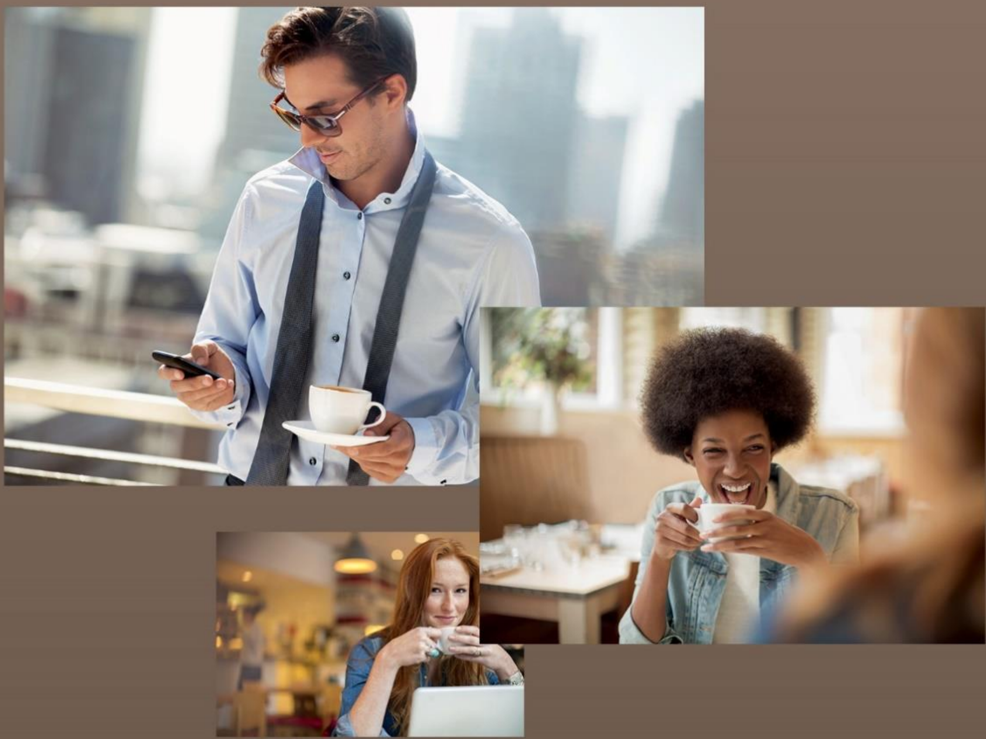
# INTERIM FINANCIAL REPORT

as at and for the nine months ended September 30, 2018



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

MASSIMO ZANETTI
BEVERAGE GROUP

# Table of Contents

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

## Structure and Operations of the Group

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

The Group sells roasted coffee and related products, primarily in the following three sales channels, which are monitored separately by Management: i) Mass Market, ii) Foodservice, and iii) Private Label.

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

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

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

The Group operates mainly in: Italy, the USA, France, Finland, 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 product line, distribution channel and geographic area. The top management periodically reviews the results to make decisions, allocate resources and define the strategy of the Group based on a single vision of the business, which, therefore, is represented by a single operating segment.

## Results of operations

*Introduction*

In addition to the financial 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 nine months, should not be considered representative of all or a portion of the full year.

## Results of operations for the nine months ended September 30, 2018

The following table sets forth the reclassified consolidated income statement for the nine months ended September 30, 2018 and 2017.

| | **Nine months ended September 30,** | | | | **Change** | |
|---|---|---|---|---|---|---|
| *(in thousands of Euro)* | **2018** | **(*)** | **2017** | **(*)** | **2018-2017** | |
| Revenue | 654,048 | 100.0% | 708,514 | 100.0% | (54,466) | -7.7% |
| Raw, ancillary, and consumable materials and goods | (368,246) | -56.3% | (416,457) | -58.8% | 48,211 | -11.6% |
| ***Gross Profit*** [(1)] | **285,802** | **43.7%** | **292,057** | **41.2%** | **(6,255)** | **-2.1%** |
| Purchases of services, leases and rentals | (128,839) | -19.7% | (134,908) | -19.0% | 6,069 | -4.5% |
| Personnel costs | (105,098) | -16.1% | (107,849) | -15.2% | 2,751 | -2.6% |
| Other operating costs, net[(2)] | 641 | 0.1% | 201 | 0.0% | 440 | > 100% |
| Impairment[(3)] | (1,918) | -0.3% | (2,055) | -0.3% | 137 | -6.7% |
| ***EBITDA*** [(1)] | **50,588** | **7.7%** | **47,446** | **6.7%** | **3,142** | 6.6% |
| Non-recurring items | - | 0.0% | 1,754 | 0.2% | (1,754) | -100.0% |
| ***Adjusted EBITDA*** [(1)] | **50,588** | **7.7%** | **49,200** | **6.9%** | **1,388** | **2.8%** |
| Depreciation and amortization[(4)] | (26,912) | -4.1% | (27,643) | -3.9% | 731 | -2.6% |
| **Operating profit** | **23,676** | **3.6%** | **19,803** | **2.8%** | **3,873** | **19.6%** |
| Net finance costs[(5)] | (4,992) | -0.8% | (5,986) | -0.8% | 994 | -16.6% |
| Share of losses of companies accounted for using the equity method | (827) | -0.1% | (469) | -0.1% | (358) | 76.3% |
| **Profit before tax** | **17,857** | **2.7%** | **13,348** | **1.9%** | **4,509** | **33.8%** |
| Income tax expense | (5,472) | -0.8% | (5,140) | -0.7% | (332) | 6.5% |
| **Profit for the period** | **12,385** | **1.9%** | **8,208** | **1.2%** | **4,177** | **50.9%** |

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

*Revenue*

***Revenue*** amounted to Euro 654,048 thousand for the nine months ended September 30, 2018, and decrease of Euro 54,466 thousand (-7.7%) compared to the nine months ended September 30, 2017. This change is mainly due to the combined effect of:

- decrease in the sales prices of roasted coffee and other items (-1.7%);
- decrease in the volumes of roasted coffee sold (-2.0%);
- impact of foreign currency exchange rate fluctuations (+3.6%).

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*".

On a comparable basis, the decrease in revenue amounted to Euro 26,478 thousand and is mainly due to the change in "Roasted coffee sales", which amounted to Euro 23,326 thousand, with a decrease of 3.8%. This change is, in turn, due to the combined effect of:

- the decrease in the sales prices of roasted coffee due to the lower purchase price of green coffee, partially reduced by the different mix in the sales channels in 2018 and 2017, which in turn led to a decrease in revenues of 1.5%.
- the 2.3% decrease in the volumes of roasted coffee sold, compared to the first nine months of 2017. In particular, the volumes of roasted coffee sold amounted to 93.4 thousand tons and 95.6 thousand tons for the nine months ended September 30, 2018 and 2017, respectively. This decrease referred mainly to the Americas (-3.1 thousand tons) in the Private Label and Mass Market channels, whereas Northern Europe showed a positive trend (+0.6 thousand ton) and the areas Asia-Pacific and Cafés and Southern Europe are substantially stable (respectively 0,1 thousand tons and 0.2 thousand tons).

