

PRESS RELEASE

**MASI AGRICOLA: CONSOLIDATED RESULTS FOR THE FIRST HALF OF 2017**

**CONSOLIDATED RESULTS -1% (IMPROVEMENT IN THE 2Q)**

**PROFITABILITY DOWN COMPARED TO EXCEPTIONALLY POSITIVE 1H 2016**

**EBITDA MARGIN DOWN SLIGHTLY COMPARED TO FY2016**

- Net revenue 29.2 million euros (29.6 mln euros in H1-2016, -1%)
- EBITDA 6.7 million euros (8 mln euros in H1-2016)
- EBIT 4.1 million euros (5.7 mln euros in H1-2016)
- Profit for the period 2.5 million euros, equal to 9% (3.1 mln euros in H1-2016, equal to 10%)
- Net debt 10.1 million euros (6.6 mln euros at 31 December 2016) also due to seasonality and increased stocks of Amarone

*Sant’Ambrogio di Valpolicella, 4 August 2017.* The Board of Directors of Masi Agricola S.p.A., listed on AIM Italia and an Italian leader in premium wines, met today and approved the consolidated half-year financial report at 30 June 2017.

Sandro Boscaini, Chairman of Masi Agricola, stated: «*This first half of 2017 provides particularly positive figures. Consumption in the global market is not brilliant, competition is tight within a highly segmented offer. All this undermining the performance for premium Italian still wines. Moreover, we work with a long term perspective, as necessary to maintain the prestige of a quality wine brand*».

**THE GROUP'S FINANCIAL PERFORMANCE**

*Revenue analysis*

Geographical breakdown of sales:

<i>(in thousands of euro)</i>	<b>1H-2017</b>	<b>%</b>	<b>1H-2016</b>	<b>%</b>	<b>Year 2016</b>	<b>%</b>
Italy	5,104	17.5%	3,492	11.8%	9,935	15.6%
Europe	12,059	41.3%	13,441	45.4%	27,507	43.1%
The Americas	10,892	37.3%	11,814	39.9%	24,745	38.7%
Other	1,113	3.8%	844	2.9%	1,683	2.6%
<b>Total</b>	<b>29,168</b>	<b>100.0%</b>	<b>29,591</b>	<b>100.0%</b>	<b>63,870</b>	<b>100.0%</b>

The first half of 2017 closed with a drop in consolidated results of about 1%. Net of the increase in revenue after including Canevel in the scope of consolidation; the drop amounts to 2,173 thousand euros, about 7%. The second quarter shows an improvement over the first quarter which recorded a drop of respectively 4% at consolidated level and over 9% net of Canevel. Moreover, the first half of 2016 showed exceptionally good results, with a 9% growth in revenue; which, however, slowed down leading to the entire 2016 FY closing with a 2.4% increase (excluding Canevel from the scope of consolidation). It should also be noted that, according to current forecasts, July and August 2017 will record an increase in revenue compared to the previous year.

Revenue reclassified according to the product's positioning<sup>1</sup>:

	1H-2017	1H-2016	Year 2016
Top Wines	23.5%	21.92%	24.00%
Premium Wines	54.6%	50.62%	49.30%
Classic Wines	22.0%	27.46%	26.70%

There were no particular problems concerning customers' solvency and debt collection operations, which were in line with the previous years.

As for seasonality, generally, in the last few years the Group has constantly generated over half of its annual revenue in the second halves.

#### *Analysis of net and consolidated operating results*

**EBITDA** fell from 8.025 thousand euros to 6.742 thousand euros (EBITDA margin from around 27% to around 23%). In particular:

- a) the revenue from sales and services less costs for raw materials and consumables, net (so-called "Gross margin") is higher in percentage terms than the previous year's figure (about 70% in 2017 against 68% in the first half of 2016), in absolute value;
- b) costs for services and leases rose by 950 thousand euros (going from 8,943 thousand euros to 9,893 thousand euros), both for greater marketing support in terms of advertising and promotional activities and for the consolidation of Canevel. This latter expansion of the scope of consolidation also explains most of the increase in staff costs, going from 3,740 thousand euros to 4,214 thousand euros.

