



PRESS RELEASE

MASSIMO ZANETTI BEVERAGE GROUP SPA: THE BOARD OF DIRECTORS APPROVES THE INTERIM REPORT FOR THE FIRST HALF 2018

STRONG GROWTH OF THE PROFITABILITY

EBITDA: EURO 32.1 MILIONI, +10%

NET PROFIT: EURO 7.1 MILIONI, +62%

- **REVENUE:** EURO 434.4 MILLION COMPARED TO EURO 475.6 MILLION IN THE FIRST HALF OF 2017; -8.7% AT CURRENT EXCHANGE RATES, -3.0% ON A COMPARABLE BASIS*
- **GROSS PROFIT:** EURO 191.2 MILLION, -2.4% COMPARED TO EURO 195.9 MILLION IN THE FIRST HALF OF 2017 WITH THE MARGIN ON REVENUE OF 44.0% COMPARED WITH 41.2%
- **EBITDA:** EURO 32.1 MILLION, +10.2% COMPARED TO EURO 29.1 MILLION IN THE FIRST HALF OF 2017;
- **NET PROFIT:** EURO 7.1 MILLION, +62.3% COMPARED TO EURO 4.4 MILLION IN THE FIRST HALF OF 2017;
- **NET DEBT:** EURO 190.7 MILLION COMPARED TO EURO 191.0 MILLION AT DECEMBER 31, 2017

Villorba, August 8, 2018. The Board of Directors of Massimo Zanetti Beverage Group S.p.A., one of the leading brands worldwide in the production, processing and marketing of roasted coffee and other selected categories of colonial products, listed on the Milan Stock Exchange (MVB.MI), approved today the Half Year Financial Report at June 30, 2018.

MASSIMO ZANETTI, THE GROUP'S CHAIRMAN AND CHIEF EXECUTIVE OFFICER, SAID: "In the first half of 2018, key profitability indicators have grown considerably: the EBITDA increased by more than 10% and the net profit by more than 60%. Revenue in the first half of the year, which was substantially stable at an organic level (-3% compared to the first half of 2017), showed a steady improvement in the sales mix, generating a positive expansion of margins.

All geographical areas and all sales channels reported increased volumes, except for the American market, which decreased by 5%. In particular, the Asia-Pacific region reported interestingly growing volumes (+12%) and the Food Service channel performed well in all markets.

Based on the reported results for the first six months and considering the positive outlook for the remaining part of the year, we confirm our expectations of solid growth in profitability for the financial year."

**on a comparable basis: at constant exchange rates and with the retrospective application of IFRS 15 on 2017 revenue. For additional information, please refer to page 14 of this press release.*



VOLUMES

In the first six months of 2018, the roasted coffee sales volumes of Massimo Zanetti Beverage Group S.p.A. showed a slight decline, -1.9% compared to the first half of 2017 (62.1 thousand tons compared with 63.2 thousand tons of the first half 2017).

This trend is due to the decrease in the Americas (-5.3% compared to the first half of 2017) in the Private Label and Mass Market channels, partially offset by positive performance of all other areas: Southern Europe was up 3.2% compared with the first half of 2017, Northern Europe was up 1.9% compared with the first half of 2017, and Asia Pacific and Cafés was up 12.0% compared to the first half of 2017.

Food Service channel performed well in all markets (+3.1%, compared with the first half of 2017), in line with the Group's strategy which focuses on channel and product mix highly-profitable.

CONSOLIDATED REVENUE

The Group's consolidated revenue amounted to Euro 434.4 million in the first half of 2018, compared to Euro 475.6 million of the first half of the prior year, a decrease of 8.7% at current exchange rates, - 3.3% at constant exchange rates compared to the first half of 2017.

Revenue, on a comparable basis*, decreased -3.0% compared to the previous year, equal to Euro 14.4 million, mainly due to:

- the decrease in roasted coffee sales volumes, as explained before (-1.6% compared to the first half of 2017);
- the slight decrease of roasted coffee sales price resulting from the decrease in the average purchase price of green coffee which was partially offset by the positive effects of a different mix in the sales channels in 2018 and 2017. Overall, these items resulted in a decrease in revenue of -1.4% compared to the first half of 2017.