The following table provides a breakdown of revenue for the nine months ended September 30, 2018 and 2017, by sales channel.

| | **Nine months ended September 30,** | | | | **Change** | |
|---|---|---|---|---|---|---|
| *(in thousands of Euro)* | **2018** | **(*)** | **2017** | **(*)** | **2018-2017** | |
| Foodservice | 154,851 | 23.6% | 157,613 | 22.2% | (2,762) | -1.8% |
| Mass Market | 240,406 | 36.8% | 261,163 | 36.9% | (20,757) | -7.9% |
| Private Label | 215,513 | 33.0% | 245,219 | 34.6% | (29,706) | -12.1% |
| Altro | 43,278 | 6.6% | 44,519 | 6.3% | (1,241) | -2.8% |
| **Total** | **654,048** | **100.0%** | **708,514** | **100.0%** | **(54,466)** | **-7.7%** |

(*) Percentage of revenue.

The following table provides a breakdown of revenue for the nine months ended September 30, 2018 and 2017, by geographical area.

| | **Nine months ended September 30,** | | | | **Change** | |
|---|---|---|---|---|---|---|
| *(in thousands of Euro)* | **2018** | **(*)** | **2017** | **(*)** | **2018-2017** | |
| Americas | 288,428 | 44.1% | 334,780 | 47.3% | (46,352) | -13.8% |
| Northern Europe | 133,053 | 20.3% | 134,661 | 19.0% | (1,608) | -1.2% |
| Southern Europe | 174,802 | 26.7% | 182,711 | 25.8% | (7,909) | -4.3% |
| Asia-Pacific and Cafés (**) | 57,765 | 8.8% | 56,362 | 8.0% | 1,403 | 2.5% |
| **Total** | **654,048** | **100.0%** | **708,514** | **100.0%** | **(54,466)** | **-7.7%** |

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

*Gross profit*

***Gross Profit*** amounted to Euro 285,802 thousand for the nine months ended September 30, 2018, and decrease of Euro 6,255 thousand (-2.1%) compared to the nine months ended September 30, 2017. This is mainly due to:

- impact of foreign currency exchange rate fluctuations (-3.0%)
- increase of the Gross Profit of roasted coffee and other products (+1.7%)

On a comparable basis, the *Gross Profit* showed and increase of Euro 4.841 thousand (+1.7%), mainly driven by the performance of roasted coffee (+2.9%). The increase of Gross Profit is mainly due to the positive impact of the sales and purchases prices, as well as the different mix in the channels in 2018 and 2017 (+5.2%), partially reduced by the decrease of volumes of roasted coffee (-2.3%).

*EBITDA and Adjusted EBITDA*

The following table provides reconciliation between **EBITDA** and profit for the nine months ended September 30, 2018 and 2017.

| | **Nine months ended September 30,** | | | | **Change** | |
|---|---|---|---|---|---|---|
| *(in thousands of Euro)* | **2018** | **(*)** | **2017** | **(*)** | **2018-2017** | |
| Profit for the period | 12,385 | 1.9% | 8,208 | 1.2% | 4,177 | 50.9% |
| Income tax expense | 5,472 | 0.8% | 5,140 | 0.7% | 332 | 6.5% |
| Finance costs | 5,222 | 0.8% | 6,191 | 0.9% | (969) | -15.7% |
| Finance income | (230) | 0.0% | (205) | 0.0% | (25) | 12.2% |
| Share of losses of companies accounted for using the equity method | 827 | 0.1% | 469 | 0.1% | 358 | 76.3% |
| Depreciation and amortization(1) | 26,912 | 4.0% | 27,643 | 3.9% | (731) | -2.6% |
| **EBITDA(2)** | **50,588** | **7.7%** | **47,446** | **6.7%** | **3,142** | **6.6%** |

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

The following table provides reconciliation between EBITDA and **Adjusted EBITDA** for the nine months ended September 30, 2018 and 2017.

| | **Nine months ended September 30,** | | | | **Change** | |
|---|---|---|---|---|---|---|
| *(in thousands of Euro)* | **2018** | **(*)** | **2017** | **(*)** | **2018-2017** | |
| EBITDA(1) | 50,588 | 7.7% | 47,446 | 6.7% | 3,142 | 6.6% |
| Costs associated with reorganisation | - | 0.0% | 1,754 | 0.2% | (1,754) | 100.0% |
| ***Adjusted EBITDA (1)*** | **50,588** | **7.7%** | **49,200** | **6.9%** | **1,388** | **2.8%** |

(*) Percentage of 'Revenue'.
(1) For additional information, refer to the "Non-GAAP" alternative performance indicators section

Costs associated with reorganisation, amounting to Euro 1,754 thousand in 2017, refer to the reorganisation following the merger by incorporation of Segafredo Zanetti Portugal into Nutricafés and relate to *i)* Euro 307 thousand for service costs, and *ii)* Euro 1,447 thousand for personnel costs.

**Adjusted EBITDA** amounted to Euro 50,588 thousand for the nine months ended September 30, 2018 with an increase of Euro 1,388 thousand (+2.8%) compared to the same period in 2017.

At constant foreign currency exchange rates, the change in *Adjusted EBITDA* is due to the combined effect of:

- the increase in *Gross Profit* of Euro 4,841 thousand, due to the factors described above, and only partially offset by
- the increase in operating costs of Euro 2,307 thousand, mainly due to higher personnel costs (Euro 2,510 thousand) and a slight decline of other operating costs.

*Operating profit*

**Operating profit** amounted to Euro 23,676 thousand for the nine months ended September 30, 2018, showing an increase of Euro 3,873 thousand (+19.6%) compared to the nine months ended September 30, 2017. This decrease, in addition to the points mentioned regarding the *Adjusted EBITDA*, is attributable to the decrease in amortisation and depreciation, amounting to Euro 731 thousand, mainly as a result of foreign exchange fluctuations.

*Profit for the period*

**Profit for the period** amounted to Euro 12,385 thousand for the nine months ended September 30, 2018, an increase of Euro 4,177 thousand (+50.9%) compared to the nine months ended September 30, 2017. In addition to what was previously described for the operating profit, this decrease is also due to the combined effect of:

- the decrease in net finance costs (Euro 994 thousand), principally due to lower interest charges for Euro 571 thousand;
- the increase of Share of losses of companies accounted for using the equity method, equal to Euro 358 thousand; and
- the decrease in income taxes amounting to Euro 332 thousand, mainly due to the lower taxable income generated by the Group in the first nine months of 2018 compared to 2017.

## Reclassified statement of financial position

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

| | As at September 30 | As at December 31 |
|---|---|---|
| *(in thousands of Euro)* | **2018** | **2017** |
| ***Investments:*** | | |
| Intangible assets | 182.009 | 183.231 |
| Property, plant and equipment and investment properties(1) | 216.154 | 217.717 |
| Investments in joint ventures and associates | 10.345 | 9.616 |
| Non-current trade receivables | 2.666 | 3.076 |
| Deferred tax assets and other non-current assets(2) | 25.751 | 23.913 |
| **Non-current assets (A)** | **436.925** | **437.553** |
| **Net working capital (B)(3)** | **115.100** | **92.199** |
| Employee benefits | (8.744) | (8.987) |
| Other non-current provisions | (3.066) | (2.986) |
| Deferred tax liabilities and other non-current liabilities(4) | (28.878) | (25.942) |
| **Non-current liabilities (C)** | **(40.688)** | **(37.915)** |
| **Net invested capital (A+B+C)** | **511.337** | **491.837** |
| ***Sources:*** | | |
| Equity | 310.335 | 300.882 |
| Net Financial Indebtedness | 201.002 | 190.955 |
| **Sources of financing** | **511.337** | **491.837** |

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

(1) The item includes property, plant and equipment and investment properties.
(2) The item 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 as at September 30, 2018 and December 31, 2017.

