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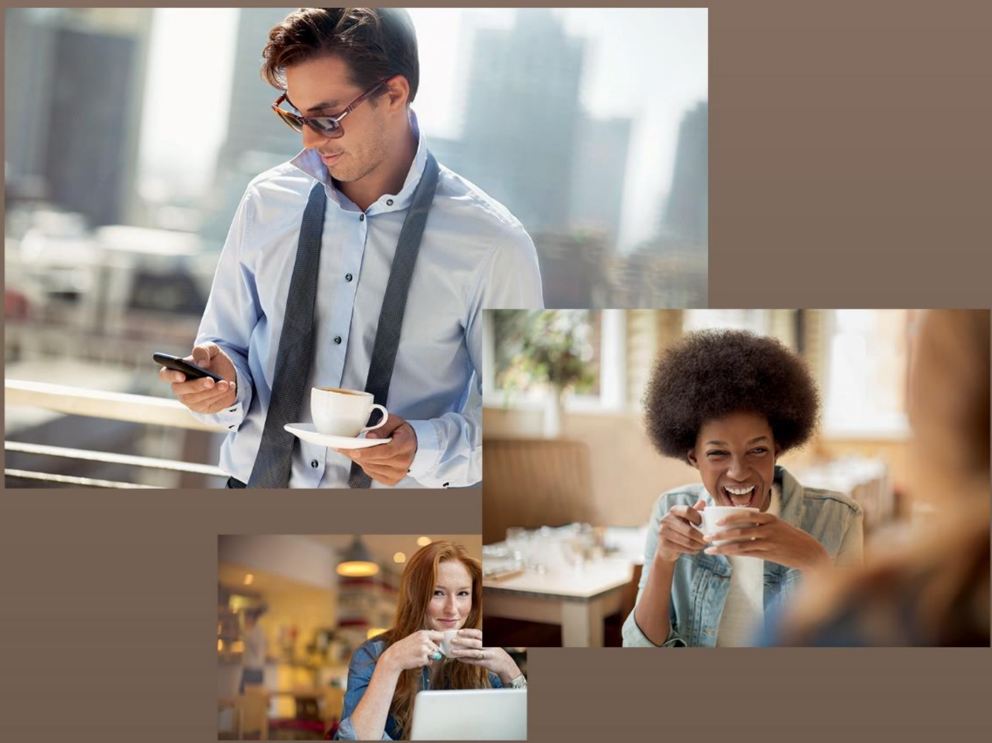
Testo del comunicato

Vedi allegato.

HALF-YEAR FINANCIAL REPORT
for the six months ended at June 30, 2018



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

MASSIMO ZANETTI
BEVERAGE GROUP

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Parent Information

Massimo Zanetti Beverage Group S.p.A.

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

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

Tax Code/Business Register/VAT No. 02120510371

Corporate and supervisory bodies of the Parent

Board of Directors

Massimo Zanetti
Chairman and Chief Executive Officer

Matteo Zanetti (**)
Director

Laura Zanetti (**)
Director

Massimo Mambelli
Director

Leonardo Rossi
Director

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

Sabrina Delle Curti (*) (2) (4)
Director

Mara Vanzetta (*) (2) (3)
Director

Giorgio Valerio (*) (1) (4)
Director

(*) Independent Director pursuant to article 148, paragraph 3 of the TUF (Consolidated Law on Finance) and article 3 of the Code of Conduct

(**) Non-executive Director pursuant to article 2 of the Code of Conduct

(1) Chairman of the Appointment and Remuneration Committee
(2) Member of the Appointment and Remuneration Committee
(3) Chairman of the Audit and Risk Committee
(4) Member of the Audit and Risk Committee

Board of Statutory Auditors

Fabio Facchini
Chairman

Simona Gnudi
Standing Auditor

Franco Squizzato
Standing Auditor

Cristina Mirri
Alternate Auditor

Alberto Piombo
Alternate Auditor

Corporate Reporting Manager

Leonardo Rossi

Independent Auditors

PricewaterhouseCoopers S.p.A.

DISCLAIMER

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

INTERIM REPORT

Introduction

With reference to the six months ended June 30, 2018, 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 the period, and the significant 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, Portugal, Germany and Austria. The Group is also present, to a lesser extent, in other countries such as the Netherlands, Poland, Switzerland, Belgium, Czech Republic, Denmark, Greece, Hungary, Slovakia, Slovenia, United Kingdom, Estonia, Croatia, Brazil, Argentina, Chile, Costa Rica, Mexico, Japan, Australia, New Zealand, Thailand, Malaysia, United Arab Emirates and Singapore.

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

Results of operations

Introduction

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

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

Results of operations for the six months ended June 30, 2018

The following table sets forth the reclassified consolidated income statement for the six months ended June 30 in 2018 and in 2017:

	Six months ended June 30,				**Change**	
(in thousands of Euro)	**2018**	**(*)**	**2017**	**(*)**	**2018-2017**	
Revenue	434,411	100.0%	475,563	100.0%	(41,152)	-8.7%
Raw, ancillary, and consumable materials and goods	(243,184)	-56.0%	(279,649)	-58.8%	36,465	-13.0%
***Gross Profit*[1]**	**191,227**	**44.0%**	**195,914**	**41.2%**	**(4,687)**	**-2.4%**
Purchases of services, leases and rentals	(86,872)	-20.0%	(92,112)	-19.4%	5,240	-5.7%
Personnel costs	(70,951)	-16.3%	(72,911)	-15.3%	1,960	-2.7%
Other operating costs, net[2]	365	0.1%	(49)	0.0%	414	> -100%
Impairment[3]	(1,719)	-0.4%	(1,747)	-0.4%	28	-1.6%
***EBITDA*[1]**	**32,050**	**7.4%**	**29,095**	**6.1%**	**2,955**	10.2%
Depreciation and amortization[4]	(17,978)	-4.1%	(18,286)	-3.8%	308	-1.7%
Operating profit	**14,072**	**3.2%**	**10,809**	**2.3%**	**3,263**	**30.2%**
Net finance costs[5]	(2,953)	-0.7%	(3,144)	-0.7%	191	-6.1%
Share of losses of companies accounted for using the equity method	(669)	-0.2%	(440)	-0.1%	(229)	52.0%
Profit before tax	**10,450**	**2.4%**	**7,225**	**1.5%**	**3,225**	**44.6%**
Income tax expense	(3,302)	-0.8%	(2,822)	-0.6%	(480)	17.0%
Profit for the period	**7,148**	**1.6%**	**4,403**	**0.9%**	**2,745**	**62.3%**

(*) 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 amortization of intangible assets and depreciation of property, plant and equipment and investment properties
(5) Includes finance income and finance costs

Revenue

Revenue amounted to Euro 434,411 thousand for the six months ended June 30, 2018, a decrease of Euro 41,152 thousand (-8.7%) compared to the six months ended June 30, 2017. The decrease is mainly due to:

- the exchange rate impact, mainly due to the fluctuations of the US dollar (-5.3%);
- the decrease in the sales prices of roasted coffee and other (-1.4%);
- the decrease in the volumes of roasted coffee sold (-1.6%);

Specifically, applying IFRS 15 on revenues, since January 1, 2018, has implied the reclassification, in reduction of revenues, of amounts given to customer without specific goods or services being provided for, especially in the *Mass Market* channel. For additional information, reference should be made to note *7* - "*Impacts from new accounting standards*".

Net of the exchange rate fluctuations and the impact of IFRS 15, the change in revenue is mainly due to the reduction in "Sales of roasted coffee", down by Euro 12,823 thousand (-3.1%). The decrease is mainly due to the combined effect of:

- the decrease in the sales prices of roasted coffee as a result of the decrease in the average purchase price of green coffee, partially offset by the effect of the different mix in the sales channels in 2018 and 2017. Overall those components led to a decrease in revenues of 1.2%.

- decrease in the volumes of roasted coffee sold, leading to a decrease in revenues of 1.9% compared to the six months ended June 30, 2017. The volumes of roasted coffee sold amounted to 62.1 thousand tons and 63.2 thousand tons for the six months ended June 30, 2018 and 2017, respectively. This decrease of 1.1 thousand tons referred mainly to the Americas (2.0 thousand tons) in the Private Lable and Mass Market channels and was partially offset by the positive performance of Southern Europe (0.5 thousand tons), Northern Europe (0.2 thousand tons) and Asia-Pacific and Cafés area (0.2 thousand tons).

The following table provides a breakdown of revenue for the six months ended June 30, 2018 and 2017, by sales channel:

	Six months ended June 30,				**Change**	
(in thousands of Euro)	**2018**	**(*)**	**2017**	**(*)**	**2018-2017**	
Foodservice	103,326	23.8%	104,691	22.0%	(1,365)	-1.3%
Mass Market	161,070	37.1%	178,058	37.4%	(16,988)	-9.5%
Private Label	140,810	32.4%	163,453	34.4%	(22,643)	-13.9%
Other	29,205	6.7%	29,361	6.2%	(156)	-0.5%
Total	**434,411**	**100.0%**	**475,563**	**100.0%**	**(41,152)**	**-8.7%**

(*) Percentage of revenue.

The following table provides a breakdown of revenue for the six months ended June 30, 2018 and 2017, by geographical area:

	Six months ended June 30,				Change	
(in thousands of Euro)	**2018**	**(*)**	**2017**	**(*)**	**2018-2017**	
Americas	189,463	43.6%	227,215	47.8%	(37,752)	-16.6%
Northern Europe	87,545	20.2%	89,785	18.9%	(2,240)	-2.5%
Southern Europe	118,712	27.3%	121,437	25.5%	(2,725)	-2.2%
Asia-Pacific and Cafés (**)	38,691	8.9%	37,126	7.8%	1,565	4.2%
Total	**434,411**	**100.0%**	**475,563**	**100.0%**	**(41,152)**	**-8.7%**

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

Gross profit

Gross Profit amounted to Euro 191,227 thousand for the six months ended June 30, 2018, was down by Euro 4,686 thousand (-2.4%) compared to the six months ended June 30, 2017. This is due to:

- the impact of foreign currency exchange rate fluctuations (-4.3%);
- the increase in Gross Profit due to the sale of roasted coffee and other products (+2.6%);

On a comparable basis, Gross Profit increases by Euro 5,105 thousand (+2.6%), mainly due to the sale of roasted coffee (+3.1%). The increase in Gross Profit from the sale of roasted coffee is in turn mainly due to the positive impact of the trends in sales and purchase prices respectively of roasted and green coffee and to the different mix found in the sales channels in 2018 and 2017 (+4.9%), partially offset by the decrease in volumes of roasted coffee (-1.8%).

EBITDA

The following table provides a reconciliation between EBITDA and profit for the six months ended June 30, 2018 and 2017:

	Six months ended June 30,				Change	
(in thousands of Euro)	**2018**	**(*)**	**2017**	**(*)**	**2018-2017**	
Profit for the period	7,148	1.6%	4,403	0.9%	2,745	62.3%
Income tax expense	3,302	0.8%	2,822	0.6%	480	17.0%
Finance costs	3,115	0.7%	3,295	0.7%	(180)	-5,5%
Finance income	(162)	0.0%	(151)	0.0%	(11)	7.3%
Share of losses of companies accounted for using the equity method	669	0.2%	440	0.1%	229	52.0%
Depreciation and amortization(1)	17,978	4.0%	18,286	3.8%	(308)	-1.7%
EBITDA(2)	**32,050**	**7.3%**	**29,095**	**6.1%**	**2,955**	**10.2%**

(*) Percentage of revenue
(1) Includes depreciation of property, plant and equipment and investment properties and amortization of intangible assets
(2) For additional information, refer to the “Non-GAAP” alternative performance indicators section.