**comparable basis: at constant exchange rates and with the retrospective application of IFRS 15 on 2017 revenue. For additional information, please refer to page 14 of this press release.*

REVENUE BY CHANNEL

Revenue from the Food Service channel, which account for 23.8% of the Group's revenue, amount to Euro 103.3 million, showing a growth of 0.7% on a comparable basis, with volumes growth recorded in all markets.

Performance of the Mass Market channel and Private Label channels, equal to 37.1% and 32.4% respectively of the Group's revenue, is due to the decline in volumes of the Americas, partially offset by the increase in volumes in all other areas, and the slight decrease of roasted coffee sales price as a consequence of the reduction of the cost of green coffee, as explained before.

<i>(in Thousand of Euro)</i>	Six months ended June 30,				Change		
	2018		2017		Current FX	Constant FX	Comparable basis: Constant FX and IFRS 15
Foodservice	103,326	23.8%	104,691	22.0%	-1.3%	+0.9%	+0.7%
Mass Market	161,070	37.1%	178,058	37.4%	-9.5%	-5.2%	-4.3%
Private Label	140,810	32.4%	163,453	34.4%	-13.9%	-5.4%	-5.4%
Other	29,205	6.7%	29,361	6.2%	-0.5%	+4.1%	+4.1%
Total	434,411	100.0%	475,563	100.0%	-8.7%	-3.3%	-3.0%

REVENUE BY REGION

Revenue from the Americas amount to Euro 189.5 million (43.6% of the Group's revenue) a 6.3% reduction on a comparable basis. This performance is explained by the decrease of the Mass Market and Private Label channels, as already explained.

Revenue from Europe are slightly negative due to the reduction in sales prices as a consequence of the decrease in the purchase price of green coffee, while volumes increased in all channels.

Revenue from Asia-Pacific, which also include those from the international network of cafés, amount to Euro 38.7 million, up by 9.4% on a like for like basis, compared to the first half of 2017.

<i>(in Thousand of Euro)</i>	Six months ended June 30,				Change		
	2018		2017		Current FX	Constant FX	Comparable basis: Constant FX and IFRS15
Americas	189,463	43.6%	227,215	47.8%	-16.6%	-6.3%	-6.3%
Northern Europe	87,545	20.2%	89,785	18.9%	-2.5%	-2.6%	-3.2%
Southern Europe	118,712	27.3%	121,437	25.5%	-2.2%	-2.2%	-0.6%
Asia-Pacific and Cafés	38,691	8.9%	37,126	7.8%	4.2%	+9.4%	+9.4%
Total	434,411	100.0%	475,563	100.0%	-8.7%	-3.3%	-3.0%



GROSS PROFIT

Gross profit amounts to Euro 191.2 million for the six months ended June 30, 2018, was down by Euro 4.7 million compared to the six months ended June 30, 2017. This decrease is mainly explained by the unfavorable effect of exchange rates (with an impact of Euro 8.3 million, compared to the first half of 2017). On a comparable basis, Gross Profit increases by Euro 5.1 million (+2.6% compared to the first half of 2017), mainly due to the sale of roasted coffee (+3.1% compared to the first half of 2017).

The increase in Gross Profit from the sale of roasted coffee is in turn mainly due to the positive impact of the trends in sales and purchase prices respectively of roasted and green coffee and to the positive effect of the different mix in the sales channels in the first half of 2018 and 2017 (+4.9% compared to the first half of 2017), partially offset by the decrease in roasted coffee volumes (-1.8% compared to the first half of 2017).

In percent of revenue the Gross Profit increased 280 basis points (from 41.2% of revenue to 44.0%).

EBITDA

EBITDA amounts to Euro 32.1 million (7.4% on revenue), compared to Euro 29.1 million in 2017 (6.1% on revenue), up by 10.2% compared to the first half of 2017.

The increase of EBITDA is due to the increase of Gross Profit, for Euro 5.1 million on a comparable basis, partially offset by the negative impact of exchange rate fluctuations (Euro 1.1 million) and the slight increase of operating costs on a comparable basis (equal to Euro 1.0 million).