| | As at September 30 | As at December 31 |
|---|---|---|
| *(in thousands of Euro)* | **2018** | **2017** |
| Inventories | 139,410 | 127,997 |
| Trade receivables | 122,174 | 123,405 |
| Income tax assets | 4,225 | 1,975 |
| Other current assets (1) | 17,400 | 15,868 |
| Trade payables | (135,702) | (139,329) |
| Income tax liabilities | (1,679) | (1,433) |
| Other current liabilities | (30,728) | (36,284) |
| **Net working capital(2)** | **115,100** | **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 nine months ended September 30, 2018 and 2017.

| | Nine months ended September 30, | |
|---|---|---|
| *(in thousands of Euro)* | **2018** | **2017** |
| EBITDA Adjusted (1) | **50.588** | **49.200** |
| Changes in Net Working Capital | (24.486) | (30.312) |
| Net recurring investments(2) | (20.691) | (26.167) |
| Income tax paid | (6.315) | (4.047) |
| Other operating items | 2.300 | 2.019 |
| **Free Cash Flow(1)** | **1.396** | **(9.307)** |
| Net non-recurring investments(3) | (1.200) | (3.423) |
| Investments in financial receivables | (3.121) | 488 |
| Interest paid | (4.506) | (5.309) |
| Net cash generated from financing activities | (2.101) | 33.416 |
| Dividends paid | (5.898) | (5.305) |
| Exchange gains/(losses) on cash and cash equivalents | 708 | (843) |
| **Net increase in cash and cash equivalents** | **(14.722)** | **9.717** |
| Cash and cash equivalents at the beginning of the period | 89.594 | 45.167 |
| **Cash and cash equivalents at the end of the period** | **74.872** | **54.884** |

(1) For additional information, refer to the "Non-GAAP" alternative performance indicators section.
(2) Net recurring investments include purchases of property, plant and equipment and intangible assets, net of asset deals.
(3) Net non-recurring investments include business combinations, asset deals and other minor items.

***Free Cash Flow*** amounted to positive Euro 1,396 thousand for the nine months ended September 30, 2018, a decrease of Euro 10,703 thousand compared to the nine months ended September 30, 2017. This variation is mainly due to the changes in net working capital.

The following table shows the breakdown of changes in net working capital for the nine months ended September 30, 2018 and 2017.

| | Nine months ended September 30, | |
|---|---|---|
| *(in thousands of Euro)* | **2018** | **2017** |
| Changes in inventories | (9.622) | (17.445) |
| Changes in trade receivables | (2.824) | (11.520) |
| Changes in trade payables | (5.456) | 1.156 |
| Changes in other assets/liabilities | (6.093) | (2.102) |
| Payments of employee benefits | (491) | (401) |
| **Changes in net working capital** | **(24.486)** | **(30.312)** |

**Changes in Net Working Capital**, with a negative balance of Euro 24,486 thousand for the nine months ended September 30, 2018 show a decrease of Euro 5,826 thousand compared to the nine months ended September 30, 2017.
This decrease is mainly due to the following items:

- the “changes in inventories” with a negative amount of Euro 9,622 thousand, reflecting the increase in the quantities of finished product and green coffee in stock connected to the expected sales of the coming months;
- the “changes in trade payables”, with a negative amount of Euro 2,824 thousand;
- the “changes in trade receivables”, with a positive amount of Euro 5,456 thousand;
- the “changes in other assets/liabilities”, with a negative amount of Euro 6,093 thousand mainly due to changes in current asset and liabilities.

**Net recurring investments** amounted to Euro 20,691 migliaia in the first nine month of 2018, showed a decrease of Euro 5,476 thousand compared with the first nine month of 2017.

**Net non-recurring investments** amounted to Euro 1,200 thousand and Euro 3,423 thousand for the nine months ended September 30, 2018 and 2017, respectively.

The cash flows used in the net non-recurring investments in the nine months ended September 30, 2018 relate to the investment in the sport club Virtus Pallacanestro Bologna S.S.D. a R.L, in which the company has a 38,62% share.

The cash flow used in the net non-recurring investments in the nine months ended September 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 purchase of the stake in PT Caswells Indonesia and *iv)* the subscription of the share capital increase of 40% in the sports club Virtus Pallacanestro Bologna S.S.D. a R.L.

**Cash flows from financing activities** negative amount of Euro 2,101 thousand for the nine months ended September 30, 2018 compared to the positive amount of Euro 33,416 thousand for the nine months ended September 30, 2017.

The cash flow generated in 2018 is mainly related to *i)* net amount of issue and reimbursement of long term loan, negative amount of Euro 4,291 thousand ii) the increase of short term loan for Euro 2,190 thousand.

The cash flow generated in 2017 was due to *i)* the issue of new long-term loans, which, net of repayments in the period, amounted to Euro 18,157 thousand, *ii)* the increase in short-term loans amounting to Euro 15,259 thousand.

## Net Financial Indebtedness

The following table shows the breakdown of net financial indebtedness of the Group at September 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 September 30 | As at December 31 |
|---|---|---|---|
| *(in thousands of Euro)* | | **2018** | **2017** |
| A | Cash and cash equivalents | (717) | (803) |
| B | Cash at bank | (74,155) | (88,791) |
| C | Securities held for trading | - | - |
| **D** | **Liquidity (A+B+C)** | **(74,872)** | **(89,594)** |
| **E** | **Current financial receivables** | **(5,730)** | **(2,327)** |
| F | Current loans | 54,072 | 53,014 |
| G | Current portion of non-current loans | 39,730 | 24,259 |
| H | Other current financial payables | 1,359 | 1,459 |
| **I** | **Current indebtedness (F+G+H)** | **95,161** | **78,732** |
| **J** | **Net current indebtedness (I+E+D)** | **14,559** | **(13,189)** |
| K | Non-current medium/long-term loans | 183,566 | 201,453 |
| L | Issued bonds | - | - |
| M | Other non-current financial payables | 2,877 | 2,692 |
| **N** | **Non-current indebtedness (K+L+M)** | **186,443** | **204,145** |
| **O** | **Net financial indebtedness (J+N)** | **201,002** | **190,956** |

**Net Financial Indebtedness** amounted to Euro 201,002 thousand at September 30, 2018, an increase of Euro 10,046 thousand compared to December 31, 2017. This increase is mainly due to the combined effect of the following:

- negative *Free Cash Flow* of Euro 1,396 thousand for the nine months ended September 30, 2018;
- net non-recurring investments of Euro 1,200 thousand in the nine months ended September 30, 2018;
- interest paid of Euro 4,506 thousand in the nine months ended September 30, 2018;
- dividends paid in 2018 amounting to Euro 5,898 thousand;
- the Euro/USD foreign currency exchange rate impact and other non-cash items.

## Capital expenditure

The following table sets forth capital expenditure in associates, business combinations, property, plant and equipment and intangible assets for the nine months ended September 30, 2018 and 2017:

| | Nine months ended September 30 | | | |
|---|---|---|---|---|
| *(in thousands of Euro)* | **2018** | | **2017** | |
| | **Capital expenditure** | **Cash-out** | **Capital expenditure** | **Cash-out** |
| Business combinations, including those under common control | - | - | 2,659 | 2,263 |
| Investments in associates | 1,200 | 1,200 | 840 | 840 |
| Intangible assets | 1,262 | 1,262 | 656 | 656 |
| Property, plant and equipment | 20,206 | 20,206 | 27,078 | 27,078 |
| **Total** | **22,668** | **22,668** | **31,233** | **30,837** |

*Business combinations*

In the first 9 months of 2018 there has not been investment in business combinations

Cash-out amounted to Euro 2,263 thousand for the nine months ended September 30, 2017 relate to the purchase of Le.ma and Tru Blue and also the purchase of the 67% stake in PT Caswell Indonesia (for more details, please see note 8 “Business Combinations”).