EBITDA amounted to Euro 32,050 thousand for the six months ended June 30, 2018 and showed an increase of Euro 2,955 thousand (+10.2%) compared to the figure for the six months ended June 30, 2017 (Euro 29.095 thousand). The result is mainly due to the aforementioned factors affecting Gross Profit, and the combined effect of:

- the impact of positive exchange rate fluctuations amounting to Euro 1,119 thousand;
- the increase in operating costs that, net of exchange rate fluctuations, amounted to Euro 1,030 thousand and was substantially attributable to the higher costs for personnel costs, partially offset by lower purchases of services cost and other costs and revenues.

Operating profit

Operating profit amounted to Euro 14,072 thousand for the six months ended June 30, 2018, an increase of Euro 3,263 thousand (+30.2%) compared to the six months ended June 30, 2017. In addition to as previously described for EBITDA, this increase is attributable to the decrease in amortisation and depreciation, amounting to Euro 308 thousand.

Profit for the period

Profit for the period amounted to Euro 7,148 thousand for the six months ended June 30, 2018, an increase of Euro 2,745 thousand (62.3%) compared to the six months ended June 30, 2017. In addition to what was previously described for the operating profit, this increase is also due to the combined effect of:

- the decrease in net finance costs Euro 191 thousand, mainly due to reduction in interest expenses partially offset by foreign exchange losses;
- increase in the shares of losses of companies accounted for using the equity method, amounting to Euro 229 thousand;
- increase in income taxes amounting to Euro 480 thousand, mainly due to the increased taxable income generated by the Group in the six months ended June 30, 2018 compared to 2017.

Reclassified statement of financial position

The following table shows the reclassified statement of financial position at June 30, 2018 and at December 31, 2017.

	As at June 30,	As at December 31,
(in thousands of Euro)	**2018**	**2017**
Investments:		
Intangible assets	182,571	183,231
Property, plant and equipment and investment properties(1)	216,240	217,717
Investments in joint ventures and associates	9,824	9,616
Non-current trade receivables	2,697	3,076
Deferred tax assets and other non-current assets(2)	25,324	23,913
Non-current assets (A)	**436,656**	**437,553**
Net working capital (B)(3)	**97,846**	**92,199**
Employee benefits	(8,789)	(8,987)
Other non-current provisions	(3,009)	(2,986)
Deferred tax liabilities and other non-current liabilities(4)	(28,042)	(25,942)
Non-current liabilities (C)	**(39,840)**	**(37,915)**
Net invested capital (A+B+C)	**494,662**	**491,837**
Sources:		
Equity	303,954	300,882
Net Financial Indebtedness	190,708	190,955
Sources of financing	**494,662**	**491,837**

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, non-current contract assets and other non-current assets
(3) For additional information, refer to the “Non-GAAP” alternative performance indicators section.
(4) Includes deferred tax liabilities, non-current contract liabilities and other non-current liabilities

The following table shows the breakdown of the Group's Net Working Capital at June 30, 2018 and at December 31, 2017:

	As at June 30,	As at December 31,
(in thousands of Euro)	**2018**	**2017**
Inventories	142,793	127,997
Trade receivables	117,678	123,405
Income tax assets	3,774	1,975
Other current assets (1)	17,288	15,868
Trade payables	(147,674)	(139,329)
Income tax liabilities	(1,699)	(1,433)
Other current liabilities	(34,314)	(36,284)
Net working capital(2)	**97,846**	**92,199**

(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 six months ended June 30, 2018 and 2017:

	Six months ended June 30,	
(in thousands of Euro)	**2018**	**2017**
EBITDA (1)	32,050	29,095
Changes in net working capital	(6,686)	(25,206)
Net recurring investments (2)	(13,411)	(19,125)
Income tax paid	(4,416)	(2,846)
Other operating items(3)	2,062	2,028
Free Cash Flow (1)	**9,599**	**(16,054)**
Net non-recurring investments (4)	(600)	(2,774)
Investments (Disposals) in financial receivables(5)	(1,246)	251
Interest paid	(2,898)	(3,476)
Net cash generated from financing activities	107	38,481
Dividends paid	(5,831)	(5,305)
Exchange gains/(losses) on cash and cash equivalents	581	(446)
Net increase in cash and cash equivalents	**(288)**	**10.677**
Cash and cash equivalents at the beginning of the period	89.594	45.167
Cash and cash equivalents at the end of the period	**89.306**	**55.844**

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

Free Cash Flow showed a positive figure of Euro 9,599 thousand in the six months ended June 30, 2018, compared with a negative value of Euro 16,054 in the six months ended June 30, 2017. This increase is mainly due to the trends in changes to the net working capital.

The following table shows the breakdown of changes in Net Working Capital for the six months ended June 30, 2018 and 2017:

	Six months ended June 30,	
(in thousands of Euro)	**2018**	**2017**
Changes in inventories	(13,199)	(15,361)
Changes in trade receivables	1,482	(13,017)
Changes in trade payables	6,835	2,528
Changes in other assets/liabilities	(1,388)	791
Payments of employee benefits	(416)	(147)
Changes in net working capital	**(6,686)**	**(25,206)**

Changes in Net Working Capital were negative for Euro 6,686 thousand for the six months ended June 30, 2018 compared with a negative figure of Euro 25,206 thousand for the six months ended June 30, 2017, mainly due to:

- changes in inventories, negative for Euro 13,199 thousand, reflecting the higher volumes of stocks of raw materials and finished products, in line with the sales of green coffee expected for the next months;
- changes in trade receivables, positive for Euro 1,482 thousand, mainly reflecting the trends of revenues for the period;
- changes in trade payables, positive for Euro 6,835 thousand compared to the previous period, reflecting an improvement in payment terms.

Net recurring investments amounted to Euro 13,411 thousand for the six months ended June 30, 2018, with a decrease of Euro 5,714 thousand compared to the six months ended June 30, 2017.

Net non-recurring investments amounted to Euro 600 thousand and Euro 2,774 thousand for the six months ended June 30, 2018 and 2017, respectively.

The cash flow used in the net non-recurring investments for the six months ended June 30, 2018 relate to capital contribution to Virtus Pallacanestro Bologna S.S.D. a r.l.

The cash flow used in the net non-recurring investments in the six months ended June 30, 2017 relate primarily to: *i)* the purchase of the business unit, Tru Blue, in Australia *ii*) the purchase of Le.ma in Italy, and *iii)* the subscription of the share capital increase in the sports club Virtus Pallacanestro Bologna S.S.D. a r.l, of 40%.

Financing activities generated cash amounting to Euro 107 thousand in the six months ended June 30, 2018 compared to cash generated amounting to Euro 38,481 thousand in the six months ended June 30, 2017 that was mainly due to long-term loans issued last year. The cash generated in the six months ended June 30, 2018 was mainly due to the combined effect of:

- cash collected through new issues of long-term loans amounting to Euro 3,184 thousand, net of the repayment of the instalments due;
- the increase in short-term loans of Euro 3,077 thousand.

Net Financial Indebtedness

The following table shows the breakdown of net financial indebtedness of the Group at June 30, 2018 and at December 31, 2017, determined in accordance with the CONSOB Communication dated July 28, 2006, and in compliance with the ESMA Recommendation 2013/319:

		As at June 30,	As at December 31,
(in thousands of Euro)		**2018**	**2017**
A	Cash and cash equivalents	(991)	(803)
B	Cash at bank	(88,315)	(88,791)
C	Securities held for trading	-	-
D	**Liquidity (A+B+C)**	**(89,306)**	**(89,594)**
E	**Current financial receivables**	**(3,631)**	**(2,327)**
F	Current loans	49,414	53,014
G	Current portion of non-current medium/long-term loans	34,891	24,259
H	Other current financial payables	1,290	1,459
I	**Current indebtedness (F+G+H)**	**85,595**	**78,732**
J	**Net current indebtedness (I+E+D)**	**(7,342)**	**(13,189)**
K	Non-current medium/long-term loans	195,256	201,453
L	Issued bonds		-
M	Other non-current financial payables	2,794	2,692
N	**Non-current indebtedness (K+L+M)**	**198,050**	**204,145**
O	**Net financial indebtedness (J+N)**	**190,708**	**190,956**

Net Financial Indebtedness amounted to Euro 190,708 thousand at June 30, 2018, substantially unchanged compared to December 31, 2017 (Euro 190,956 thousand). This decrease is mainly due to the combined effect of the following:

- Free Cash Flow negatively impacting for Euro 9,599 thousand in the six months ended June 30, 2018;
- dividends paid amounting to Euro 5,831 thousand;
- interest paid of Euro 2,898 thousand for the six months ended June 30, 2018;
- net non-recurring investments of Euro 600 thousand in the six months ended June 30, 2018;
- 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 six months ended June 30, 2018 and 2017:

	Six months ended June 30,			
(in thousands of Euro)	**2018**		**2017**	
	Capital expenditure	**Cash-out**	**Capital expenditure**	**Cash-out**
Business combinations, including those under common control	-	-	1,934	1,934
Investments in associates	600	600	840	840
Intangible assets	949	949	578	578
Property, plant and equipment	12,960	12,960	19,183	19,183
Total non-current assets	**14,509**	**14,509**	**22,535**	**22,535**

Business combinations, including transactions under common control
No investment were done in the first six months of 2018.

Cash-out amounted to Euro 1,934 thousand for the six months ended June 30, 2017 relating to the acquisition of Tru Blue (a business unit of the Australian group Boutique Beverage Pty) and of Le.ma, a small operator in the Italian market.

Investments in associates
In the six months ended June 30, 2018, the Group made a capital contribution to Virtus Pallacanestro Bologna S.S.D. a r.l., located in Bologna. The investment amounted to Euro 600 thousand; in the six months ended June 30, 2017 the investment amounted to Euro 840 thousand.
The Group is of the opinion that it exercises significant influence over the club and so it has been classified as an associated company and accounted for using the equity method.

Property, plant and equipment

Capital expenditure in property, plant and equipment for the six months ended June 30, 2018 mainly relates to bar equipment and assets under construction, amounting to Euro 7,894 thousand and Euro 2,131 thousand, respectively.

Capital expenditure in property, plant and equipment for the six months ended June 30, 2017 mainly relates to bar equipment and assets under construction, amounting to Euro 10,923 thousand and Euro 4,115 thousand, respectively.

Intangible assets

Capital expenditure in intangible assets for the six months ended June 30, 2018 are mainly related to the reinforcement of IT infrastructure in Italy and in the Headquarter.

Capital expenditure in intangible assets for the six months ended June 30, 2017 are mainly related to the implementation of new software in the USA, Italy and France.

Key events for the six months ended June 30, 2018

On April 10, 2018, the Ordinary Shareholders' Meeting of Massimo Zanetti Beverage Group S.p.A. approved the 2017 financial statements and the distribution of a dividend of Euro 0.17 per share, for a total of Euro 5,831 thousand.

Within the scope of the ordinary fund raising activities, the Group entered into a medium-to-long term loan agreement with Banca Popolare di Sondrio in April 2018 for an overall amount of Euro 15,000 thousand reaching maturity in 2025.

On June 18, 2018 Leonardo Rossi has been appointed by co-optation as new Director of the Board, to replace Mr. Larry Quier, in accordance with the agreed succession plan.
During the same meeting, the Board of Directors, in accordance with the agreed succession plan already mentioned, also resolved to appoint Leonardo Rossi as Chief Financial Officer, Director responsible for the internal control and risk management system and Responsible of the Inside Information Management Function. Those functions were previously assigned to Massimo Mambelli, Director of the Company who remains in the Board of Massimo Zanetti Beverage Group S.p.A.

Subsequent events

Please refer to Note 29 – Subsequent Events in the notes to the consolidated condensed interim financial report at June 30, 2018.

