

PRESS RELEASE

Massimo Zanetti Beverage Group S.p.A.: The BoD approves the interim report at March 31, 2017

The MZB Group improved its product mix during the quarter. Its composition has a higher margin due to the significant performance in the Food Service channel and Single Serve segment (volumes +59.2% and revenue +49.3%).

- Roasted coffee sales volumes of 30,883 tons, with Food Service channel up 16.9%
- Consolidated revenue of Euro 233.6 million, up 7.1% from the same period of 2016
- Consolidate Gross profit up +8.9% to Euro 96.7 million
- Consolidated EBITDA up +9.1%, or Euro 13.9 million, from Q1 2016
- Profit for the period up +78.9%, to Euro 2.3 million
- Net financial indebtedness of Euro 232.9 million
- Guidance 2017 confirmed

Villorba (Treviso, Italy), May 11, 2017 - Today, the Board of Directors of Massimo Zanetti Beverage Group S.p.A. ("MZBG" or the "Company") approved the interim report at March 31, 2017.

MZB Group highlights as at March 31, 2017

	Three months ended March 31, 2017	Three months ended March 31, 2016	% Delta
Sales volumes	30,883	31,076	-0.6%
Revenue	233.6	218.1	+7.1%
Gross profit	96.7	88.8	+8.9%
EBITDA	13.9	12.8	+9.1%
Operating Profit	4.8	5.0	-3.9%
Profit for the period	2.3	1.3	+78.9%
Earnings per share	0.07	0.04	+75.0%
	As at March 31, 2017	As at December 31, 2016	Change in € million
Net financial indebtedness	232.9	220.9	+€12.0 M

Figures in millions of Euro, except for sales volumes stated in tons of roasted coffee sold and for earnings per share, which are stated in Euro

Volumes

During the first quarter of 2017, the MZB Group had **sales volumes** of roasted coffee totalling **30,883 tons**, slightly down by 0.6% from the same period of the last year. Growth in the Southern Europe and Asia Pacific regions was offset by reductions in the Americas region, due mainly to Private Label, and in Northern Europe region due to Mass Market.

Excluding the contribution of Nutricafés, which was consolidated last September, roasted coffee sales volumes amounted to Euro 29,823 million, down 4.0% compared to the same period of the previous year.

The sales mix shifted to more profitable branded products that represented over half of total MZB Group volumes during the period.

In the first quarter of 2017, **Food Service** accounted 9.6% of total Group volumes, reaching a total of **2,974 tons** with a strong **growth** of **16.9%**. Nutricafés contributed with 386 tons of roasted coffee sold.

The **Mass Market** channel grew **by 0.4%** in the first quarter 2017 in terms of volumes, reaching **12,872 tons**. The double-digit growth in Southern Europe and Asia Pacific regions was offset by the soft market in the Americas and in Northern Europe. Excluding the impact of Nutricafés, the Mass Market channel fell by 1.8%. The Mass Market channel accounted for 41.7% of Group's total volumes for the MZB Group.

The **Private Label** channel, which represents 48.7% of total MZB Group volumes, recorded a **4.3%** decline, achieving a total of **15,037 tons** in the first quarter of 2017, being impacted by performance in the Americas. Excluding the impact of Nutricafés, the Private Label channel fell by 6.8%.

The **Single Serve** segment had robust **growth of 59.2%** from Q1 2016. It was driven by the positive contribution made by the Americas and Southern Europe, where the Segafredo, Nicola, Kauai, and Hills Bros Cappuccino brands performed well.

At the geographic level, in first quarter of 2017 the **Americas** accounted for **18,373 tons**, with a **decline of 5.8%**, driven by the Private Label channel. The **Americas** accounted for **59.5% of total volumes** for the MZB Group.

Southern Europe posted total **volumes** of **6,928 tons** in Q1 2017, growing by **16.7%** in all distribution channels. Nutricafès had a positive impact, contributing with 1,061 tons of roasted coffee sold. Excluding this impact, Southern Europe posted a slight decline of 1.2%.

Southern Europe accounted for **22.4% of total volumes** of the MZB Group.