*Investments in associates*

The group has made a capital contribution for Euro 1,200 thousand and Euro 840 thousand, respectively for the nine months ended September 30, 2018 and 2017, to Virtus Pallacanestro Bologna S.S.D. a r.l., located in Bologna. Consequently to the capital increase partialy paid-up by other shareholders, the share held by the Group has decreased from the former 40% to the current 38,62%.

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 nine months ended September 30, 2018 mainly relates to bar equipment and industrial and commercial equipment and amounting respectiverly to Euro 11,548 thousand and to Euro 3,150.

Capital expenditure in property, plant and equipment for the nine months ended September 30, 2017 mainly relates to bar equipment and assets under construction, amounting to Euro 15,128 thousand and Euro 5,959 thousand, respectively.

*Intangible assets*

Capital expenditure in the nine months ended September 30, 2018 are mainly relate to the reinforcement of IT infrastructure in Italy and in the Headquarter.

Capital expenditure in the nine months ended September 30, 2017 relate to software and other intangible assets and to trademarks and licences.

**Key events for the nine months ended September 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

On October 29 has been signed an agreement to acquire the business and the assets of three companies based in Melbourne (Australia): BNG Distributors Pty Ltd, BNG Unit Trust, Tropical Star Coffee Pty Ltd e Gravity Australia Pty Ltd, together known as The Bean Alliance ("**TBA**"). TBA manufactures and sell on the local market toasted coffee under its own brand and third parties brands (private label), moreover, TBA offers services (technical assistance, training) to customers managing *coffee shop* chains. The acquisition price is AUD 24,000 thousand (Euro 14,955 thousand with fx as at September, 30 2018), with and additional potential earn-out to be paid in three annual instalments, starting from January, 31 2020, should specific annual qualitative and quantitative targets agreed be achieved. The deal is expected to close by end of January 2019 and is driven by a strong complement of the product range and the commercial and industrial synergies, strengthens Massimo Zanetti Beverage Group in the Australian market and opens up an additional development opportunity in the APAC market.

## Business outlook

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

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

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

## "Non-GAAP" alternative performance indicators

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

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

- Gross Profit is defined by the Group as the difference between revenue and 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, contract assets and other current assets (excluding financial assets), net of trade payables, income tax liabilities, 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**

With respect to the information provided in the notes to the consolidated condensed interim financial statements as at and for the six months ended June 30, 2018 and the consolidated financial statements for the year ended December 31, 2017, it should be noted that no related-party transactions with unusual characteristics or of significant amount were carried out in the third quarter of 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 INTERIM FINANCIAL STATEMENTS AS AT AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

### *Consolidated Condensed Interim Income Statement*

| *(in thousands of Euro)* | **Note** | **Nine months ended September 30,** | |
|---|---|---|---|
| | | **2018** | **2017** |
| Revenue | **12** | 654,048 | 708,514 |
| Other income | | 5,055 | 5,376 |
| Raw, ancillary, and consumable materials and goods | | (368,246) | (416,457) |
| Purchases of services, leases and rentals | | (128,839) | (134,908) |
| Personnel costs | | (105,098) | (107,849) |
| Other operating costs | | (4,414) | (5,175) |
| Amortization, depreciation and impairment | **13** | (28,830) | (29,698) |
| **Operating profit** | | **23,676** | **19,803** |
| Finance income | | 230 | 205 |
| Finance costs | | (5,222) | (6,191) |
| Share of losses of companies accounted for using the equity method | | (827) | (469) |
| **Profit before tax** | | **17,857** | **13,348** |
| Income tax expense | | (5,472) | (5,140) |
| **Profit for the year** | | **12,385** | **8,208** |
| *Profit attributable to:* | | | |
| *Non-controlling interests* | | *66* | *144* |
| *Owners of the parent* | | *12,319* | *8,064* |
| | | | |
| **Basic/diluted earnings per share (in Euro)** | **14** | **0.36** | **0.24** |

## *Consolidated Condensed Interim Statement of Comprehensive Income*

| | Nine months ended September 30, | |
|---|---|---|
| *(in thousands of Euro)* | **2018** | **2017** |
| **Profit for the period** | **12,385** | **8,208** |
| Gains/(Losses) from cash flow hedges | 1,856 | (2,758) |
| Currency translation differences | 4,073 | (17,644) |
| **Items that may be subsequently reclassified to profit or loss** | **5,929** | **(20,402)** |
| Remeasurements of employee benefit obligations | 108 | (148) |
| **Items that will not be reclassified to profit or loss** | **108** | **(148)** |
| **Total comprehensive (loss)/income for the period** | **18,422** | **(12,342)** |
| Comprehensive income attributable to non-controlling interests | 38 | 136 |
| **Comprehensive (loss)/income attributable to owners of the parent** | **18,384** | **(12,478)** |

## *Consolidated Condensed Interim Statement of Financial Position*

| *(in thousands of Euro)* | Note | As at September 30 2018 | As at December 31 2017 |
|---|---|---|---|
| Intangible assets | | 182,009 | 183,231 |
| Property, plant and equipment | | 211,355 | 212,830 |
| Investment properties | | 4,799 | 4,887 |
| Investments in joint ventures and associates | | 10,345 | 9,616 |
| Non-current trade receivables | | 2,666 | 3,076 |
| Deferred tax assets | | 12,091 | 10,244 |
| Non-current contract assets | | 7,272 | - |
| Other non-current assets | | 6,388 | 13,669 |
| **Total non-current assets** | | **436,925** | **437,553** |
| Inventories | | 139,410 | 127,997 |
| Trade receivables | | 122,174 | 123,405 |
| Income tax assets | | 4,225 | 1,975 |
| Current contract assets | | 3,354 | - |
| Other current assets | | 19,776 | 18,195 |
| Cash and cash equivalents | | 74,872 | 89,594 |
| **Total current assets** | | **363,811** | **361,166** |
| **Total assets** | | **800,736** | **798,719** |
| Share capital | | 34,300 | 34,300 |
| Other reserves | | 98,615 | 98,162 |
| Retained earnings | | 175,590 | 166,443 |
| **Total equity attributable to owners of the Parent** | | **308,505** | **298,905** |
| Non-controlling interests | | 1,830 | 1,977 |
| **Total equity** | | **310,335** | **300,882** |
| Non-current borrowings | **10** | 186,443 | 204,145 |
| Employee benefits | | 8,744 | 8,987 |
| Other non-current provisions | **11** | 3,066 | 2,986 |
| Deferred tax liabilities | | 26,258 | 22,895 |
| Non-current contract liabilities | | 467 | - |
| Other non-current liabilities | | 2,153 | 3,047 |
| **Total non-current liabilities** | | **227,131** | **242,060** |
| Current borrowings | **10** | 95,161 | 78,731 |
| Trade payables | | 135,702 | 139,329 |
| Income tax liabilities | | 1,679 | 1,433 |
| Current contract liabilities | | 327 | - |
| Other current liabilities | | 30,401 | 36,284 |
| **Total current liabilities** | | **263,270** | **255,777** |
| **Total liabilities** | | **490,401** | **497,837** |
| **Total equity and liabilities** | | **800,736** | **798,719** |