Business outlook

In view of the results achieved in the first half of 2018 and considering current trends as well as assuming the absence of extraordinary transactions, management expectations for 2018 are:

- revenues on a comparable basis*substantially in line with 2017
- EBITDA adjusted increase of approximately 5.0% - 8.0%
- a reduction in net debt to below Euro 180 million.

* revenues on a comparable basis: at constant exchange rates and with the retrospective application of IFRS 15 on 2017 revenues.

"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, which is appropriately adjusted when conditions apply, is used as a primary indicator of profitability, since it allows analysis of the profit margin of the Group, eliminating the effects of volatility due to non-recurring items or items unrelated to ordinary operations.

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

- Gross Profit is defined by the Group as the difference between Revenue and Purchases of Raw, ancillary, and consumable materials and goods;
- Gross Margin is defined by the Group as the ratio of Gross Profit to Revenue;

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

Unusual transactions and/or events

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

Treasury shares

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

Related-party transactions

For details regarding related-party transactions for the six months ended June 30, 2018, please refer to Note 28 – Related-Party Transactions of the notes to the consolidated condensed interim financial statements at June 30, 2018.

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

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

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

CONSOLIDATED CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2018

Consolidated Condensed Interim Income Statement

(in thousands of Euro)	**Note**	**Six months ended June 30, 2018**	**2017**
Revenue	**19**	434,411	475,563
Other income		3,297	3,352
Purchase of goods	**20**	(243,184)	(279,649)
Purchases of services, leases and rentals	**21**	(86,872)	(92,112)
Personnel costs	**22**	(70,951)	(72,911)
Other operating costs	**23**	(2,932)	(3,401)
Amortization, depreciation and impairment	**24**	(19,697)	(20,033)
Operating profit		**14,072**	**10,809**
Finance income	**25**	162	151
Finance costs	**25**	(3,115)	(3,295)
Share of losses of companies accounted for using the equity method		(669)	(440)
Profit before tax		**10,450**	**7,225**
Income tax expense	**26**	(3,302)	(2,822)
Profit for the period		**7,148**	**4,403**
Profit attributable to:			
Non-controlling interests		*56*	*107*
Owners of the parent		*7,092*	*4,296*
Basic/diluted earnings per share (in Euro)	**27**	**0.21**	**0.13**

Consolidated Condensed Interim Statement of Comprehensive Income

	Six months ended June 30,	
(in thousands of Euro)	**2018**	**2017**
Profit for the period	**7,148**	**4,403**
Gains/(Losses) from cash flow hedges	2,233	(2,261)
Currency translation differences	2,597	(12,307)
Items that may be subsequently reclassified to profit or loss	**4,832**	**(14,568)**
Remeasurements of employee benefit obligations	61	(148)
Items that will not be reclassified to profit or loss	**61**	**(148)**
Total comprehensive (loss)/income for the period	**12,041**	**(10,313)**
Comprehensive income attributable to non-controlling interests	73	99
Comprehensive (loss)/income attributable to owners of the parent	**11,968**	**(10,412)**

Consolidated Condensed interim statement of financial position

(in thousands of Euro)	Note	As at June 30, 2018	As at December 31, 2017
Intangible assets	**10**	182,571	183,231
Property, plant and equipment	**11**	211,411	212,830
Investment properties		4,829	4,887
Investments in joint ventures and associates	**12**	9,824	9,616
Non-current trade receivables	**13**	2,697	3,076
Deferred tax assets		11,370	10,244
Non-current contract assets		7,983	-
Other non-current assets		5,971	13,669
Total non-current assets		**436,656**	**437,553**
Inventories		142,793	127,997
Trade receivables	**13**	117,678	123,405
Income tax assets		3,774	1,975
Current contract assets		3,438	-
Other current assets		17,481	18,195
Cash and cash equivalents		89,306	89,594
Total current assets		**374,470**	**361,166**
Total assets		**811,126**	**798,719**
Share capital		34,300	34,300
Other reserves		97,487	98,162
Retained earnings		170,302	166,443
Total equity attributable to owners of the Parent		**302,089**	**298,905**
Non-controlling interests		1,865	1,977
Total equity	**14**	**303,954**	**300,882**
Non-current borrowings	**15**	198,050	204,145
Employee benefits		8,789	8,987
Other non-current provisions	**16**	3,009	2,986
Deferred tax liabilities		25,079	22,895
Non-current contract liabilities		473	-
Other non-current liabilities	**17**	2,490	3,047
Total non-current liabilities		**237,890**	**242,060**
Current borrowings	**15**	85,595	78,731
Trade payables		147,674	139,329
Income tax liabilities		1,699	1,433
Current contract liabilities		778	-
Other current liabilities	**17**	33,536	36,284
Total current liabilities		**269,282**	**255,777**
Total liabilities		**507,172**	**497,837**
Total equity and liabilities		**811,126**	**798,719**

Consolidated Condensed Interim Statement of Cash Flows

(in thousands of Euro)	Note	Six months ended June 30, 2018	2017
Profit before tax		**10,450**	**7,225**
Adjustments for:			
Amortization, depreciation and impairment	**24**	19,697	20,033
Provisions for employee benefits and other charges		479	370
Finance costs	**25**	2,953	3,144
Other non-monetary items		533	351
Net cash generated from operating activities before changes in net working capital		**34,112**	**31,123**
Decrease/(Increase) in inventories		(13,199)	(15,361)
Decrease/(Increase) in trade receivables		1,482	(13,017)
Increase/(Decrease) in trade payables		6,835	2,528
Changes in other assets/liabilities		(1,388)	791
Payments of employee benefits		(416)	(147)
Interest paid		(2,898)	(3,476)
Income tax paid		(4,416)	(2,846)
Net cash generated from /(used in) operating activities		**20,112**	**(405)**
Acquisition of subsidiary, net of cash acquired		-	(1,934)
Purchase of property, plant and equipment	**11**	(12,960)	(19,183)
Purchase of intangible assets	**10**	(949)	(578)
Proceeds from sale of property, plant and equipment	**11**	483	630
Proceeds from sale of intangible assets	**10**	15	6
Investments in joint ventures and associates	**12**	(600)	(840)
Changes in financial receivables		(1,306)	191
Interest received		60	60
Net cash used in investing activities		**(15,257)**	**(21,648)**
Proceeds from long-term borrowings	**15**	15,360	41,740
Repayment of long-term borrowings	**15**	(12,176)	(20,810)
Increase / (decrease) in short-term borrowings	**14**	(3,077)	17,551
Dividends paid	**24**	(5,831)	(5,305)
Net cash generated from / (used in) financing activities		**(5,724)**	**33,176**
Exchange gains/(losses) on cash and cash equivalents		581	(446)
Net increase (decrease) in cash and cash equivalents		**(288)**	**10,677**
Cash and cash equivalents at the beginning of the period		89,594	45,167
Cash and cash equivalents at the end of the period		**89,306**	**55,844**

Consolidated Condensed Statement of Changes in Equity

(in thousands of Euro)	Share capital	Other reserves	Retained earnings	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total
As of December 31, 2016	**34,300**	**124,738**	**149,057**	**308,095**	**1,849**	**309,944**
Profit for the period	-	-	4,296	4,296	107	**4,403**
Remeasurements of employee benefit obligations	-	-	(140)	(140)	(8)	**(148)**
Losses from cash flow hedges	-	(2,261)	-	(2,261)	-	**(2,261)**
Currency translation differences	-	(12,307)	-	(12,307)	-	**(12,307)**
Total loss for the period		**(14,568)**	**4,156**	**(10,412)**	**99**	**(10,313)**
Transaction with Shareholders	-	-	-	-	-	**-**
Dividends paid	-	(5,145)	-	(5,145)	(160)	**(5,305)**
Reclassifications	-	410	(410)	-	-	**-**
At June 30, 2017	**34,300**	**105,435**	**152,803**	**292,538**	**1,788**	**294,326**

(in thousands of Euro)	Share capital	Other reserves	Retained earnings	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total
As at December 31, 2017	**34,300**	**98,162**	**166,443**	**298,905**	**1,977**	**300,882**
Effect of the first application of IFRS 9	-	-	(2,953)	(2,953)	(17)	**(2,970)**
As at January 1, 2018	**34,300**	**98,162**	**163,490**	**295,952**	**1,960**	**297,912**
Profit for the period	-	-	7,092	7,092	56	**7,148**
Remeasurements of employee benefit obligations	-	-	56	56	5	**61**
Profit from cash flow hedges	-	2,233	-	2,233	-	**2,233**
Currency translation differences	-	2,587	-	2,587	12	**2,599**
Total income for the period	**-**	**4,820**	**7,148**	**11,968**	**73**	**12,041**
Transaction with Shareholders	-	-	-	-	-	**-**
Dividends paid	-	(5,831)	-	(5,831)	(168)	**(5,998)**
Reclassifications	-	336	(336)	-	-	**-**
As at June 30, 2018	**34,300**	**97,487**	**170,302**	**302,089**	**1,865**	**303,954**

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 has been 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) since June 3, 2015.

These consolidated condensed interim financial statements as at June 30, 2018 (the ‘‘**Consolidated Condensed Interim Financial Statements**’’) have been prepared by the Company in accordance with the provisions of Article 154 ter paragraph 2 of Legislative Decree no. 58/98 - T.U.F. as amended, and also of Art. 2.2.3 (3) of the Regulation on Markets Organised and Managed by Borsa Italiana S.p.A. and taking account of Notice no. 7587 of April 21, 2016 of Borsa Italiana S.p.A.

The Consolidated Condensed Interim Financial Statements as at June 30, 2018 have been prepared in accordance with IAS 34 – Interim Financial Reporting. IAS 34 permits a significantly lower amount of information to be included in interim financial statements from what is required for annual financial statements by International Financial Reporting Standards issued by the International Accounting Standards Board and approved by the European Union, given that the entity has prepared financial statements compliant with IFRS for the previous financial year. The Consolidated Condensed Interim Financial Statements should be read in conjunction with the Group's consolidated financial statements as at December 31, 2017 ("**Consolidated Financial Statements**") which were prepared in accordance with the IFRS as adopted by the European Union.

The Consolidated Condensed Interim Financial Statements have been prepared in Euro, the functional currency of the Company. Unless otherwise indicated, all the amounts included in this document are stated in thousands of Euro.

The Consolidated Condensed Interim Financial Statements were subject to a limited review by PricewaterhouseCoopers S.p.A. and were approved by the Board of Directors on August 8, 2018.

2. Accounting Policies

This interim report was prepared in accordance with the same accounting standards and basis of preparation as those used for the consolidated financial statements as at 31 December 2017, and can be found described therein.

The only exception are the accounting standards and criteria expressly applicable to interim reports, as well as the accounting principles and amendmends in note 2.5 "*Recently Issued Accounting Standards*" of the 2017 consolidated financial report, applicable, where possible, from Juanary 1 2018 after having being approved by the relevant authorities

In particular the recognition of income taxes is based on the best estimate of the actual tax rate expected for the full financial year.

The first implementation of the the aforementioned accounting standards and amendments on the period to be closed as at December 31 2018 has not implied any significant effect on the Group assets, liabilities, financial position and profit or loss with the exception of *IFRS 15 "Revenue from Contracts with Customers"* and of *IFRS 9 - "Financial Instruments"*

IFRS 15 "Revenue from Contracts with Customers". On May 28, 2014, the IASB published IFRS 15 - "Revenue from Contracts with Customers" ("IFRS 15"), which specifies when recognising and how to calculate the amount of the revenue from contracts with customers, including contract work in progress. Specifically, under IFRS 15, revenue is recognised based on the following five-step model framework:

1. identify the contract(s) with a customer;
2. identify the performance obligations in the contract;
3. determine the transaction price;
4. allocate the transaction price to the performance obligations in the contract by reference to their relative standalone selling prices;
5. recognise revenue when (or as) the entity satisfies a performance obligation.