Volumes declined by 3.1% year-on-year in **Northern Europe**, closing Q1 2017 at **4,955 tons**. This performance is mainly related to a reduction in promotional volumes in Mass Market channel in Finland, and to the increase of average selling price reflecting the rise in green coffee cost. The Private Label, despite its relatively small size, continues to grow, as does Food Service. At the geographic level, worth mentioning is the Group's performance Poland, where it more than doubled its roasted coffee sales volumes, thanks to the agreements made with major distribution channels. **Northern Europe** accounted for **16.0% of the total** MZB Group volumes.

Roasted coffee sales volumes in the **Asia, Pacific and Cafès** division came to **628 tons** in the first quarter of 2017, **up 21.2%** versus same period of last year. This increase has been reflected in all channels of the division. **Boncafè** confirmed its sustained positive trend with a **volume growth of 21.9%**. Asia, Pacific and Cafès accounted for **2.0%** of the Group's **total volumes**.

Consolidated revenue

The **consolidated revenue** of the MZB Group in **Q1 2017** totalled **Euro 233.6 million, up 7.1%** on the same period of 2016. Revenue grew in all geographic areas and in all distribution channels. The increase in revenue can be attributed to the more effective channel and product mix as well as to an improvement in sales prices reflecting the rise in green coffee costs. These factors more than offset the impact of lower volumes.

With regard to the distribution channels, the **Food Service channel grew by 13.1%** compared to the same period of the previous year and contributed 21.3% of MZB Group consolidated revenue, in line with its strategies. The **Mass Market** channel contributed **37.7%** of the consolidated revenue, **an increase of 8.1%** on the same period of the previous year. In Q1 2017 the **Private Label** channel **grew by 3.7%** and contributed **35.0%**, down from first quarter of 2016, when it contributed 36.2%. This reflected the greater strength of branded products.

The Americas remain the main geographic area in terms of revenue, accounting for **48.7%** of the MZB Group's revenue.

Southern Europe represented the second most important geographic area, contributing **24.7%** of revenue. **Northern Europe** contributed **18.6%** of revenue, while **Asia, Pacific, and Cafes¹** contributed **8.0%**.

Single Serve revenue grew by 49.3% during the year, compared with Q1 2016.

Excluding the contribution of Nutricafés, the Company's consolidated revenue came to Euro 224.0 million, up 2.7% on 2016.

Gross profit

Consolidated **Gross Profit** grew **8.9%** on first quarter of 2016, to **Euro 96.7 million of which** Nutricafés contributed Euro 5.4 million. Consolidated Gross Profit solely for roasted coffee sales grew by 10.4%. The increase in Gross Profit generated by the sale of roasted coffee is largely due to the positive change in channel and product mix and an improvement in sales price compared to the cost of green coffee. **Organic Gross Profit per Kg** continued to grow, rising from EUR/kg 2.44 in Q1 2016 to **EUR/kg 2.56 in Q1 2017**, with an increase of 12 cents or 4.9%.

Gross Margin was 41.4%, compared to 40.7% recorded in Q1 2016.

EBITDA

EBITDA for the period came to **Euro 13.9 million**, up **9.1%** versus the same period of 2016. Nutricafés contributed Euro 2.3 million to MZB Group EBITDA.

The *EBITDA Margin* for the year was 6.0%, compared to 5.8% posted in Q1 2016.

Operating Profit

The operating profit of the MZB Group in Q1 2017 amounted to **Euro 4.8 million**, down Euro 0.2 million from Q1 2016. This decrease is attributable to the increase in "Amortisation and Depreciation", especially after the acquisition of Nutricafés.

Profit for the period

Profit for the period of Q1 2017 came to **Euro 2.3 million, up 78.9%**, compared to the same period of 2016, when the figure was Euro 1.3 million. The result was largely due to a reduction in finance cost driven by the reorganization of debt as well as the FX impact.

¹ This geographic area includes the revenue generated by the international network of cafés.

Earnings per share increased considerably, from Euro 0.04 per share in Q1 2016 to **Euro 0.07** per share in Q1 2017.

Net financial indebtedness

MZB Group net financial indebtedness at March 31, 2017 was **Euro 232.9 million**, up by Euro 12.0 million from December 31, 2016. This increase was mainly due to the use of cash generated by the greater liquidity needed to finance net working capital.

Guidance

Based on the results achieved in Q1 2017, the outlook for MZB Group performance in 2017 is unchanged.