## *Consolidated Condensed Interim Statement of Cash Flows*

| *(in thousands of Euro)* | Note | Nine months ended September 30, 2018 | Nine months ended September 30, 2017 |
|---|---|---|---|
| **Profit before tax** | | **17,857** | **13,348** |
| **Adjustments for:** | | | |
| Amortization, depreciation and impairment | **13** | 28,830 | 29,698 |
| Provisions for employee benefits and other charges | | 567 | 590 |
| Net finance expense | | 4,992 | 5,986 |
| Other non-monetary items | | 642 | (157) |
| **Net cash generated from operating activities before changes in net working capital** | | **52,888** | **49,465** |
| Changes in inventories | | (9,622) | (17,445) |
| Changes in trade receivables | | (2,824) | (11,520) |
| Changes in trade payables | | (5,456) | 1,156 |
| Changes in other assets/liabilities | | (6,093) | (348) |
| Payments of employee benefits | | (491) | (401) |
| Interest paid | | (4,506) | (5,309) |
| Income tax paid | | (6,315) | (4,047) |
| **Net cash generated from operating activities** | | **17,581** | **11,551** |
| Acquisition of subsidiary, net of cash acquired | **8** | - | (2,583) |
| Purchase of property, plant and equipment | | (20,206) | (27,078) |
| Purchase of intangible assets | | (1,262) | (656) |
| Proceeds from sale of property, plant and equipment | | 752 | 1,561 |
| Proceeds from sale of intangible assets | | 25 | 6 |
| Investments in joint ventures and associates | | (1,200) | (840) |
| Changes in financial receivables | | (3,215) | 419 |
| Interest received | | 94 | 69 |
| **Net cash used in investing activities** | | **(25,012)** | **(29,102)** |
| Proceeds from long-term borrowings | | 15,360 | 41,681 |
| Repayment of long-term borrowings | **10** | (19,651) | (23,524) |
| Increase / (decrease) in short-term borrowings | **10** | 2,190 | 15,259 |
| Dividends paid | | (5,898) | (5,305) |
| **Net cash (used)/generated from financing activities** | | **(7,999)** | **28,111** |
| Exchange gains/(losses) on cash and cash equivalents | | 708 | (843) |
| **Net increase/(decrease) in cash and cash equivalents** | | **(14,722)** | **9,717** |
| Cash and cash equivalents at the beginning of the period | | 89,594 | 45,167 |
| **Cash and cash equivalents at the end of the period** | | **74,872** | **54,884** |

## *Consolidated Condensed Interim 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 at December 31, 2016** | **34,300** | **124,738** | **149,057** | **308,095** | **1,849** | **309,944** |
| Profit for the period | - | - | 8,064 | 8,064 | 144 | **8,208** |
| Remeasurements of employee benefit obligations | - | - | (140) | (140) | (8) | **(148)** |
| Losses from cash flow hedges | - | - | (2,758) | - | (2,758) | **-** |
| Currency translation differences | - | (17,644) | - | (17,644) | - | **(17,644)** |
| **Total loss for the period** | **-** | **(20,402)** | **7,924** | **(12,478)** | **136** | **(12,342)** |
| *Transaction with shareholders* | | | | | | |
| Dividends paid | - | (5,145) | - | (5,145) | (160) | **(5,305)** |
| Acquisition of Caswels Indonesia | - | - | - | - | 235 | **235** |
| Reclassifications | - | 410 | (410) | - | - | **-** |
| **As at September 30, 2017** | **34,300** | **99,601** | **156,571** | **290,472** | **2,060** | **292,532** |

| *(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)** |
| | **34,300** | **98,162** | **163,490** | **295,952** | **1,960** | **297,912** |
| Profit for the period | - | - | 12,319 | 12,319 | 66 | **12,385** |
| Remeasurements of employee benefit obligations | - | - | 117 | 117 | (9) | **108** |
| Gain from cash flow hedges | - | 1,856 | - | 1,856 | - | **1,856** |
| Currency translation differences | - | 4,092 | - | 4,092 | (19) | **4,073** |
| **Total income for the period** | **-** | **5,948** | **12,436** | **18,384** | **38** | **18,422** |
| *Transaction with shareholders* | | | | | | |
| Dividends paid | - | (5,831) | - | (5,831) | (168) | **(5,999)** |
| Reclassifications | - | 336 | (336) | - | - | **-** |
| **As at September 30, 2018** | **34,300** | **98,615** | **175,590** | **308,505** | **1,830** | **310,335** |

*Notes*

## 1. General information

Massimo Zanetti Beverage Group S.p.A. (hereinafter the "**Company**" or the "**Parent 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, 53 - 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 colonial products, including coffee, tea, cocoa and spices.

The Company has been listed on the STAR segment of the Mercato Telematico Azionario - MTA (electronic stock exchange) managed and organised by Borsa Italiana S.p.A. (Italian Stock Exchange) since June 3, 2015.

The Group's interim report as at September 30, 2018 was prepared in accordance with article 154 ter, paragraph 5 of Legislative Decree no. 58/98 - TUF (Consolidated Law on Finance) as amended, and also article 2.2.3, paragraph 3 of the Regulation on Markets Organised and Managed by Borsa Italiana S.p.A., and taking account of Notice 7587 of April 21 2016 of Borsa Italiana S.p.A.

The notes provide a summary and do not include all the information required for the annual financial statements, given that they refer only to those items which, in terms of amount, composition or changes, are essential to understand the economic and financial situation of the Group. This interim report must therefore be read together with the consolidated financial statements as at December 31, 2017.

This interim report as of September 30, 2018 was prepared in accordance with the same accounting standards and basis of preparation as those used for the consolidated financial statements as at December 31, 2017, with exception of those expressly applicable to interim reports.

The interim report as of September 30, 2018 has been prepared and presented in Euro, which is the currency used in the countries where the Company mainly operates. Unless otherwise indicated, all the amounts included in this document are stated in thousands of Euro.

The interim report was approved by the Board of Directors on November 8, 2018 and is unaudited.

## 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 January 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 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 equity at a rate other than the rate applicable at the reporting date.

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

| Currency | | Average exchange rate | | Exchange rate as at September 30, | | | Exchange rate as at December 31, | |
|---|---|---|---|---|---|---|---|---|
| | | 2018 | 2017 | 2018 | 2017 | 2016 | 2017 | 2016 |
| United Arab Emirates Dinar | USD | 1.19 | 1.11 | 1.16 | 1.18 | 1.12 | 1.20 | 1.05 |
| Argentine Peso | AED | 4.39 | 4.09 | 4.25 | 4.34 | 4.10 | 4.40 | 3.87 |
| Australian Dollar | ARS | 29.74 | 18.09 | 46.05 | 20.66 | 17.02 | 22.93 | 16.75 |
| Brazilian Real | AUD | 1.58 | 1.45 | 1.60 | 1.51 | 1.47 | 1.53 | 1.46 |
| Canadian Dollar | BRL | 4.30 | 3.53 | 4.65 | 3.76 | 3.62 | 3.97 | 3.43 |
| Swiss Franc | CAD | 1.54 | 1.45 | 1.51 | 1.47 | 1.47 | 1.50 | 1.42 |
| Chilean Peso | CHF | 1.16 | 1.09 | 1.13 | 1.15 | 1.09 | 1.17 | 1.07 |
| Costarican Colon | CLP | 750.75 | 727.43 | 764.18 | 751.64 | 734.35 | 737.29 | 704.95 |
| Czech Koruna | CRC | 680.34 | 631.08 | 673.34 | 677.20 | 615.59 | 682.85 | 580.81 |
| Danish Crown | CZK | 25.57 | 26.55 | 25.73 | 25.98 | 27.02 | 25.54 | 27.02 |
| British Pound | DKK | 7.45 | 7.44 | 7.46 | 7.44 | 7.45 | 7.44 | 7.43 |
| Hong Kong Dollar | GBP | 0.88 | 0.87 | 0.89 | 0.88 | 0.86 | 0.89 | 0.86 |
| Croatian Kuna | HKD | 9.37 | 8.67 | 9.06 | 9.22 | 8.65 | 9.37 | 8.18 |
| Hungarian Forint | HRK | 7.42 | 7.44 | 7.43 | 7.50 | 7.52 | 7.44 | 7.56 |
| Indonesian Rupiah | HUF | 317.44 | 308.47 | 324.37 | 310.67 | 309.79 | 310.33 | 309.83 |
| Japanese Yen | IDR | 16.780.90 | 14.836.61 | 17.249.98 | 15.888.51 | n.a. | 16.239.12 | n.a. |
| Mexican Peso | JPY | 130.96 | 124.56 | 131.23 | 132.82 | 113.09 | 135.01 | 123.40 |
| Malaysian Ringgit | MXN | 22.74 | 21.00 | 21.78 | 21.46 | 21.74 | 23.66 | 21.77 |
| New Zealand Dollar | MYR | 4.77 | 4.84 | 4.79 | 4.98 | 4.61 | 4.85 | 4.73 |
| Polish Zloty | NZD | 1.71 | 1.56 | 1.75 | 1.64 | 1.54 | 1.69 | 1.52 |
| Romanian Leu | PLN | 4.25 | 4.26 | 4.28 | 4.30 | 4.32 | 4.18 | 4.41 |
| Singapore Dollar | RON | 4.65 | 4.55 | 4.66 | 4.60 | 4.45 | 4.66 | 4.54 |
| Thai Bhat | SGD | 1.60 | 1.55 | 1.58 | 1.60 | 1.52 | 1.60 | 1.52 |
| US Dollar | THB | 38.40 | 38.11 | 37.45 | 39.34 | 38.70 | 39.12 | 37.73 |
| Vietnamese Dong | VND | 27.382.67 | 25.284.89 | 27.014.00 | 26.832.76 | 24.891.82 | 27.233.00 | 23.991.84 |