Furthermore, IFRS 15 requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and related cash flows.

IFRS 15, which was endorsed by the European commission with Regulation (EU) no. 2016/1905 of September 22, 2016, is effective for annual periods beginning on or after January 1, 2018. Management has adopted IFRS 15 and its related amendments using the modified retrospective method, recording possible cumulated impacts as at January 1 2018 in "Retained Earning" and without presenting the comparative amounts.

Management has analysed the effect of the IFRS15 implementation on the Group with specific reference to all its lines of revenues and has come to the conclusion that there have been no significant and/or substantial impacts in connection with the accounting policy adopted for the revenue recognition. Therefore the revenues accounting, applying the new IFRS 15, has not generated the recognition of a cumulated impact as at January 1 2018 but only some reclassifications in the profit or loss, in the assets and liabilities and in the financial position which are better explained in the note n.7 "*Impacts from new accounting standards*"

IFRS 9 "Financial Instruments". On July 24, 2014, the IASB completed the revision of the standard governing financial instruments with the publication of the final version of IFRS 9 - "Financial Instruments" ("IFRS 9"). The new provisions set out in IFRS 9:

- change the classification and measurement requirements for financial assets;
- incorporate a new expected loss impairment model which considers expected credit losses; and
- change hedge accounting provisions.

The new standard requires also additional disclosure and some changes in the presentation of figures.

IFRS 9, which was endorsed by the European Commission with Regulation (EU) no. 2016/2067 of November 22, 2016, is effective for annual periods beginning on or after January 1, 2018.

The Groups has implemented IFRS 9 from January 1 2018 availing himself of the practical expedients envisaged by the standard and without presenting the comparative amounts.

Management has made an analysis of the Group's financial assets and liabilities and concluded the following with respect to the impact of the adoption of the new standard from January 1, 2018:

- the introduction of IFRS 9 has had no impact on the model used to classify and measure the Group's financial assets and liabilities;

- under the new impairment model applicable to financial assets, the accruals to the allowance for impairment are based on expected losses rather than on the losses already incurred as set out in IAS 39. According to the assessment carried out, the Group has made adjustment to the allowance for impairment related to trade receivables, as better explained in note n.7 "*Impacts from new accounting standards*" ;
- the current hedging relationships will continue to meet hedge accounting requirements, set by the Group hedge account policy, also after the adoption of IFRS 9.

3. Conversion of the financial statements in currencies other than the Euro

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

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

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

Currency		Average exchange rate		Exchange rate as at June 30			Exchange rate as at December 31,	
		2018	2017	2018	2017	2016	2017	2016
United Arab Emirates Dinar	AED	4.45	3.97	4.28	4.19	4.08	4.40	3.87
Argentine Peso	ARS	26.03	17.00	32.70	18.89	16.58	22.93	16.75
Australian Dollar	AUD	1.57	1.44	1.58	1.49	1.49	1.53	1.46
Brazilian Real	BRL	4.14	3.44	4.49	3.76	3.59	3.97	3.43
Canadian Dollar	CAD	1.54	1.45	1.55	1.48	1.44	1.50	1.42
Swiss Franc	CHF	1.17	1.08	1.16	1.09	1.09	1.17	1.07
Chilean Peso	CLP	740.17	714.13	757.26	758.21	735.50	737.29	704.95
Costarican Colon	CRC	687.79	608.90	661.65	652.15	607.47	682.85	580.81
Czech Koruna	CZK	25.50	26.79	26.02	26.20	27.13	25.54	27.02
Danish Crown	DKK	7.45	7.44	7.45	7.44	7.44	7.44	7.43
British Pound	GBP	0.88	0.86	0.89	0.88	0.83	0.89	0.86
Hong Kong Dollar	HKD	9.49	8.42	9.15	8.91	8.61	9.37	8.18
Croatian Kuna	HRK	7.42	7.45	7.39	7.41	7.53	7.44	7.56
Hungarian Forint	HUF	314.09	309.47	329.77	308.97	317.06	310.33	309.83
Indonesian Rupiah	IDR	16,671.74	14,426.70	16,654.04	15,209.30	14,601.70	16,239.12	n.a.
Japanese Yen	JPY	131.61	121.66	129.04	127.75	114.05	135.01	123.40
Mexican Peso	MXN	23.08	21.03	22.88	20.58	20.63	23.66	21.77
Malaysian Ringgit	MYR	4.77	4.75	4.71	4.90	4.43	4.85	4.73
New Zealand Dollar	NZD	1.69	1.53	1.72	1.56	1.56	1.69	1.52
Polish Zloty	PLN	4.22	4.27	4.37	4.23	4.44	4.18	4.41
Romanian Leu	RON	4.65	4.54	4.66	4.55	4.52	4.66	4.54
Singapore Dollar	SGD	1.61	1.52	1.59	1.57	1.50	1.60	1.52
Thai Bhat	THB	38.42	37.57	38.57	38.74	39.01	39.12	37.73
US Dollar	USD	1.21	1.08	1.17	1.14	1.11	1.20	1.05
Vietnamese Dong	VND	27,565.50	24,580.08	26,746.00	25,938.35	24,767.80	27,233.00	23,991.84

4. Use of Estimates

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

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

5. Management of Financial Risks

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

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

Market risk

The Group is exposed to market risks associated with interest rates, exchange rates and green coffee prices.

There have been no significant changes in the policies, strategies or instruments used to manage interest rate risk, exchange rate risk and green coffee price risk since December 31, 2017.

Exchange rate risk

In order to reduce the exchange rate risk deriving from foreign currency denominated assets, liabilities and cash flows, the Group arranges forward contracts to hedge future cash flows denominated in currencies other than Euro. The instruments adopted by the Group satisfy the criteria necessary to be recognized in accordance with hedge accounting rules.
The notional value of forward contracts outstanding as at June 30, 2018 was Euro 63,846 thousand (Euro 90,605 thousand as at December 31, 2017). Forward contracts outstanding as at June 30, 2018 had a positive fair value of Euro 1,425 thousand (negative fair value of Euro 2,381 thousand as at December 31, 2017).

Price risk of green coffee

In the ordinary course of business, the Group is exposed to the risk of fluctuations in the price of green coffee, its principal raw material. The Group reduces risk deriving from fluctuations in the price of green coffee by entering into forward contracts for the purchase of green coffee that fix the price of expected future purchases. The maturity of such contracts is generally four to six months. For further details, see Note 28 - Related Party Transactions. For accounting purposes, changes in the fair value of such contracts are not disclosed when the "own use exemption" conditions apply.

The value of outstanding contractual obligations for which the own use exemption conditions apply amounted to Euro 229,360 thousand as at June 30, 2018 (Euro 211,639 thousand as at December 31, 2017).

Liquidity risk

Taking into account Note 15 – Current and Non-Current Borrowings, there were changes in the expected cash flows, in particular, non-current borrowings, compared to December 31, 2017.

As at June 30, 2018, the Group had credit lines available from various financial institutions (that are renewable annually and can be revoked at short notice), amounting to a total of Euro 219,768 thousand (Euro 224,591 thousand as at December 31, 2017).
The undrawn portion of such credit lines at June 30, 2018 totalled Euro 170,255 thousand (Euro 171,577 thousand at December 31, 2017).

Additionally, it is noted that:

- there are different sources of funding from various financial institutions;
- there is not a significant concentration of liquidity risk in terms of financial assets or sources of financing.

Fair value

The fair value of financial instruments listed in an active market is based on their market prices at the reporting date. The fair value of financial instruments not listed in an active market is determined using measurement techniques based on a series of methods and assumptions linked to market conditions at the reporting date.

The following table shows the fair value hierarchy of financial instruments:

As at June 30, 2018 *(in thousands of Euro)*	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Current derivatives on exchange rates	-	1,425	-	1,425
Total	**-**	**1,425**	**-**	**1,425**
Liabilities				
Derivatives on interest rates	-	1,344	-	1,344
Total	**-**	**1,344**	**-**	**1,344**

As at December 31, 2017 *(in thousands of Euro)*	**Level 1**	**Level 2**	**Level 3**	**Total**
Liabilities				
Derivatives on exchange rates	-	2,381	-	2,381
Derivatives on interest rates	-	1,293	-	1,293
Total	**-**	**3,674**	**-**	**3,674**

Level 1: Fair value is determined with reference to the (unadjusted) listed prices in active markets of identical financial instruments.

Level 2: Fair value is determined using measurement techniques based on inputs observable in active markets.

Level 3: Fair value is determined using measurement techniques based on inputs that are not observable.

There were no transfers between levels for the six months ended June 30, 2018 or the year ended December 31, 2017. Similarly, there were no changes in the valuation techniques used. Transfers in the fair value hierarchy levels 2 and 3 are analyzed at each reporting date.

Valuation techniques used to derive Level 2 fair values

The fair value of derivative instruments in place as at June 30, 2018 and December 31, 2017 is measured in accordance with Level 2.

Financial instruments with a Level 2 fair value include derivatives that qualify for hedge accounting and other derivative instruments designed to reduce exposure to economic risks. Derivative instruments include forward foreign exchange contracts and interest rate swaps.

The fair value of forward foreign exchange contracts is determined using forward exchange rates quoted on active markets. The fair value of interest rate swaps is determined using a forward curve of interest rates based on market yield curves.

The fair value of trade receivables and other financial assets, trade payables, other payables and other financial liabilities, which are classified as current in the statement of financial position, are measured at amortized cost. The fair value of such assets and liabilities does not differ materially from their carrying amounts as at June 30, 2018 and December 31, 2017, as they relate primarily to balances generated from normal operations that will be settled in the short term.

6. Seasonality

While the Group's business is not subject to significant seasonal or cyclical fluctuations, the revenue and cost flows are not entirely uniform throughout the year. For that reason, the interim financial position and results of operations should not be considered representative of all or a portion of the full year.

7. Impacts from new accounting standards

IFRS 15

Under IFRS 15, an entity shall account for consideration payable to a customer as a reduction of revenue unless the payment to the customer is in exchange for a distinct good or service received from the customer and measured at fair value. Therefore, as of January 1, 2018, the Group has reclassified this type of consideration from “purchases of services, leases and rentals” to a decrease in “revenue”. The application of IFRS 15 have implied in 2018 a reclassification from “Purchase of services, leases and rentals” to “Revenues” of Euro 2.574 thousand

The table below shows the effect of the application of IFRS 15 on June 30, 2018 revenues by distribution channel:

	Six months ended June 30, 2018		
(in thousands of Euro)	**Reported Figures**	**Reclassification**	**Restated Figures**
Foodservice	103,326	(149)	103,177
Mass Market	161,070	2,618	163,688
Private Label	140,810	75	140,885
Other	29,205	30	29,235
Total	**434,411**	**2,574**	**436,985**

The following table shows the effect of the application of IFRS 15 on June 30, 2018 revenues by geographic area:

	Six months ended June 30, 2018		
(in thousands of Euro)	**Reported Figures**	**Reclassification**	**Restated Figures**
Americas	189,463	-	189,463
Northen Europe	87,545	(658)	86,887
Southern Europe	118,712	3,232	121,944
Asia-Pacific and Cafés	38,691	-	38,691
Total	**434,411**	**2,574**	**436,985**

Under IFRS 15, contract assets and liabilities shall be presented separately in the statement of financial position. Therefore the Group has reclassified some contract assets and liabilities (e.g., the discounts granted to the Foodservice channel customers and advances from customers) which are currently included in “other current assets”, “other non-current assets” and “other current liabilities” and “other non-current liabilities”. For these assets and liabilities it has been given separate evidence of those related to “contracts” with customers, as shown in the following table.