The Group's first quarter 2017 results will be presented during the conference call to be held today, Thursday May 11, at 18:00 CET. To access the call, please use one of the following dial-in numbers: +1 718 705 8794 (US e Canada) , +39 02 805 88 11 (Italy), +44 121 281 8003 (UK) ; +33 170 918 703 (France) and +39 02 805 88 27 (Press).

Digital Playback service will be available for 7 days, dialing the following numbers: +1 718 705 8797 (US and Canada), +39 02 72495 (Italy), +44 1 212 818 005 (UK) with the following passcode: 953#

The presentation will be available on the corporate website (www.mzb-group.com) and on the storage system (www.emarketstorage.com),

The Manager in charge of the Company's financial reports, Massimo Zuffi, pursuant to paragraph 2 of Article 154-bis of Italy's Consolidated Law on Finance (TUF), declares that the accounting information contained in this press release corresponds to the documented results, books and accounting records,

Disclaimer

This press release contains forward-looking statements related to: investment plans, future management performance, growth objectives in terms of revenues and results, both at global level and by business area, net financial position and other aspects of the Group's business, Forward-looking statements involve risks and uncertainties inasmuch as they depend on the occurrence of future events and circumstances, Actual results may therefore differ materially from those announced herein due to several factors.

Massimo Zanetti Beverage Group is a world leader in the production, processing and marketing of roasted coffee and other selected categories of colonial products, distributed in about 110 countries, The Group manages the different activities, from procurement to consumption, operating 18 facilities across Europe, Asia and the Americas, and through a global network of about 400 coffee shops in 50 countries, Moreover, MZBG completes the range of its products through the sale of coffee makers and complementary products, such as tea, cocoa, chocolate and top quality spices,

Media Relations:

Barabino&Partners
Federico Vercellino
f.vercellino@barabino.it
mob: +39 331.57.45.171

Investor Relations:

Massimo Zanetti Beverage Group
Letizia Chiarucci
investors@mzb-group.com
+39 0422 312611

Tables Follow

Consolidated Condensed Interim Income Statement

<i>(in thousands of Euro)</i>	Three months ended March 31	
	2017	2016
Revenue	233,640	218,123
Other income	1,549	1,324
Purchases of goods	(136,889)	(129,304)
Purchases of services, leases and rentals	(45,012)	(41,981)
Personnel costs	(36,679)	(32,917)
Other operating costs	(1,581)	(1,749)
Amortization, depreciation and impairment	(10,195)	(8,469)
Operating profit	4,833	5,027
Finance income	56	60
Finance costs	(1,000)	(2,565)
Profit/(loss) on equity consolidated companies	(80)	(2)
Profit before tax	3,809	2,520
Income tax expense	(1,490)	(1,224)
Profit for the period	2,319	1,296
Profit attributable to:		
Non-controlling interests	47	55
Owners of the parent	2,272	1,241
Earnings per share basic / diluted (in Euro)	0.07	0.04

Consolidated Interim Statement of Financial Position

<i>(in thousands of euro)</i>	As at March 31, 2017	As at December 31, 2016*
Intangible assets	189,360	189,423
Property, plant and equipment	219,475	220,173
Investment properties	4,293	4,319
Investments in joint venture	10,715	10,943
Non-current trade receivables	4,148	4,129
Deferred tax assets	10,871	9,799
Other non-current assets	17,243	16,036
Total non-current assets	456,105	454,822
Inventories	152,196	132,858
Trade receivables	125,710	122,074
Income tax assets	2,397	1,611
Other current assets	22,730	22,014
Cash and cash equivalents	46,634	45,167
Total current assets	349,667	323,724
Total assets	805,772	778,546
Share capital	34,300	34,300
Other reserves	123,565	124,738
Retained earnings	151,329	149,057
Equity attributable to owners of the parent	309,194	308,095
Non-controlling interests	1,896	1,849
Total equity	311,090	309,944
Non-current borrowings	199,373	192,117
Employee benefits	9,368	9,268
Other non-current provisions	3,357	3,949
Deferred tax liabilities	30,530	29,069
Other non-current liabilities	3,257	3,345
Total non-current liabilities	245,885	237,748
Current borrowings	82,685	77,430
Trade payables	130,807	122,209
Income tax liabilities	1,394	644
Other current liabilities	33,911	30,571
Total current liabilities	248,797	230,854
Total liabilities	494,682	468,602
Total equity and liabilities	805,772	778,546