## 4. Use of Estimates

The preparation of the Consolidated Condensed Interim Financial Statements as of September 30, 2018 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 as of September 30, 2018, 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.

## 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. The analysis of the financial and economic indicators and results for the period may therefore not be considered to be fully representative, and it would be incorrect to consider the indicators for the period as proportional to the year as a whole.

## 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 the nine month ended September 30, 2018 a reclassification from “Purchase of services, leases and rentals” to “Revenues” of Euro 3,670 thousand.

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

| | Nine months ended September 30, 2018 | | |
|---|---|---|---|
| *(in thousands of Euro)* | **Reported Figures** | **Reclassification** | **Restated Figures** |
| Foodservice | 154,851 | (229) | 154,622 |
| Mass Market | 240,406 | 3,750 | 244,156 |
| Private Label | 215,513 | 149 | 215,662 |
| Other | 43,278 | | 43,278 |
| **Total** | **654,048** | **3,670** | **657,718** |

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

| | Nine months ended September 30, 2018 | | |
|---|---|---|---|
| *(in thousands of Euro)* | **Reported Figures** | **Reclassification** | **Restated Figures** |
| Americas | 288,428 | | 288,428 |
| Northern Europe | 133,053 | (871) | 132,182 |
| Southern Europe | 174,802 | 4,541 | 179,343 |
| Asia-Pacific and Cafés | 57,765 | | 57,765 |
| **Total** | **654,048** | **3,670** | **657,718** |

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.

| *(in thousands of Euro)* | As of September 30, 2018 | | |
|---|---|---|---|
| | **Reported Figures** | **IFRS 15** | **Data without the impact of IFRS 15** |
| *Asset* | | | |
| Current and non-current contract assets | 10,626 | (10,626) | - |
| Other current and non-current assets | 26,164 | 10,626 | 36,790 |
| *Liabilities* | | | |
| Current and non-current contract liabilities | 794 | (794) | - |
| Other current and non-current liabilities | 32,554 | 794 | 33,348 |

*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 IFRS 9 to asses the recoverability of its own trade receivables.

As at September 30, 2018 have been confirmed the values of the "expected write-off rate" used in the calculation done for the first application.

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** | **IFRS 9 effect** | **As of January First** |
|---|---|---|---|
| | **2017** | | **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 nine months ended September 30, 2018*

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

*For the nine months ended September 30, 2017*

In the first nine months of 2017 the Group acquired: *i)* Le.ma, a small local operator in the Italian market; *ii)* Tru Blue, a business unit operating in the distribution of coffee in Australia; and *iii)* 67% of the capital of PT Caswell Indonesia.

## 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 9 - Revenue.

## 10. Current and Non-current borrowings

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

| **As at September 30, 2018**<br>*(in thousands of Euro)* | **Less than 12 months** | **Between 1 and 5 years** | **Over 5 years** | **Total** |
|---|---|---|---|---|
| Long-term borrowings | 39,730 | 178,322 | 5,244 | 223,296 |
| Short-term borrowings | 48,095 | - | - | 48,095 |
| Advances from factors and banks | 5,977 | - | - | 5,977 |
| Finance lease liabilities | 1,359 | 2,860 | 17 | 4,236 |
| **Total** | **95,161** | **181,182** | **5,261** | **281,604** |

| **As at December 31, 2017**<br>*(in thousands of Euro)* | **Entro 12 mesi** | **Tra 1 e 5 anni** | **Oltre 5 anni** | **Totale** |
|---|---|---|---|---|
| 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 September 30, 2018 and December 31, 2017:

| Interest rate | Year | Initial principal amount *(in thousands)* | As at September 30 2018 *(in thousands of Euro)* | As at December 31 2017 |
|---|---|---|---|---|
| ***denominated in Euro*** | | | | |
| Euribor 6M + 1,25% | 2015 | 5,000 | - | 847 |
| Euribor 3M + 1,25% | 2015 | 12,000 | 7,333 | 8,333 |
| Euribor 6M + 1% | 2016 | 5,000 | 1,544 | 2,796 |
| Euribor 3M + 1,10% | 2016 | 15,000 | 8,333 | 11,657 |
| Euribor 6M + 1,35% | 2016 | 50,000 | 50,000 | 50,000 |
| Euribor 6M + 0,90% | 2016 | 9,000 | 8,994 | 8,991 |
| Euribor 6M + 1,05% | 2016 | 50,000 | 44,852 | 49,824 |
| Euribor 6M + 0,9% | 2016 | 10,000 | 9,997 | 9,997 |
| Euribor 3M + 0,75% | 2016 | 10,000 | 8,135 | 9,996 |
| Euribor 6M+1% | 2016 | 10,000 | 8,727 | 9,984 |
| 0,80% | 2017 | 10,000 | 9,992 | 9,984 |
| Euribor 3M +0,85% | 2017 | 15,000 | 14,993 | 14,985 |
| Euribor 3M +1,05% | 2017 | 10,000 | 7,548 | 9,023 |
| Euribor 3M +0,75% | 2018 | 15,000 | 14,986 | - |
| Other loans | - | - | 2,672 | 2,951 |
| | | ***subtotal*** | **198,106** | **199,369** |
| ***denominated in USD*** | | | | |
| 6,5% /Libor 3M + 7,5% | 2015 | 3,000 | 1,761 | 1,915 |
| Libor 3M + 1,50% | 2017 | 30,000 | 23,429 | 24,428 |
| | | ***subtotal*** | **25,190** | **26,343** |
| **Total** | | | **223,296** | **225,712** |
| *of which non-current* | | | *183,566* | *201,453* |
| *of which current* | | | *39,730* | *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.

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.

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

In order to reduce the Group’s exposure to interest rate fluctuations, Interest Rate Swap agreements were entered into on existing loans.