	Six months ended June 30, 2018		
(in thousands of Euro)	**Reported Figures**	**IFRS 15**	**Data without the impact of IFRS 15**
Asset			
Current and non current contract assets	11,421	(11,421)	-
Other current and non current assets	23,452	11,421	34,873
Liabilities			
Current and non-current contract liabilities	1,251	(1,251)	-
Other current and non-current liabilities	36,026	1,251	37,277

IFRS 9

Under the new impairment model applicable to financial assets, the accruals to the allowance for impairment are based on expected losses rather than on the losses already incurred as set out in IAS 39.

The Group has applied the simplified approach envisaged by IFRS9 in order to asses the recoverability of its own trade receivables. The adjustment to the estimates done before, as shown in the following table with values as at January 1 2018, takes into account the default risk in trade receivables, through a differentiated “ expected default rate” which is applied to classes of trade receivables omogeneous in terms of risk profile and maturity or, for those in arrears, in terms of the actions taken to recover the credit.

As at January 1, 2018 (in thousands of Euro and percentages)	Not due	Past due 1-90 days	Past due 91-180 days	Past due over 180 days	Total
Expected default rate(*)	1%	3%	20%	79%	17%
Current and non current trade receivables	93,281	22,453	3,637	27,852	147,224
Allowance for impairment of trade receivables	1,118	694	720	22,002	24,534

(*) Direct ratio between allowance for impairment of trade receivables and current and non current trade receivables. The percentage in the above chart represents the weighted average of the clusters identified by the group.

As at June 30 2018 have been confirmed the values of the "expected write-off rate" used in the first place.

As mentioned above, when reporting the impact from the first adoption of IFRS 9, the Group has used the "*modified retrospective method*". According to this method, the cumulated effects related to the implementation of the new standard are recorded in the "Retained Earnings" as at January 1 2018, without presenting the comparative amounts, as shown in the following table:

(in thousands of Euro)	as of December 31 2017	IFRS 9 effect	As of January First 2018
Asset			
Current and non current trade receivables	126,481	(3,791)	122,690
Deferred tax assets and liabilities	10,244	821	11,065
Liabilities			
Retained earnings	166,443	(2,953)	163,490
Equity attributable to non-controlling interests	1,977	(17)	1,960

8. Business combinations

For the six months ended June 30, 2018

In the first six months of 2018 there has not been business combinations.

For the six months ended June 30, 2017

The acquisition of Le.ma, a small local operator in the Italian market, took place in the first six months of 2017 and in June, the Group acquired the business unit Tru Blue, operating in the distribution of coffee in Australia.

9. Operating Segments

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

Details of revenue by product line, distribution channel and geographical area are provided in Note 19 - Revenue.

10. Intangible Assets

The following table sets forth the changes in property, plant and equipment for the six months ended June 30, 2018:

(in thousands of Euro)	**Goodwill**	**Trademarks, licenses, and similar**	**Customer related assets**	**Software and other immaterial assets**	**Total**
As at December 31, 2017	**114,438**	**62,427**	**2,926**	**3,440**	***183,231***
Of which:					
- historical cost	*114,438*	*71,568*	*5,184*	*19,758*	***210,948***
- accumulated depreciation	-	*(9,141)*	*(2,258)*	*(16,318)*	***(27,717)***
Capital expenditure	-	*20*	-	*929*	**949**
Disposals	-	-	-	*(15)*	**(15)**
Amortization	-	*(1,520)*	*(303)*	*(701)*	**(2,524)**
Exchange differences	*493*	*378*	*41*	*18*	**930**
As at June 30, 2018	**114,931**	**61,305**	**2,664**	**3,671**	**182,571**
Of which:					
- historical cost	*114,931*	*71,950*	*5,268*	*20,609*	***212,758***
- accumulated depreciation	-	*(10,645)*	*(2,604)*	*(16,938)*	***(30,187)***

Capital expenditure in intangible assets for the six months ended June 30, 2018 are mainly related to the implementation of new software in Italy and in the Headquarter.

Capital expenditure in intangible assets for the six months ended June 30, 2017 are mainly related to the implementation of new software in the USA, Italy and France.

As at June 30, 2018, no impairment indicators were identified regarding the CGUs requiring allocation of goodwill and consequently, no impairment tests were performed.

11. Property, Plant and Equipment

The following table sets forth the changes in property, plant and equipment for the period:

(in thousands of Euro)	**Land and buildings**	**Plant and machinery**	**Industrial and commercial equipment and other assets**	**Bar equipment**	**Asset under construction**	**Total**
As at December 31, 2017	**77,099**	**64,484**	**22,013**	**47,000**	**2,234**	**212,830**
Of which:						
- historical cost	*118,801*	*147,345*	*79,495*	*178,093*	*2,234*	***525,968***
- accumulated depreciation	*(41,702)*	*(82,861)*	*(57,482)*	*(131,093)*		***(313,138)***
Capital expenditure	551	942	2,131	7,894	1,442	**12,960**
Disposals	(32)	(15)	(88)	(142)	-	**(277)**
Amortization	(1,908)	(3,330)	(2,599)	(7,558)	-	**(15,395)**
Reclassifications	352	534	545	42	(1,473)	**-**
Exchange differences	291	1,172	4	(209)	35	**1,293**
As at June 30, 2018	**76,353**	**63,787**	**22,006**	**47,027**	**2,238**	**211,411**
Of which:						
- historical cost	*119,500*	*150,445*	*80,132*	*183,070*	*2,238*	***535,385***
- accumulated depreciation	*(43,147)*	*(86,658)*	*(58,126)*	*(136,043)*	*-*	***(323,974)***

Bar equipment includes coffee machines, grinders and company-branded products. Bar equipment is generally provided free of charge to customers in the Foodservice channel mainly in Italy, France, Portugal, Germany and Austria. This equipment is of a commercial nature and is designed to build customer loyalty.

Additions to property, plant and equipment in the six months ended June 30, 2017 amounted to Euro 19,183 thousand and related mainly to the following categories: *i)* Bar equipment amounting to Euro 10,923 thousand; *ii)* Assets under construction amounting to Euro 4,115 thousand; *iii)* Industrial and commercial equipment and other assets amounting to Euro 2,698 thousand.

12. Investments in joint ventures and associates

The following table shows the changes in this item for the period in question:

	As at June 30,
(in thousands of Euro)	**2018**
As at December 31, 2017	**9,616**
Increases	600
Profit for the Period	(669)
Exchange differences	277
As at June 30, 2018	**9,824**

In the six months ended June 30, 2018, the Group made a capital contribution of Euro 600 thousand to Virtus Pallacanestro Bologna S.S.D. a r.l., located in Bologna.
The Group is of the opinion that it exercises significant influence over the club and so it has been classified as an associated company and accounted for using the equity method.

In the six months ended June 30, 2017, the Group subscribed a share capital increase in Virtus Pallacanestro Bologna S.S.D. a R.L., located in Bologna, with an overall share of 40%. The investment amounted to Euro 840 thousand. This operation will strengthen the Segafredo Zanetti brand by linking it with a leading sport club well renown in Italy and abroad

13. Current and non-current trade receivables

The following table shows current and non current trade receivables details:

(in thousands of Euro)	**As at June 30, 2018**	**As at December 31, 2017**
Trade receivables and other receivables	137,198	138,745
Provision for impairment of trade receivables	(19,520)	(15,340)
Total trade receivables	**117,678**	**123,405**
Non-current trade receivables and other receivables from customers	8,602	8,477
Non-current provision for impairment of trade receivables	(5,905)	(5,401)
Total non-current trade receivables	**2,697**	**3,076**
Total current and non-current trade receivables	**120,375**	**126,481**

The following table sets forth the changes in the provision for impairment of trade receivables:

(in thousands of Euro)	**Provision for impairment of trade receivables**	**Non-current provision for impairment of trade receivables**
As at December 31, 2017	**15,340**	**5,401**
First adoption IFRS 9	2,931	860
Accruals	1,305	437
Releases	(23)	-
Utilizations	(10)	(793)
Exchange differences	(23)	-
As at June 30, 2018	**19,520**	**5,905**

As stated into paragraph *n. 7 – "Impacts from new accounting standards"*, according to IFRS 9, the Group has made adjustments to the allowance for impairment related to trade receivables as of January 1, 2018 for gross Euro 3,791 thousand, and recorded against the line item "retained earnings".

14. Equity

Share capital

As at June 30, 2018, the issued and fully paid share capital of the Parent amounted to Euro 34,300 thousand and consists of 34,300,000 ordinary shares without nominal value.

On April 10, 2018 the Shareholders' Meeting of Massimo Zanetti Beverage Group S.p.A. approved the financial statements for 2017 and resolved to distribute a dividend of € 0.17 per share. The total dividend of Euro 5,831 thousand, was paid in May.

Other reserves and retained earnings

Other reserves and retained earnings are detailed in the following table.

(in thousands of Euro)	*Legal reserve*	*Share premium reserve*	*Other reserves*	*Cash flow hedge*	*Net investment hedge*	*Translation reserve*	*Total other reserves*	*Retained earnings*
As of December 31, 2016	**3,786**	**62,918**	**46,792**	**740**	**(8,578)**	**19,080**	**124,738**	**149,057**
Remeasurements of employee benefit obligations - gross	-	-	-	-	-	-	**-**	**(186)**
Tax on remeasurements of employee benefit obligations	-	-	-	-	-	-	**-**	**46**
Cash flow hedge: fair value losses in the period - gross	-	-	-	(3,210)	-	-	**(3,210)**	-
Tax on fair value gains in the period from cash flow hedges	-	-	-	949	-	-	**949**	-
Currency translation differences	-	-	-	-	-	(12,307)	**(12,307)**	-
Dividends paid to non-controlling interests	-	-	(5,145)	-	-	-	**(5,145)**	-
Profit for the period	-	-	-	-	-	-	**-**	**4,296**
Reclassifications	410	-	-	-	-	-	**410**	**(410)**
As at June 30, 2017	**4,196**	**62,918**	**41,647**	**(1,521)**	**(8,578)**	**6,773**	**105,435**	**152,803**

(in thousands of Euro)	*Legal reserve*	*Share premium reserve*	*Other reserves*	*Cash flow hedge*	*Net investment hedge*	*Translation reserve*	*Total other reserves*	*Retained earnings*
As at December 31, 2017	**4,196**	**62,918**	**41,647**	**(1,441)**	**(8,578)**	**(580)**	**98,162**	**166,443**
Effect of the first application of IFRS 9	-	-	-	-	-	-	**-**	**(2,953)**
As at January 1, 2018	**4,196**	**62,918**	**41,647**	**(1,441)**	**(8,578)**	**(580)**	**98,162**	**163,490**
Remeasurements of employee benefit obligations - gross	-	-	-	-	-	-	**-**	**75**
Tax on remeasurements of employee benefit obligations	-	-	-	-	-	-	**-**	**(19)**
Cash flow hedge: fair value losses in the period - gross	-	-	-	3,141	-	-	**3,141**	**-**
Tax on fair value gains in the period from cash flow hedges	-	-	-	(908)	-	-	**(908)**	**-**
Currency translation differences	-	-	-	-	-	2,587	**2,587**	**-**
Dividends paid to non-controlling interests	-	-	(5,831)	-	-	-	**(5,831)**	**-**
Profit for the period	-	-	-	-	-	-	**-**	**7,092**
Reclassifications	336	-	-	-	-	-	**336**	**(336)**
As at June 30, 2018	**4,532**	**62,918**	**35,816**	**792**	**(8,578)**	**2,006**	**97,487**	**170,302**

15. Current and Non-current borrowings

The following tables provide a breakdown of current and non-current borrowings at June 30, 2018 and December 31, 2017.

