo Zanetti Beverage U.S.A. Inc. was summoned, along with several other companies operating in the production and marketing of coffee, by the Council for Education and Research on Toxics, 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 were unsuccessful in the proceedings. Pending the opening of subsequent stages in the proceedings, Massimo Zanetti Beverage U.S.A. Inc. and the defendants in the court case, though not considering a successful outcome to the dispute very likely, 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 nine months ended September 30, 2016 and 2015, the trends of which are illustrated in the management report:

<i>(in thousands of Euro)</i>	<b>Nine months ended September 30,</b>	
	<b>2016</b>	<b>2015</b>
Sales of roasted coffee	594,114	611,543
Sale of regional products and other food related products	35,010	34,088
Sales of coffee machines	24,038	25,337
Revenue from cafe network	8,453	8,328
Other revenue	9,081	12,478
<b>Total</b>	<b>670,696</b>	<b>691,774</b>

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

<i>(in thousands of Euro)</i>	<b>Nine months ended September 30,</b>	
	<b>2016</b>	<b>2015</b>
<i>Foodservice</i>	141,994	138,073
<i>Mass Market</i>	251,114	246,758
<i>Private Label</i>	236,016	260,800
<i>Other</i>	41,572	46,143
<b>Total</b>	<b>670,696</b>	<b>691,774</b>

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

<i>(in thousands of Euro)</i>	<b>Nine months ended September 30,</b>	
	<b>2016</b>	<b>2015</b>
Americas	331,529	357,576
Northern Europe	128,384	122,354
Southern Europe	159,771	159,238
Asia-Pacific and Cafés	51,012	52,606
<b>Total</b>	<b>670,696</b>	<b>691,774</b>

## 10. Amortization, Depreciation and Impairment

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

<i>(in thousands of Euro)</i>	<b>Nine months ended September 30,</b>	
	<b>2016</b>	<b>2015</b>
Depreciation of property, plant and equipment	21,394	21,093
Amortization of intangible assets	2,529	2,241
Depreciation of investment property	77	77
Allowances for doubtful accounts	3,186	2,759
<b>Total</b>	<b>27,186</b>	<b>26,170</b>

## 11. Earnings per share

The following table provides a breakdown of earnings per share:

<i>(in thousands of Euro, unless otherwise indicated)</i>	<b>Nine months ended September 30,</b>	
	<b>2016</b>	<b>2015</b>
Average number of ordinary shares	34,300,000	30,746,154
Profit attributable to owners of the parent	10,404	5,122
<b>Basic and diluted earnings per share (in Euro)</b>	<b>0.30</b>	<b>0.17</b>

Basic earnings per share and diluted earnings per share were the same for the nine months ended September 30, 2016 and 2015, as there were no dilutive options or other potentially dilutive ordinary shares.

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

Company	Registered office	Reporting date	Share capital		Percentage held as at	
			Currency	Amount (000)	September 30, 2016	December 31, 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 Cafes 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%
Boncafe (Hong Kong) Ltd	Hong Kong	31 December	USD	500	100%	100%
Segafredo Zanetti Grandi Eventi Srl	Bologna	31 December	EUR	20	100%	100%

Company	Registered office	Reporting date	Share capital		Percentage held as at	
			Currency	Amount (000)	September 30, 2016	December 31, 2015
SZE Service SRL	Municipiul Brasov	31 December	RON	1	51%	51%
Boncafe Vietnam Company Ltd	Thuan An	31 December	VND	10,000,000	100%	-
Massimo Zanetti Beverage USA (Canada), Inc.	Suffolk	31 December	USD	0	100%	-
Massimo Zanetti Beverage Canada Investment ULC	Vancouver	31 December	CAD	0	100%	-
Club Coffee LP	Toronto	25 April	CAD	4,000	15%	-
Nutricafes S.A.	Lisbon	31 December	EUR	23,900	100%	-

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

<i>(in thousands of Euro)</i>	Nine months ended September 30,			
	2016	<i>of which related parties</i>	2015	<i>of which related parties</i>
Revenue	670,696	84	691,774	108
Other income	4,420		4,333	
Purchases of goods	(386,840)	(126,837)	(427,704)	(162,070)
Purchases of services, leases and rentals	(130,360)	(342)	(125,491)	(154)
Personnel costs	(103,610)	(2,667)	(93,296)	(2,629)
Other operating costs	(4,965)		(7,521)	
Amortization, depreciation and impairment	(27,186)		(26,170)	
<b>Operating profit</b>	<b>22,155</b>		<b>15,925</b>	
Finance income	200	-	124	-
Finance costs	(5,240)	(803)	(7,879)	(347)
Share of profits (losses) of companies accounted for using the equity method	(82)		13	
<b>Profit before tax</b>	<b>17,033</b>		<b>8,183</b>	
Income tax expense	(6,491)		(2,946)	
<b>Profit for the period</b>	<b>10,542</b>		<b>5,237</b>	
<i>Profit attributable to:</i>				
<i>Non-controlling interests</i>	<i>138</i>		<i>115</i>	
<i>Owners of the parent</i>	<i>10,404</i>		<i>5,122</i>	