OPERATING INCOME (EBIT)

Operating income (EBIT) amounted to Euro 14,1 million for the six months ended June 30, 2018, an increase of +30.2% compared to Euro 10.8 million of the six months ended June 30, 2017. In addition to as previously described for EBITDA, this increase is attributable to the decrease in amortization and depreciation, amounting to Euro 0.3 million.

NET PROFIT

The net profit amounts to Euro 7.1 million, up 62.3% compared to first half of 2017. Income taxes increased Euro 480 thousand, mainly due to the increased taxable income generated by the Group in the six months ended June 30, 2018 compared to the same period of 2017.



NET DEBT

Net debt amounting to Euro 190.7 million is stable compared to 191.0 million at December 31, 2017. During the first half the net recurring investments amount to Euro 13.4 million compared to Euro 19.1 million of the first half of 2017. During the period 5.8 million dividends were distributed, compared with 5.3 million of the same period of 2017.

FORECAST FOR OPERATIONS AND SIGNIFICANT SUBSEQUENT EVENTS

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

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

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

CONFERENCE CALL TO PRESENT FIRST HALF 2018 FINANCIAL RESULTS

The Group's First Half 2018 results will be presented during the conference call to be held today at 5:30 CET. To access the call, please use one of the following dial-in numbers: +1 718 705 8794 (US and 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 8 days, dialling the following numbers: +1 718 705 8797 (US and Canada), +39 02 72495 (Italy), +44 1 212 818 005 (UK) with the following passcode: 936#

The presentation will be available before the conference call on the company website www.mzb-group.com and on the storage system (www.emarketstorage.com). The recording file will be available on the company website.



DECLARATION BY THE MANAGER IN CHARGE OF THE COMPANY'S FINANCIAL REPORTS

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

FOR MORE INFORMATION

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MASSIMO ZANETTI BEVERAGE GROUP S.P.A.

Massimo Zanetti Beverage Group S.p.A. 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, Massimo Zanetti Beverage Group completes the range of its products through the sale of coffee machines and complementary products, such as tea, cocoa, chocolate and top-quality spices.

DISCLAIMER

This document includes forward-looking statements, relative to future events and income and financial operating results of the Massimo Zanetti Beverage Group. These forecasts, by their nature, include an element of risk and uncertainty, since they depend on the outcome of future events and developments. The actual results may differ even quite significantly from those stated due to a multiplicity of factors.

ANNEX

RECLASSIFIED CONSOLIDATED INCOME STATEMENT

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

RECLASSIFIED CONSOLIDATED BALANCE SHEET

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

NET WORKING CAPITAL

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

RECLASSIFIED CONSOLIDATED CASH FLOW STATEMENT

<i>(in thousands of Euro)</i>	Six months ended June 30,	
	2018	2017
EBITDA	32,050	29,095
Changes in net working capital	(6,686)	(25,206)
Net recurring investments	(13,411)	(19,125)
Income tax paid	(4,416)	(2,846)
Other operating items	2,062	2,028
Free Cash Flow	9,599	(16,054)
Net non-recurring investments	(600)	(2,774)
Investments (Disposals) in financial receivables	(1,246)	251
Interest paid	(2,898)	(3,476)
Net cash generated from financing activities	107	38,481
Dividends paid	(5,831)	(5,305)
Exchange gains/(losses) on cash and cash equivalents	581	(446)
Net increase in cash and cash equivalents	(288)	10,677
Cash and cash equivalents at the beginning of the period	89,594	45,167
Cash and cash equivalents at the end of the period	89,306	55,844

CHANGES IN NET WORKING CAPITAL

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

NET FINANCIAL DEBT

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

CONSOLIDATED CONDENSED INTERIM INCOME STATEMENT

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

CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

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

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOW

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

IMPACTS FROM NEW ACCOUNTING STANDARDS

IFRS 15

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

The effect of the application of IFRS 15 on June 30, 2018 revenue are shown in the tables below.

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

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

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

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

IFRS 9

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

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

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

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

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

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