As at June 30, 2018 *(in thousands of Euro)*	**Less than 12 months**	**Between 1 and 5 years**	**Over 5 years**	**Total**
Long-term borrowings	34,891	189,008	6,248	230,147
Short-term borrowings	42,833	-	-	42,833
Advances from factors and banks	6,581	-	-	6,581
Finance lease liabilities	1,290	2,722	72	4,084
Total	**85,595**	**191,730**	**6,320**	**283,645**

As at December 31, 2017 *(in thousands of Euro)*	**Less than 12 months**	**Between 1 and 5 years**	**Over 5 years**	**Total**
Long-term borrowings	24,259	199,484	1,969	225,712
Short-term borrowings	45,306	-	-	45,306
Advances from factors and banks	7,707	-	-	7,707
Finance lease liabilities	1,459	2,677	15	4,150
Total	**78,731**	**202,161**	**1,984**	**282,876**

Long-term borrowings

The following table provides details of the main long-term borrowings in place as at June 30, 2018 and December 31, 2017:

			As at June 30,	**As at December 31,**
Interest rate	**Year**	**Initial principal amount**	**2018**	**2017**
		(in thousands)	*(in thousands of Euro)*	
denominated in Euro				
Euribor 6M + 1.25%	2015	5,000	-	847
Euribor 3M + 1.25%	2015	12,000	7,667	8,333
Euribor 6M + 1%	2016	5,000	1,963	2,796
Euribor 3M + 1.10%	2016	15,000	9,997	11,657
Euribor 6M + 1.35%	2016	50,000	50,000	50,000
Euribor 6M + 0.90%	2016	9,000	8,993	8,991
Euribor 6M + 1.05%	2016	50,000	47,342	49,824
Euribor 6M + 0.9%	2016	10,000	9,997	9,997
Euribor 3M + 0.75%	2016	10,000	8,757	9,996
Euribor 6M +1%	2016	10,000	8,743	9,984
0.80%	2017	10,000	9,980	9,984
Euribor 3M +0.85%	2017	15,000	14,985	14,985
Euribor 3M +0.85%	2017	10,000	8,041	9,023
Euribor 3M +0,75%	2018	15,000	14,985	-
Other loans	-	-	3,001	2,951
		subtotal	**204,451**	**199,369**
denominated in USD				
6.5% Libor 3M + 7.5%	2015	3,000	1,820	1,915
Libor 3M + 1.50%	2017	30,000	23,876	24,428
		subtotal	**25,696**	**26,343**
Total			**230,147**	**225,712**
of which non-current			*195,256*	*201,453*
of which current			*34,891*	*24,259*

The Group's loan contracts require compliance with the so-called negative pledge and financial covenant commitments considered standard international practice for such agreements.

These covenants are constantly monitored by the Group's management and were complied with as at June 30, 2018 and December 31, 2017.

Within the scope of the ordinary fund raising activities, the Group entered into a medium-to-long term loan agreement with Banca Popolare di Sondrio in April 2018 for an overall amount of Euro 15,000 thousand reaching maturity in 2025.

In order to reduce the Group's exposure to interest rate fluctuations, certain Interest Rate Swap agreements on existing loans were entered into in the six months ended June 30, 2018.

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

	As at June 30,	**As at December 31,**
(in thousands of Euro)	**2018**	**2017**
Principal amount of long-term borrowings		
- at variable rate	220,947	216,548
- at fixed rate	10,000	10,000
Notional value of derivatives on interest rates	99,890	90,833
Long-term borrowings converted at fixed rate	48%	45%
Remaining portion of long-term borrowings at variable rate	52%	55%
Long-term borrowings denominated in Euro	89%	88%
Long-term borrowings denominated in USD	11%	12%

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 June 30, 2018 and December 31, 2017, determined in accordance with CONSOB communication dated July 28, 2006 and ESMA/2013/319 Recommendation:

		As at June 30,	As at December 31,
(in thousands of Euro)		**2018**	**2017**
A	Cash and cash equivalents	(991)	(803)
B	Cash at bank	(88,315)	(88,791)
C	Securities held for trading	-	-
D	**Liquidity (A+B+C)**	**(89,306)**	**(89,594)**
E	**Current financial receivables**	**(3,631)**	**(2,327)**
F	Current loans	49,414	53,014
G	Current portion of non-current loans	34,891	24,259
H	Other current financial payables	1,290	1,459
I	**Current indebtedness (F+G+H)**	**85,595**	**78,732**
J	**Net current indebtedness (I+E+D)**	**(7,342)**	**(13,189)**
K	Non-current medium/long-term loans	195,256	201,453
L	Issued bonds	-	-
M	Other non-current financial payables	2,794	2,692
N	**Non-current indebtedness (K+L+M)**	**198,050**	**204,145**
O	**Net financial indebtedness (J+N)**	**190,708**	**190,956**

16. Other non-current provisions

The following table sets forth a breakdown of other non-current provisions:

(in thousands of Euro)	Provision for agents' termination indemnities	Provisions for other charges	Total
As at December 31, 2017	**1.528**	**1.458**	**2.986**
Accruals	81	141	**222**
Utilizations	(26)	(160)	**(186)**
Releases	-	-	**-**
Exchange differences	(13)	-	**(13)**
As at June 30, 2018	**1.570**	**1.439**	**3.009**

17. Other Current and Non-Current Liabilities

The following table shows a breakdown other current and non current liabilities:

	As at June 30,	As at December 31,
(in thousands of Euro)	**2018**	**2017**
Derivatives on interest rates	1,135	1,115
Current derivatives on exchange rates	-	148
Non-current financial guarantee contracts	1,170	1,170
Other non-current liabilities	185	614
Other non-current liabilities	**2,490**	**3,047**
Payables to personnel	10,392	10,273
Payables to social security institutions	4,251	4,120
Other tax payables	8,576	5,949
Current financial guarantee contracts	830	830
Advances from customers	-	1,395
Payables to agents	1,073	1,077
Derivatives on interest rates	209	178
Current derivatives on exchange rates	-	2,233
Other current liabilities	8,205	10,229
Total other current liabilities	**33,536**	**36,284**

Please refer to Note 5 – Fair Value for further details regarding liabilities related to derivative instruments.

Financial guarantee contracts refer to the effects of financial guarantees (in the form of discounted bills of exchange) issued in favour of Claris Factor S.p.A. and MBFacta in relation to loans provided by the latter to Group customers. Such guarantees are part of a broader business arrangement with customers, and in particular with bars in Italy. As at June 30, 2018, total loans made to customers by Claris Factor SpA which are covered by Group guarantees amounted to Euro 12,958 thousand (Euro 12,966 thousand as at December 31, 2017).

18. Potential Liabilities

On May 9, 2011, Massimo Zanetti Beverage U.S.A. Inc., was summoned, along with several other companies operating in the production and marketing of coffee, by the Council for Education and Research on Toxics, which accused them of failing to include, according to the so called *Proposition 65*, 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. Phase 2 of the litigation, whose principal focus was the defendants' "Alternative Significant Risk Level" defense, was conducted in the fall of 2017 and a decision against the defendants was made in the spring of this year (2018). The Company and its co-defendants currently are preparing for the litigation's Phase 3, which is anticipated to begin in the fall of this year and whose subject will be a determination of the remedies to be awarded against the defendants (including (i) a monetary payment, consisting of penalties to be assessed, if any, plus payment of a portion of the plaintiff's attorney fees, and (ii) the nature of the acrylamide warning to be required of the defendants for placement on their respective products). In June of this year, the California Office of Environmental Health Hazard Assessment ("OEHHA"), the state agency charged with implementing the Prop 65 statute, announced a proposed new regulation which, if enacted, would rule that exposure to any of the items listed in the Prop 65 statute which are found in coffee and whose presence results from either the coffee beans roasting process or from brewing coffee, does not pose a significant risk of cancer. A public comment period on this proposed new regulation opened in June 2018 and will close at the end of August 2018, with a public hearing on it scheduled for August 16, 2018. In developing and announcing this new regulation, OEHHA noted that its action was based in large measure on recent affirmation by the International Agency for Research on Cancer of its conclusion that it no longer could classify coffee as a possible carcinogen and on findings by the World Health Organization that drinking coffee actually lowers the risk of developing specific cancers. The Company is optimistic that OEHHA's proposed new regulation will be approved and implemented, possibly as early as 2019. Although the retroactive application of such a new regulation is uncertain under applicable California law, it is believed nevertheless that its enactment will strengthen the Company's position and negatively impact the plaintiff's case. Albeit the recent and more positive developments were not taken into consideration, management, having verified the impossibility of providing reliable estimates on possible penalties, has not recorded any accrual as of June 30, 2018.

19. Revenue

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

	Six months ended June 30,	
(in thousands of Euro)	**2018**	**2017**
Sales of roasted coffee	377,388	423,982
Sale of regional products and other food related products	27,819	22,219
Sales of coffee machines	16,703	16,467
Revenue from café network	5,667	5,715
Other revenue	6,834	7,180
Total	**434,411**	**475,563**

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

	Six months ended June 30,	
(in thousands of Euro)	**2018**	**2017**
Foodservice	103,326	104,691
Mass Market	161,070	178,058
Private Label	140,810	163,453
Other	29,205	29,361
Total	**434,411**	**475,563**

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

	Six months ended June 30,	
(in thousands of Euro)	**2018**	**2017**
Americas	189,463	227,215
Northern Europe	87,545	89,785
Southern Europe	118,712	121,437
Asia-Pacific and Cafés(*)	38,691	37,126
Total	**434,411**	**475,563**

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

Please refers to paragraph *n. 7 – "Impacts from new accounting standards"* for further detail related IFRS 15 effect on June 30, 2018.

20. Purchases of Goods

The following table shows a breakdown of Purchases of Goods:

	Six months ended June 30,	
(in thousands of Euro)	**2018**	**2017**
Purchases of raw materials	189,384	216,109
Purchases of finished goods	23,868	32,405
Purchases of packaging and other	29,932	31,135
Total	**243,184**	**279,649**

21. Purchases of Services, Leases and Rentals

The following table sets forth a breakdown of purchases of services, leases and rentals:

(in thousands of Euro)	Six months ended June 30, 2018	2017
Advertising and promotions	22,695	24,060
Transportation costs	11,923	11,948
Agent commissions and other	7,390	9,473
Maintenance, repair and support	8,993	8,911
Leases and rentals	6,903	7,590
Utilities	6,869	6,578
Travel expenses and fuel	4,663	4,847
Consultancy and collaborations	5,424	5,817
Temporary workers	1,613	2,162
Insurance	1,316	1,384
Outsourced processing	1,345	1,698
Other services	7,738	7,644
Total	**86,872**	**92,112**

Purchases of services, amounting to Euro 86,872 thousand in the first half of 2018, showing a decrease of Euro 5,240 thousand compared to the first half of 2017. This decrease is mainly due to the exchange rates impact, for Euro 3,599 thousand.