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

<i>(in thousands of Euro)</i>	As at September 30		As at December 31	
	2016	<i>of which related parties</i>	2015	<i>of which related parties</i>
Intangible assets	181,123		117,834	
Property, plant and equipment	216,228		208,871	
Investment properties	4,344		4,422	
Investments in joint venture	10,374		138	
Non-current trade receivables	14,244		13,783	
Deferred tax assets	11,682		11,046	
Other non-current assets	7,331	106	5,865	
<b>Total non-current assets</b>	<b>445,326</b>		<b>361,959</b>	
Inventories	128,592		134,807	
Trade receivables	132,324	142	115,950	533
Income tax assets	4,269		3,242	
Other current assets	13,486	155	12,464	40
Cash and cash equivalents	46,371		25,574	
<b>Total current assets</b>	<b>325,042</b>		<b>292,037</b>	
<b>Total assets</b>	<b>770,368</b>		<b>653,996</b>	
Share capital	34,300		34,300	
Other reserves	116,447		121,803	
Retained earnings	144,694		135,786	
<b>Equity attributable to owners of the parent</b>	<b>295,441</b>		<b>291,889</b>	
Non-controlling interests	1,931		1,797	
<b>Total equity</b>	<b>297,372</b>		<b>293,686</b>	
Non-current borrowings	189,051		98,338	
Employee benefits	9,266		9,624	
Other non-current provisions	2,459		2,258	
Deferred tax liabilities	25,393		24,008	
Other non-current liabilities	5,989	338	5,881	
<b>Total non-current liabilities</b>	<b>232,158</b>		<b>140,109</b>	
Current borrowings	94,299		113,100	
Trade payables	113,773	36,459	80,745	13,507
Income tax liabilities	1,936		620	
Other current liabilities	30,830		25,736	
<b>Total current liabilities</b>	<b>240,838</b>		<b>220,201</b>	
<b>Total liabilities</b>	<b>472,996</b>		<b>360,310</b>	
<b>Total equity and liabilities</b>	<b>770,368</b>		<b>653,996</b>	



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

<i>(in thousands of Euro)</i>	Nine months ended September 30,			
	2016	<i>of which related parties</i>	2015	<i>of which related parties</i>
<b>Profit before tax</b>	<b>17,033</b>		<b>8,183</b>	
<b>Adjustments for:</b>	-		-	
Amortization, depreciation and impairment	27,186		26,170	
Provisions for employee benefits and other charges	421		553	
Finance costs	5,122	803	7,742	347
Other non-monetary items	(37)		(493)	
<b>Net cash generated from operating activities before changes in net working capital</b>	<b>49,725</b>		<b>42,155</b>	
Changes in inventories	7,974		(7,084)	
Changes in trade receivables	(15,717)	(47)	(10,274)	63
Changes in trade payables	26,995	22,938	963	1,580
Changes in other assets/liabilities	2,755	117	(15,454)	3,239
Payments of employee benefits	(851)		(445)	
Interest paid	(5,164)	(446)	(6,225)	(347)
Income tax paid	(4,358)		(5,554)	
<b>Net cash generated from / (used in) operating activities</b>	<b>61,359</b>		<b>(1,918)</b>	
Acquisition of subsidiary, net of cash acquired	(39,288)		(2,640)	
Acquisition under common control, net of cash acquired	(2,624)	(2,624)	-	
Purchase of property, plant and equipment	(20,956)		(19,945)	(100)
Purchase of intangible assets	(1,457)		(4,406)	
Proceeds from sale of property, plant and equipment	528		259	
Changes in financial receivables	122		615	
Investments in joint ventures and associates	(10,139)		-	
Changes in financial receivables	(278)		(503)	
Interest received	9		162	
<b>Net cash used in investing activities</b>	<b>(74,083)</b>		<b>(26,458)</b>	
Proceeds from borrowings	129,000		35,856	
Repayment of borrowings	(65,531)		(86,715)	
Increase/(Decrease) in short-term loans	(26,669)		19,897	(3,144)
Proceeds from sale of shares	-		69,423	
Dividends paid	(3,087)		(102)	
<b>Net cash generated from financing activities</b>	<b>33,713</b>		<b>38,359</b>	
Exchange gains/(losses) on cash and cash equivalents	(192)		(159)	
<b>Net increase in cash and cash equivalents</b>	<b>20,797</b>		<b>9,824</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>46,371</b>		<b>28,126</b>	

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

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

Pursuant to art. 154-bis para. 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 September 30, 2016 corresponds to the underlying documentary and accounting records.

Villorba (TV), November 10, 2016

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

A handwritten signature in black ink, appearing to be 'MZuffi', written in a cursive style.