* The items of current and non-current receivables from clients have been reclassified to improve comparability with the corresponding balances as at 31 March 2017

Consolidated Interim Statement of Cash Flows

<i>(in thousands of euro)</i>	Three months ended March 31	
	2017	2016
Profit before tax	3,809	2,520
Adjustements for:		
Depreciation, amortization and impairment	10,195	8,469
Provisions for employee benefits and other charges	261	417
Finance expenses	944	2,507
Other non-monetary items	44	47
Net cash generated from operating activities before changes in working capital	15,253	13,960
Decrease/(Increase) in inventory	(20,239)	7,181
Decrease/(Increase) in trade receivables	(5,300)	(1,220)
(Decrease)/Increase in trade payables	9,087	(3,464)
Changes in other assets/liabilities	71	217
Payments of employee benefits	(130)	(327)
Interest paid	(2,079)	(1,203)
Income tax paid	(926)	(1,537)
Net cash generated from operating activities	(4,263)	13,607
Acquisition of subsidiary, net of cash acquired	(200)	-
Acquisition under common control, net of cash acquired	-	(2,624)
Purchase of property, plant and equipment	(7,808)	(6,842)
Purchase of intangible assets	(439)	(316)
Proceeds from sale of property, plant and equipment	287	261
Proceeds from sale of intangible assets	29	-
Increase in financial receivables	774	73
Interest received	6	42
Net cash used in investing activities	(7,351)	(9,406)
Proceeds from borrowings	15,000	20,000
Repayment of borrowings	(16,036)	(4,413)
Increase/(decrease) in short-term loans	14,004	(1,868)
Net cash generated from financing activities	12,968	13,719
Exchange gains/(losses) on cash and cash equivalents	113	(354)
Net increase in cash and cash equivalents	1,467	17,566
Cash and cash equivalents at the beginning of the year	45,167	25,574
Cash and cash equivalents at the end of the year	46,634	43,140

Breakdown of revenue by sales channel

(in thousands of Euro)	Three months ended March 31				Change	
	2017	(*)	2016	(*)	2017-2016	
Mass Market	87,996	37.7%	81,407	37.3%	6,589	8.1%
Foodservice	49,758	21.3%	44,010	20.2%	5,748	13.1%
Private Label	81,833	35.0%	78,907	36.2%	2,926	3.7%
Others	14,053	6.0%	13,799	6.3%	254	1.8%
Total	233,640	100.0%	218,123	100.0%	15,517	7.1%

(*) Percentage of revenue

Breakdown of revenue by geographical area

(in thousands of Euro)	Three months ended March 31				Change	
	2017	(*)	2016	(*)	2017-2016	
Americas	113,691	48.7%	110,958	50.9%	2,733	2.5%
Northern Europe	43,491	18.6%	42,558	19.5%	933	2.2%
Southern Europe	57,781	24.7%	48,114	22.1%	9,667	20.1%
Asia-Pacific & Cafés (**)	18,677	8.0%	16,493	7.6%	2,184	13.2%
Total	233,640	100.0%	218,123	100.0%	15,517	7.1%

(*) Percentage of revenue

(**) This geographical area includes also revenue related cafés

Net financial indebtedness of the Group at March 31 2017 and December 31 2016

(in thousands of Euro)	As at March 31		As at December 31	
	2017		2016	
A Cash and cash equivalents	(2,029)		(931)	
B Cash at bank	(44,605)		(44,236)	
C Securities held for trading	-		-	
D Liquidity (A+B+C)	(46,634)		(45,167)	
E Current financial receivables	(2,557)		(3,495)	
F Current loans	64,782		50,870	
G Current portion of non-current loans	16,426		24,952	
H Other current financial payables	1,477		1,608	
I Current indebtedness (F+G+H)	82,685		77,430	
J Net current indebtedness (I+E+D)	33,494		28,768	
K Non-current loans	196,529		189,393	
L Issued bonds	-		-	
M Other non-current financial payables	2,844		2,724	
N Non-current indebtedness (I+E+D)	199,373		192,117	
O Net financial indebtedness (J+N)	232,867		220,885	