22. Personnel Costs

The following table shows a breakdown of Personnel Costs:

(in thousands of Euro)	Six months ended June 30, 2018	2017
Wages and salaries	57,716	59,151
Social security contributions	9,709	9,783
Directors' fees	1,509	2,029
Contributions to pension funds	549	536
Other personnel-related costs	1,468	1,412
Total	**70,951**	**72,911**

23. Other Operating Costs

The following table shows a breakdown of Other Operating Costs:

(in thousands of Euro)	Six months ended June 30, 2018	2017
Indirect taxes and levies	1,803	1,824
Other costs	907	1,338
Accruals of provisions	222	239
Total	**2,932**	**3,401**

24. Amortization, Depreciation and Impairment

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

(in thousands of Euro)	Six months ended June 30, 2018	2017
Depreciation of property, plant and equipment	15,395	15,659
Amortization of intangible assets	2,524	2,575
Depreciation of investment property	59	52
Allowances for doubtful accounts	1,719	1,747
Total	**19,697**	**20,033**

25. Finance Income and Costs

The following table shows a breakdown of Finance Income and Costs:

	Six months ended June 30,	
(in thousands of Euro)	**2018**	**2017**
Interest expense	2,222	2,478
Interest expense to related parties	620	708
Net foreign exchange gains	(184)	(288)
Net fair value gains on derivative financial instruments	51	(128)
Other finance costs	406	525
Total finance costs	**3,115**	**3,295**
Finance income	(162)	(151)
Total net finance expense	**2,953**	**3,144**

26. Income Tax Expense

The following table shows a breakdown of Income Tax Expense:

	Six months ended June 30,	
(in thousands of Euro)	**2018**	**2017**
Current income tax	2,716	2,400
Deferred tax	586	422
Total	**3,302**	**2,822**

The following table shows the amount of income tax recognised in the Comprehensive Statement of Income for the six months ended June 30, 2018 and 2017:

	Six months ended June 30,	
(in thousands of Euro)	**2018**	**2017**
Tax impact on cash flow hedges	(908)	949
Tax impact of remeasurements on employee benefits obligations	(19)	46
Total	**(927)**	**995**

27. Earnings per share

The following table provides a breakdown of earnings per share:

	Six months ended June 30,	
(in thousands of Euro, unless otherwise indicated)	**2018**	**2017**
Average number of ordinary shares	34,300,000	34,300,000
Profit attributable to owners of the Parent	7,092	4,296
Basic and diluted earnings per share (in Euro)	**0.21**	**0.13**

Basic earnings per share and diluted earnings per share were the same for the six months ended June 30, 2018, as they were in the same period of 2017, as there were no dilutive options.

28. Related Party Transactions

Related parties are recognized in accordance with IAS 24. Related party transactions are mainly of a commercial and financial nature and are conducted under normal market terms and conditions; there is however, no guarantee that had similar transactions been entered into between or with third parties, such third parties would have negotiated or entered into the contracts under the same conditions or in the same manner.

The transactions with related parties described below result in benefits arising from the use of common services and shared competencies, Group-level synergies and common policy and strategy in financial matters. In particular, for the six months ended June 30, 2018 and the year ended December 31, 2017, related party transactions were entered into in the following areas:

- purchase and sale of green coffee;
- provision of professional and other services;
- issue of loans and guarantees;
- management of shared services.

The Group has entered into transactions with the following related parties:

- entities which are controlled directly or indirectly by MZ Industries or Mr. Massimo Zanetti ("**Entities under Common Control**");
- joint ventures and associates ("**JV and Associates**"); and
- Group directors with strategic responsibilities and, in particular, members of the Board of Directors ("**Key Management**").

The following table shows the income statement effects of related party transactions for the six months ended June 30, 2018 and 2017 as well as the statement of financial position balances resulting from related party transactions for the six months ended June 30, 2018 and for December 31, 2017:

(in thousands of Euro)	**Entities under Common Control**	**JV and associates**	**Key Management**	**Total related parties**	**Financial statements line item**	**Percentage of financial statements line item**
Impact of transactions on income statement						
Revenue						
Six Month ended June 30, 2018	46	194	-	**240**	434,411	**0.1%**
Six Month ended June 30, 2017	49	601	-	**650**	475,563	**0.1%**
Purchase of goods						
Six Month ended June 30, 2018	82,187	558	-	**82,745**	243,184	**34.0%**
Six Month ended June 30, 2017	99,313	5,730	-	**105,043**	279,649	**37.6%**
Purchases of services, leases and rentals						
Six Month ended June 30, 2018	271	792	-	**1,063**	86,872	**1.2%**
Six Month ended June 30, 2017	242	303	-	**545**	92,112	**0.6%**
Personnel costs						
Six Month ended June 30, 2018	-	-	4,001	**4,001**	70,951	**5.6%**
Six Month ended June 30, 2017	-	-	2,942	**2,942**	72,911	**4.0%**
Finance income						
Six Month ended June 30, 2018	-	6	-	**6**	162	**3.7%**
Six Month ended June 30, 2017	-	2	-	**2**	151	**1.3%**
Finance costs						
Six Month ended June 30, 2018	620	-	-	**620**	3,115	**19.9%**
Six Month ended June 30, 2017	708	-	-	**708**	3,295	**21.5%**
Impact of transactions on statement of financial position						
Trade receivables						
As at June 30, 2018	48	48	-	**96**	117,678	**0.1%**
As at December 31, 2017	145	83	-	**228**	123,405	**0.2%**
Other non-current assets						
As at June 30, 2018	79	310	-	**389**	5,971	**6.5%**
As at December 31, 2017	-	240	-	**240**	13,669	**1.8%**
Other current assets						
As at June 30, 2018	5	258	-	**263**	17,481	**1.5%**
As at December 31, 2017	-	-	-	**-**	18,195	**0.0%**
Trade payables						
As at June 30, 2018	43,420	388	-	**43,808**	147,674	**29.7%**
As at December 31, 2017	36,823	80	-	**36,903**	139,329	**26.5%**

The following table shows certain other information, resulting from related party transactions, as at June 30, 2018 and December 31, 2017:

(in thousands of Euro)	**Entities under Common Control**	**Total related parties**	**Total**	**Percentage of Total**
Commitments				
As at June 30, 2018	88,401	**88,401**	229,360	**38.5%**
As at December 31, 2017	73,285	**73,285**	211,639	**34.6%**

Entities under Common Control

The following table shows the income statement effects of transactions with Entities under Common Control for the six months ended June 30, 2018 and 2017, as well as the statement of financial position balances resulting from transactions with Entities under Common Control by financial statement line item for and at June 30, 2018 and December 31, 2017:

(in thousands of Euro)	**Cofiroasters SA**	**Other entities *Green Coffee***	**Doge SpA**	**Hotel Cipriani**	**Other**	**Total Entities under Common Control**	**Financial statements line item**	**Percentage of financial statements line item**
Impact of transactions on income statement								
Revenue								
Six Month ended June 30, 2018	1	7	12	2	24	**46**	434,411	**0.0%**
Six Month ended June 30, 2017	-	9	12	4	24	**49**	475,563	**0.0%**
Purchase of goods								
Six Month ended June 30, 2018	77,658	4,529	-	-	-	**82,187**	243,184	**33.8%**
Six Month ended June 30, 2017	92,499	6,814	-	-	-	**99,313**	279,649	**35.5%**
Purchases of services, leases and rentals								
Six Month ended June 30, 2018	35	2	40	31	163	**271**	86,872	**0.3%**
Six Month ended June 30, 2017	-	-	39	13	190	**242**	92,112	**0.3%**
Finance costs								
Six Month ended June 30, 2018	620	-	-	-	-	**620**	3,115	**19.9%**
Six Month ended June 30, 2017	708	-	-	-	-	**708**	3,295	**21.5%**
Impact of transactions on statement of financial position								
Trade receivables								
As at June 30, 2018	-	-	37	11	-	**48**	117,678	**0.0%**
As at December 31, 2017	20	2	29	94	-	**145**	123,405	**0.1%**
Other non-current assets								
As at June 30, 2018	-	-	-	79	-	**79**	5,971	**1.3%**
As at December 31, 2017	-	-	-	-	-	**-**	13,669	**0.0%**
Other current assets								
As at June 30, 2018	-	2	-	3	-	**5**	17,481	**0.0%**
As at December 31, 2017	-	-	-	-	-	**-**	18,195	**0.0%**
Trade payables								
As at June 30, 2018	41,668	1,751	1	-	-	**43,420**	147,674	**29.4%**
As at December 31, 2017	34,763	2,058	-	2	-	**36,823**	139,329	**26.4%**

The following table shows certain other information, resulting from transactions with Entities under Common Control, as at June 30, 2018 and December 31, 2017.

(in thousands of Euro)	**Cofiroasters SA**	**Total Entities under Common Control**	**Total**	**Percentage of total**
Commitments		-		
Al 30 giugno 2018	88,401	**88,401**	229,360	**38.5%**
Al 31 dicembre 2017	73,285	**73,285**	211,639	**34.6%**

Cofiroasters S.A. and other green coffee companies

(a) Purchase of green coffee from Cofiroasters S.A.

Cofiroasters S.A. purchases green coffee from producers and sells it to both to Group entities and to other customers (mainly through purchase and sale on the New York and London coffee commodity markets) and organizes the transport of green coffee from production locations to destination ports or directly to roasting plants.

Group purchases of green coffee from Cofiroasters S.A. are based on individual orders placed by individual Group entities as required by the "*European contract for Coffee*" as adopted by the *European Coffee Federation*.

Group purchases of green coffee from Cofiroasters account for raw material costs included in "Purchases of Raw, ancillary, and consumable materials and goods" totalling Euro 77,658 thousand for the six months ended June 30, 2018 (Euro 92,499 thousand for the six months ended June 30, 2017). Payables to Cofiroasters SA included among Trade payables amounted to Euro 41,688 thousand at June 30, 2018 (Euro 34,763 thousand at December 31, 2017).

(b) Commitments to purchase green coffee from Cofiroasters S.A.

In order to mitigate risks relating to the price of green coffee, Group entities make forward purchases of green coffee thereby fixing the price of future purchases. Commitments to purchase green coffee from Cofiroasters S.A. not reflected in the financial statements as at June 30, 2018 totalled Euro 88,401 thousand (Euro 73,285 thousand as at December 31, 2017).

JV and Associates

In the six months ended June 30, 2018, through its subsidiary Massimo Zanetti Beverage USA Inc., the Group performed the following related party transactions with the associate Club Coffee:

- Re-invoicing of services for USD 118 thousand (Euro 98 thousand);
- purchases classified under the item "Raw, ancillary, and consumable materials" for an amount of USD 657 thousand (Euro 543 thousand);

Key Management

Key Management include members of the Company's Board of Directors who also carry out executive roles within other Group entities.

Key Management compensation amounted to Euro 4,001 thousand and Euro 2,942 thousand for the six months ended June 30, 2018 and 2017, respectively.

29. Subsequent Events

There were no further significant events after the end of the half year.