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

| | As at September 30 | As at December 31 |
|---|---|---|
| *(in thousands of Euro)* | **2018** | **2017** |
| *Principal amount of long-term borrowings* | | |
| - at variable rate | 214,054 | 216,548 |
| - at fixed rate | 10,000 | 10,000 |
| Notional value of derivatives on interest rates | 96,819 | 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 with the exception of the interest rate swap contract signed the first nine month of the period ended as 30 September, 2018 for a notional amount of 11,986 milions of Euro, all the other interest rate swaps, used by the Group to reduce the exposure to interest rate fluctuations, do not comply with the requirements for hedge accounting set forth by IAS 39 “Financial instruments: recognition and valuation”.

### *Advances from factors and banks*

Advances from factors and banks relate to advances received from factors or other banks in relation to trade receivables assigned during the year that do not meet the criteria established for the de-recognition of the financial asset.

### *Net financial indebtedness*

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

| | | As at September 30 | As at December 31 |
|---|---|---|---|
| *(in thousands of Euro)* | | **2018** | **2017** |
| A | Cash and cash equivalents | (717) | (803) |
| B | Cash at bank | (74,155) | (88,791) |
| C | Securities held for trading | - | - |
| **D** | **Liquidity (A+B+C)** | **(74,872)** | **(89,594)** |
| **E** | **Current financial receivables** | **(5,730)** | **(2,327)** |
| F | Current loans | 54,072 | 53,014 |
| G | Current portion of non-current loans | 39,730 | 24,259 |
| H | Other current financial payables | 1,359 | 1,459 |
| **I** | **Current indebtedness (F+G+H)** | **95,161** | **78,732** |
| **J** | **Net current indebtedness (I+E+D)** | **14,559** | **(13,189)** |
| K | Non-current medium/long-term loans | 183,566 | 201,453 |
| L | Issued bonds | - | - |
| M | Other non-current financial payables | 2,877 | 2,692 |
| **N** | **Non-current indebtedness (K+L+M)** | **186,443** | **204,145** |
| **O** | **Net financial indebtedness (J+N)** | **201,002** | **190,956** |

## 11. Contingent 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. 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 closed at the end of August. 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. Immediately prior to the scheduled beginning on October 15, 2018 of the trial's Phase 3, a California Court of Appeals granted the Company's and its co-defendants' Motion to Stay, resulting in a suspension of further proceedings in this matter until such time as OEHHA announces its final decision on this proposed new regulation. OEHHA is expected to announce that decision by early in 2019. Industry experts consider it likely that the proposed new regulation will be enacted. Once enacted, the new regulation should form the basis of a successful submission by the Company and its co-defendants of a Motion to dismiss the entire matter. The management belives that OEHHA's proposed new regulation will be implemented and has not recorded an accrual for this matter.

## 12. Revenue

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

| | Nine months ended September 30, | |
|---|---|---|
| *(in thousands of Euro)* | **2018** | **2017** |
| Sales of roasted coffee | 568,765 | 630,517 |
| Sale of regional products and other food related products | 42,005 | 33,478 |
| Sales of coffee machines | 24,316 | 24,695 |
| Revenue from café network | 8,596 | 8,447 |
| Other revenue | 10,366 | 11,377 |
| **Total** | **654,048** | **708,514** |

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

| | Nine months ended September 30, | |
|---|---|---|
| *(in thousands of Euro)* | **2018** | **2017** |
| Foodservice | 154,851 | 157,613 |
| Mass Market | 240,406 | 261,163 |
| Private Label | 215,513 | 245,219 |
| Other | 43,278 | 44,519 |
| **Total** | **654,048** | **708,514** |

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

| | Nine months ended September 30, | |
|---|---|---|
| *(in thousands of Euro)* | **2018** | **2017** |
| Americas | 288,428 | 334,780 |
| Northern Europe | 133,053 | 134,661 |
| Southern Europe | 174,802 | 182,711 |
| Asia-Pacific and Cafés (*) | 57,765 | 56,362 |
| **Total** | **654,048** | **708,514** |

(*) 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 Settembre 30, 2018.

## 13. Amortization, Depreciation and Impairment

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

| | **Nine months ended September 30,** | |
|---|---|---|
| *(in thousands of Euro)* | **2018** | **2017** |
| Depreciation of property, plant and equipment | 23,013 | 23,334 |
| Amortization of intangible assets | 3,811 | 4,232 |
| Depreciation of investment property | 88 | 77 |
| Allowances for doubtful accounts | 1,918 | 2,055 |
| **Total** | **28,830** | **29,698** |

## 14. Earnings per share

The following table provides a breakdown of earnings per share:

| | **Nine months ended September 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 | 12,319 | 8,064 |
| **Basic and diluted earnings per share (in Euro)** | **0.36** | **0.24** |

Basic earnings per share and diluted earnings per share were the same for the nine months ended September 30, 2018 and 2017, as there were no dilutive options or other potentially dilutive ordinary shares.

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

| Company | Registered office | Reporting date | Share capital | | Percentage held as at | |
|---|---|---|---|---|---|---|
| | | | Currency | Amount (000) | September 30, 2018 | December 31, 2017 |
| Massimo Zanetti Beverage S.A. | Geneva | December 31 | CHF | 192.900 | 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. | Bruxelles | December 31 | EUR | 3.892 | 100% | 100% |
| Segafredo Zanetti (Brasil) Com. distr. de Cafè S.A. | Belo Horizonte | December 31 | BRL | 20.184 | 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 Deutschland Gmbh | Munich | December 31 | EUR | 1.534 | 100% | 100% |
| Segafredo Zanetti Espresso Worldwide Ltd. | Geneve | December 31 | CHF | 30.000 | 98% | 98% |
| Segafredo Zanetti Espresso Worldwide Japan Inc. | Tokyo | December 31 | YEN | 100.000 | 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 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 Melrose Drysdale & CO Ltd. | Edinburgh | December 31 | GBP | 244 | 100% | 100% |
| Brulerie des Cafés Corsica SAS | Ajaccio | December 31 | EUR | 152 | 100% | 100% |
| Distribuidora Cafè Montaña S.A. | San Josè | December 31 | CRC | 304.010 | 100% | 100% |
| El Barco Herrumdrado S.A. | San Josè | December 31 | CRC | 10 | n.a. | 100% |
| Massimo Zanetti Beverage USA 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 | 0 | 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 | 0 | 100% | 100% |
| Kauai Coffee Company LLC | Hawaii | December 31 | USD | 0 | 100% | 100% |
| Massimo Zanetti Beverage USA Food Service LLC | Wilmington | December 31 | USD | 0 | 100% | 100% |
| Segafredo Zanetti New Zealand Ltd | Auckland | December 31 | NZD | 0 | 100% | 100% |
| Segafredo Zanetti Croatia d.o.o. | Zagreb | December 31 | HRK | 4.850 | 100% | 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% |
| Six Degrees Café Pte Ltd | Singapore | December 31 | SGD | 0 | 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 (Hong Kong) Ltd | Hong Kong | December 31 | USD | 500 | 100% | 100% |
| Segafredo Zanetti Grandi Eventi S.r.l. | Bologna | December 31 | EUR | 20 | 100% | 100% |
| Massimo Zanetti Beverage Services SRL | Municipiul Brasov | December 31 | RON | 1 | 51% | 51% |
| Boncafe Vietnam Company Ltd | Thuan An | December 31 | VND | 12.268.000 | 100% | 100% |
| Massimo Zanetti Beverage USA (Canada), Inc. | Suffolk | December 31 | USD | 0 | 100% | 100% |
| Massimo Zanetti Beverage Canada Investment ULC | Vancouver | December 31 | CAD | 0 | 100% | 100% |
| Club Coffee LP | Toronto | April 25 | CAD | 4.000 | 15% | 15% |
| Massimo Zanetti Beverage Ibéria S.A. | Lisbon | December 31 | EUR | 40.000 | 100% | 100% |
| Virtus pallacanestro Bologna SSD a.r.l. | Bologna | June 30 | EUR | 2.901 | 40% | 40% |
| PT Bon cafe Indonesia | Jakarta | December 31 | IDR | 2.525.000 | 67% | 67% |
| Shenzhen Boncafe Company Ltd | Shenzhen | December 31 | USD | 200 | 100% | n.a. |