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)	June 30, 2018	December 31, 2017
Massimo Zanetti Beverage S.A.	Geneva	December 31	CHF	149,900	100%	100%
Segafredo Zanetti S.p.A.	Bologna	December 31	EUR	38,800	100%	100%
La San Marco S.p.A.	Gorizia	December 31	EUR	7,000	90%	90%
Segafredo Zanetti Sarl	Geneva	December 31	CHF	20	100%	100%
Segafredo Zanetti Argentina S.A.	Buenos Aires	December 31	ARS	4,913	100%	100%
Segafredo Zanetti Australia Pty Ltd.	Sydney	December 31	AUD	4,400	100%	100%
Segafredo Zanetti Austria GmbH	Salzburg	December 31	EUR	727	100%	100%
Segafredo Zanetti Belgium S.A.	Brussels	December 31	EUR	3,892	100%	100%
Segafredo Zanetti (Brasil) Com. Distr. de Café SA	Belo Horizonte	December 31	BRL	16,479	100%	100%
Segafredo Zanetti Chile S.A.	Santiago	December 31	CLP	25,000	100%	100%
Segafredo Zanetti Coffee System S.p.A.	Treviso	December 31	EUR	6,000	100%	100%
Segafredo Zanetti CR spol.sro	Prague	December 31	CSK	9,300	100%	100%
Segafredo Zanetti Danmark Aps	Copenhagen	December 31	DKK	141	100%	100%
Segafredo Zanetti Deutschland GmbH	Munich	December 31	EUR	1,534	100%	100%
Segafredo Zanetti Espresso Worldwide Ltd.	Geneva	December 31	CHF	38,000	98%	98%
Segafredo Zanetti Espresso Worldwide Japan Inc.	Tokyo	December 31	YEN	179,500	98%	98%
Segafredo Zanetti France S.A.S.	Rouen	December 31	EUR	8,500	100%	100%
Segafredo Zanetti Hellas S.A.	Athens	December 31	EUR	950	100%	100%
Segafredo Zanetti Hungaria KFT	Budapest	December 31	HUF	46,630	100%	100%
Tiktak/Segafredo Zanetti Nederland BV	Groningen	December 31	EUR	18	100%	100%
Segafredo Zanetti Poland Sp.z.o.o.	Bochnia	December 31	PLN	47,615	100%	100%
Segafredo Zanetti Portugal S.A.	Porto	December 31	EUR	40,300	100%	100%
Segafredo Zanetti SR Spol S.r.o.	Bratislava	December 31	EUR	200	100%	100%
Segafredo Zanetti Trgovanje s kavo. d.o.o.	Ljubljana	December 31	EUR	651	100%	100%
Brodie Merlose Drysdale & CO Ltd.	Edinburgh	December 31	GBP	11	100%	100%
Brulerie des Cafés Corsica SAS	Ajaccio	December 31	EUR	152	100%	100%
Distribuidora Cafè Montaña S.A.	San Jose	December 31	CRC	304,000	100%	100%
El Barco Herrumdrado S.A.	San Jose	December 31	CRC	10	100%	100%
Massimo Zanetti Beverage U.S.A. Inc.	Suffolk	December 31	USD	73,641	100%	100%
Meira Eesti Oü	Tallin	December 31	EUR	15	100%	100%
Meira Oy Ltd.	Helsinki	December 31	EUR	1,000	100%	100%
Puccinos Worldwide Ltd	Edinburgh	December 31	GBP	-	100%	100%
Massimo Zanetti Beverage Mexico SA de CV	Mazatlán	December 31	MXN	1,806	50%	50%
MZB Cafes USA Inc	Suffolk	December 31	USD	-	100%	100%
Kauai Coffee Company LLC	Hawaii	December 31	USD	-	100%	100%
Massimo Zanetti Beverage Food Services LLC	Wilmington	December 31	USD	-	100%	100%
Coffee Care (South West) Ltd	Weddmore	December 31	GBP	-	50%	50%
Segafredo Zanetti New Zealand Ltd	Auckland	December 31	NZD	-	100%	100%
Segafredo Zanetti Croatia d.o.o.	Zagreb	December 31	HRK	1,850	100%	100%
Doge Finland Oy	Helsinki	December 31	EUR	3	n.a.	100%
Massimo Zanetti Beverage Vietnam Company Ltd	Ben Cat district - Binh Duong	December 31	VND	21,000,000	100%	100%
Segafredo Zanetti (Thailand) Ltd	Bangkok	December 31	THB	15,300	100%	100%
Boncafe International Pte Ltd	Singapore	December 31	SGD	18,710	100%	100%
Boncafe (Cambodia) Ltd	Phnom Penh	December 31	KHR	108,000	100%	100%
Boncafe (M) Sendirian Berhad	Kuala Lumpur	December 31	MYR	200	100%	100%
Boncafe (East Malaysia) Sdn Bhd	Kota Kinabalu	December 31	MYR	-	100%	100%
Six Degrees Cafè Pte Ltd	Singapore	December 31	SGD	-	100%	100%
BeanToCup (Thailand) Ltd	Bangkok	December 31	THB	4,000	100%	100%
Boncafe Middle East Co LLC	Dubai	December 31	AED	300	100%	100%
Boncafe (Thailand) Ltd	Bangkok	December 31	THB	150,000	100%	100%
Massimo Zanetti Beverage (Thailand) Ltd	Bangkok	December 31	THB	30,000	100%	100%
Boncafe China	Schenzen	31 dicembre	USD	200	100%	n.a.

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

	Six months ended June 30,			
(in thousands of Euro)	**2018**	***of which related parties***	**2017**	***of which related parties***
Revenue	434,411	240	475,563	650
Other income	3,297		3,352	
Purchase of goods	(243,184)	(82,745)	(279,649)	(105,043)
Purchases of services, leases and rentals	(86,872)	(1,063)	(92,112)	(545)
Personnel costs	(70,951)	(4,001)	(72,911)	(2,942)
Other operating costs	(2,932)		(3,401)	
Amortization, depreciation and impairment	(19,697)		(20,033)	
Operating profit	**14,072**		**10,809**	
Finance income	162	6	151	2
Finance costs	(3,115)	(620)	(3,295)	(708)
Share of losses of companies accounted for using the equity method	(669)		(440)	
Profit before tax	**10,450**		**7,225**	
Income tax expense	(3,302)		(2,822)	
Profit for the year	**7,148**		**4,403**	
Profit attributable to:				
Non-controlling interests	*56*		*107*	
Owners of the parent	*7,092*		*4,296*	

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

	As at June 30,		As at December 31,	
(in thousands of Euro)	**2018**	***of which related parties***	**2017**	***of which related parties***
Intangible assets	182,571		183,231	
Property, plant and equipment	211,411		212,830	
Investment properties	4,829		4,887	
Investments in joint venture	9,824		9,616	
Non-current trade receivables	2,697		3,076	
Deferred tax assets	11,370		10,244	
Non-current contract assets	7,983		-	
Other non-current assets	5,971	389	13,669	240
Total non-current assets	**436,656**		**437,553**	
Inventories	142,793		127,997	
Trade receivables	117,678	96	123,405	228
Income tax assets	3,774		1,975	
Current contract assets	3,438		-	
Other current assets	17,481	263	18,195	-
Cash and cash equivalents	89,306		89,594	
Total current assets	**374,470**		**361,166**	
Total assets	**811,126**		**798,719**	
Share capital	34,300		34,300	
Other reserves	97,487		98,162	
Retained earnings	170,302		166,443	
Equity attributable to owners of the Parent	**302,089**		**298,905**	
Non-controlling interests	1,865		1,977	
Total equity	**303,954**		**300,882**	
Non-current borrowings	198,050		204,145	
Employee benefits	8,789		8,987	
Other non-current provisions	3,009		2,986	
Deferred tax liabilities	25,079		22,895	
Non-current contract liabilities	473		-	
Other non-current liabilities	2,490		3,047	
Total non-current liabilities	**237,890**		**242,060**	
Current borrowings	85,595		78,731	
Trade payables	147,674	43,808	139,329	36,903
Income tax liabilities	1,699		1,433	
Current contract liabilities	778		-	
Other current liabilities	33,536		36,284	
Total current liabilities	**269,282**		**255,777**	
Total liabilities	**507,172**		**497,837**	
Total equity and liabilities	**811,126**		**798,719**	

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

	Six months ended June 30,			
(in thousands of Euro)	**2018**	***of which related parties***	**2017**	***of which related parties***
Profit before tax	**10,450**		**7,225**	
Adjustments for:				
Amortization, depreciation and impairment	19,697		20,033	
Provisions for employee benefits and other charges	479		370	
Finance costs	2,953	614	3,144	706
Other non-monetary items	533		351	
Net cash generated from operating activities before changes in net working capital	**34,112**		**31,123**	
Decrease/(Increase) in inventories	(13,199)		(15,361)	
Decrease/(Increase) in trade receivables	1,482	132	(13,017)	(232)
Increase/(Decrease) in trade payables	6,835	6,813	2,528	(267)
Changes in other assets/liabilities	(1,388)	(412)	791	(108)
Payments of employee benefits	(416)		(147)	
Interest paid	(2,898)	(620)	(3,476)	(708)
Income tax paid	(4,416)		(2,846)	
Net cash generated from / (used in) operating activities	**20,112**		**(405)**	
Acquisition of subsidiary, net of cash acquired	-		(1,934)	
Purchase of property, plant and equipment	(12,960)		(19,183)	
Purchase of intangible assets	(949)		(578)	
Proceeds from sale of property, plant and equipment	483		630	
Proceeds from sale of intangible assets	15		6	
Investments in joint ventures and associates	(600)		(840)	
Changes in financial receivables	(1,306)		191	
Interest received	60		60	
Net cash used in investing activities	**(15,257)**		**(21,648)**	
Proceeds from long-term borrowings	15,360		41,740	
Repayment of long-term borrowings	(12,176)		(20,810)	
Increase / (decrease) in short-term borrowings	(3,077)		17,551	
Dividends paid	(5,831)		(5,305)	
Net cash generated from / (used in) financing activities	**(5,724)**		**33,176**	
Exchange gains/(losses) on cash and cash equivalents	581		(446)	
Net increase (decrease) in cash and cash equivalents	**(288)**		**10,677**	
Cash and cash equivalents at the beginning of the period	89,594		45,167	
Cash and cash equivalents at the end of the period	**89,306**		**55,844**	

Certification of the Consolidated Condensed Interim Financial Statements pursuant to Article 81-ter of Consob Regulation No. 11971 of May 14, 1999, as amended

1. We, the undersigned, Massimo Zanetti, in his capacity as Chairman and Chief Executive Officer, and Leonardo Rossi, in his capacity as Manager in Charge of the Financial Reports of Massimo Zanetti Beverage Group S.p.A., hereby declare, pursuant to the provisions of Article 154-bis, paragraphs 3 and 4, of Italian Legislative Decree No. 58 of 24 February 1998,:

   • the adequacy in relation to the company features and
   • the effective application

   of the administrative and accounting procedures for preparing the consolidated condensed interim financial statements, for the semester ended June 30, 2018.

2. The assessment of the adequacy of the administrative and accounting procedures used in preparing the consolidated condensed interim financial statements, for the semester ended June 30, 2018 was based on a process defined by Massimo Zanetti Beverage Group S.p.A. in accordance with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission, an internationally-accepted reference framework.

3. The undersigned further declare that:

   3.1 the consolidated condensed interim financial statements:

   a) have been prepared in accordance with applicable International Financial Reporting Standards, as endorsed by the European Union through Regulation (EC) No. 1606/2002 of European Parliament and Council on 19 July 2002;

   b) reflect the accounting books and records; and

   c) provide a true and fair view of the assets, liabilities, profit or loss and financial position of the issuer and the companies included in the consolidation area.

   3.2 the interim Report on Operations includes a reliable analysis of the significant events that occurred during the first six months of the financial year and the impact of such events on the Company's consolidated condensed interim financial statements, along with a description of the main risks and uncertainties to which the Group is exposed. Furthermore, the interim Report on Operations contains a reliable analysis of significant related party transactions.

Villorba (TV), 8th August 2018

Massimo Zanetti
Chairman and ~~Chief Executive~~ Officer

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

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REVIEW REPORT ON CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

To the shareholders of
Massimo Zanetti Beverage Group SpA

Foreword

We have reviewed the accompanying consolidated condensed interim financial statements of Massimo Zanetti Beverage Group SpA and its subsidiaries (hereinafter also "MZB Group") as of of 30 June 2018, comprising the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity, the cashflow statement and related notes. The directors of Massimo Zanetti Beverage Group SpA are responsible for the preparation of the consolidated condensed interim financial statements in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these consolidated condensed interim financial statements based on our review.

Scope of review

We conducted our work in accordance with the criteria for a review recommended by Consob in Resolution n° 10867 of 31 July 1997. A review of consolidated condensed interim financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than a full-scope audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the consolidated condensed interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated condensed interim financial statements of MZB Group as of 30 June 2018 are not prepared, in all material respects, in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Treviso, 9 August 2018

PricewaterhouseCoopers SpA

Signed by

Filippo Zagagnin
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers

PricewaterhouseCoopers SpA

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