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

| | Nine months ended September 30, | | | |
|---|---|---|---|---|
| *(in thousands of Euro)* | **2018** | ***of which related parties*** | **2017** | ***of which related parties*** |
| Revenue | 654,048 | 354 | 708,514 | 848 |
| Other income | 5,055 | | 5,376 | |
| Raw, ancillary, and consumable materials and goods | (368,246) | (121,798) | (416,457) | (152,690) |
| Purchases of services, leases and rentals | (128,839) | (1,414) | (134,908) | (725) |
| Personnel costs | (105,098) | (5,084) | (107,849) | (4,350) |
| Other operating costs | (4,414) | | (5,175) | |
| Amortization, depreciation and impairment | (28,830) | | (29,698) | |
| **Operating profit** | **23,676** | | **19,803** | |
| Finance income | 230 | 10 | 205 | 4 |
| Finance costs | (5,222) | (886) | (6,191) | (1,050) |
| Share of losses of companies accounted for using the equity method | (827) | | (469) | |
| **Profit before tax** | **17,857** | | **13,348** | |
| Income tax expense | (5,472) | | (5,140) | |
| **Profit for the year** | **12,385** | | **8,208** | |
| *Profit attributable to:* | | | | |
| *Non-controlling interests* | *66* | | *144* | |
| *Owners of the parent* | *12,319* | | *8,064* | |
| | - | | - | |
| **Basic and diluted earnings per share (in Euro)** | **0,36** | | **0,24** | |

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

| | As at September 30 | | As at December 31 | |
|---|---|---|---|---|
| *(in thousands of Euro)* | **2018** | ***of which related parties*** | **2017** | ***of which related parties*** |
| Intangible assets | 182,009 | | 183,231 | |
| Property, plant and equipment | 211,355 | | 212,830 | |
| Investment properties | 4,799 | | 4,887 | |
| Investments in joint venture | 10,345 | | 9,616 | |
| Non-current trade receivables | 2,666 | | 3,076 | |
| Deferred tax assets | 12,091 | | 10,244 | |
| Non-current contract assets | 7,272 | | - | |
| Other non-current assets | 6,388 | 388 | 13,669 | 240 |
| **Total non-current assets** | **436,925** | | **437,553** | |
| Inventories | 139,410 | | 127,997 | |
| Trade receivables | 122,174 | 95 | 123,405 | 228 |
| Income tax assets | 4,225 | | 1,975 | |
| Current contract assets | 3,354 | | - | |
| Other current assets | 19,776 | 241 | 18,195 | - |
| Cash and cash equivalents | 74,872 | | 89,594 | |
| **Total current assets** | **363,811** | | **361,166** | |
| **Total assets** | **800,736** | | **798,719** | |
| Share capital | 34,300 | | 34,300 | |
| Other reserves | 98,615 | | 98,162 | |
| Retained earnings | 175,590 | | 166,443 | |
| **Equity attributable to owners of the Parent** | **308,505** | | **298,905** | |
| Non-controlling interests | 1,830 | | 1,977 | |
| **Total equity** | **310,335** | | **300,882** | |
| Non-current borrowings | 186,443 | | 204,145 | |
| Employee benefits | 8,744 | | 8,987 | |
| Other non-current provisions | 3,066 | | 2,986 | |
| Deferred tax liabilities | 26,258 | | 22,895 | |
| Non-current contract liabilities | 467 | | - | |
| Other non-current liabilities | 2,153 | | 3,047 | |
| **Total non-current liabilities** | **227,131** | | **242,060** | |
| Current borrowings | 95,161 | | 78,731 | |
| Trade payables | 135,702 | 43,267 | 139,329 | 36,903 |
| Income tax liabilities | 1,679 | | 1,433 | |
| Current contract liabilities | 327 | | - | |
| Other current liabilities | 30,401 | | 36,284 | |
| **Total current liabilities** | **263,270** | | **255,777** | |
| **Total liabilities** | **490,401** | | **497,837** | |
| **Total equity and liabilities** | **800,736** | | **798,719** | |

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

| | Nine months ended September 30, | | | |
|---|---|---|---|---|
| *(in thousands of Euro)* | **2018** | *of which related parties* | **2017** | *of which related parties* |
| **Profit before tax** | **17,857** | | **13,348** | |
| **Adjustments for:** | | | | |
| Amortization, depreciation and impairment | 28,830 | | 29,698 | |
| Provisions for employee benefits and other charges | 567 | | 590 | |
| Finance costs | 4,992 | 876 | 5,986 | 1,046 |
| Other non-monetary items | 642 | | (157) | |
| **Net cash generated from operating activities before changes in net working capital** | **52,888** | | **49,465** | |
| Changes in inventories | (9,622) | | (17,445) | |
| Changes in trade receivables | (2,824) | 133 | (11,520) | 181 |
| Changes in trade payables | (5,456) | 6,166 | 1,156 | (1,487) |
| Changes in other assets/liabilities | (6,093) | (389) | (348) | (172) |
| Payments of employee benefits | (491) | | (401) | |
| Interest paid | (4,506) | (886) | (5,309) | (1,050) |
| Income tax paid | (6,315) | | (4,047) | |
| **Net cash generated from operating activities** | **17,581** | | **11,551** | |
| Acquisition of subsidiary, net of cash acquired | - | | (2,583) | |
| Purchase of property, plant and equipment | (20,206) | | (27,078) | |
| Purchase of intangible assets | (1,262) | | (656) | |
| Proceeds from sale of property, plant and equipment | 752 | | 1,561 | |
| Proceeds from sale of intangible assets | 25 | | 6 | |
| Investments in joint ventures and associates | (1,200) | | (840) | |
| Changes in financial receivables | (3,215) | | 419 | |
| Interest received | 94 | | 69 | |
| **Net cash used in investing activities** | **(25,012)** | | **(29,102)** | |
| Proceeds from long-term borrowings | 15,360 | | 41,681 | |
| Repayment of long-term borrowings | (19,651) | | (23,524) | |
| Increase / (decrease) in short-term borrowings | 2,190 | | 15,259 | |
| Dividends paid | (5,898) | | (5,305) | |
| **Net cash (used)/generated from financing activities** | **(7,999)** | | **28,111** | |
| Exchange gains/(losses) on cash and cash equivalents | 708 | | (843) | |
| **Net increase (decrease) in cash and cash equivalents** | **(14,722)** | | **9,717** | |
| Cash and cash equivalents at the beginning of the period | 89,594 | | 45,167 | |
| **Cash and cash equivalents at the end of the period** | **74,872** | | **54,884** | |

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

Pursuant to art. 154-bis, paragraph 2 of TUF, Leonardo Rossi, Manager in Charge of the Financial Reports, certifies that the accounting information contained in the present interim financial report at September 30, 2018 corresponds to the underlying documentary and accounting records.

Villorba (TV), November 8, 2018

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