It should be noted that the EBITDA margin suffered from two significant changes compared to the first six months of 2016: a) a loss in Masi profit centre revenue for over 2 million euros, that is over 1 million euros of contribution margin to fixed costs (hence lower EBITDA in the first half of 2017); b) the consolidation of a new profit centre, Canevel, which, given the size of the business and the

<sup>1</sup> With reference to a retail shelf price-bracket positioning trend in Italy, we mean: Top wines with a bottle price of over 25 euro; Premium Wines: wines with a bottle price of 10-25 euro; Classic Wines: wines with a bottle price of 5-10 euro.

wine category of reference (with a high raw material cost), currently does not bring significant EBITDA to the Group and, as a result, has a diluting effect on the consolidated EBITDA margin. Without those two phenomena, the EBITDA margin in the first half of 2017 would have been consistent with the first half of 2016 and, therefore, management activities are oriented towards recovering revenue for Masi and developing Canevel business.

The half-year **EBIT** fell from 5,662 thousand euros to 4,052 thousand euros after depreciations/amortisations and write-downs for 2,690 thousand euros.

**Finance income and expenses** were negative to the tune of 486 thousand euros, compared to the (positive) 95 thousand euros for the first half of 2016. The change was mainly due to exchange rate differences.

**Income tax expense** fell from 1,942 thousand euros to 1,353 thousand euros.

The consolidated **profit** for the period decreased from 3,066 thousand euros to 2,491 thousand euros.

## **FINANCIAL POSITION**

Net consolidated financial debt amounted to 10,096 thousand euros as at 30 June 2017, against 6,576 thousand euros as at 31 December 2016, with cash flow basically consistent with the first half of 2016.

## **SIGNIFICANT EVENTS**

The production of wines from raisined grapes in early 2017 was particularly significant, in terms of quantity and quality, thanks to an excellent 2016 crop year and an autumn-winter period characterised by outstanding weather.

On 30 January 2017, Masi's commitment to responsible management of the entire wine making process, from vineyard to bottling, was further confirmed by obtaining certification compliant with the international standards ISO 14001:2015 "Environmental Management System" and OHSAS 18001:2007 "Occupational Health and Safety Management System", issued by the Swiss entity SQS, internationally recognised for its certification and assessment services. This is consistent with the environmental and safety policy adopted by Masi, implemented into multiple initiatives: from the exclusion of internal fossil fuel-powered vehicles, to eco-sustainable production with photovoltaic panels for a significant part amounting to over 16% of energy consumed, to the adoption of FSC-certified packaging and the production of organic wines, some of which are already available on the market, like the Tuscan red Poderi BelloVile and the Argentinian white Passo Blanco; and other wines will soon be able to claim organic certification. For its commitment to the environment, Masi has been selected by the Ministry for the Environment for the VIVA Sustainable Wine project, to promote the sustainability of the wine-making industry.



On 2 March 2017, Masi Agricola received the “Premio Leonardo Qualità Italia” (Leonardo Italian Quality Award), an acknowledgement awarded every year by the Leonardo Committee to the most representative companies of Made in Italy excellence and the quality of the Italian production system in the world. This prestigious award was presented to the Chairman of Masi, Sandro Boscaini, by the President of Italy, Sergio Mattarella, and the Chairman of the Leonardo Committee, Luisa Todini, during a ceremony held at the Quirinal palace. The Leonardo Award is given to entrepreneurs whose companies stand out during the year for the quality and innovation of their products; as well as for the strong international outlook of their companies, from both the commercial and production points of view. This approach has always made Masi Agricola stand out; leading to its success on world markets where the company, with its wines, is acknowledged as an ambassador of the Italian Wine Style values, of the tradition and uniqueness of the suitable terroirs of the Venetian regions. This acknowledgement joins that of Mr. Sandro Boscaini being appointed as Cavaliere del Lavoro during 2016.

With 2014 vintage, released to the market last April, Campofiorin celebrates its fiftieth anniversary. The anniversary of this iconic Supervenetian wine will be celebrated by Masi with special labels and sizes, and a series of international initiatives, events and advertising campaigns. Campofiorin was created in 1964 based on a brilliant intuition of Guido Boscaini, as an original raisined wine, rich in aromas and fragrances, soft, refined tannins, placing itself between the cordial simplicity of Valpolicella and the complexity of Amarone. The result was overwhelming and set a precedent: in 50 years, it has become a reference point for the Verona territory and has conquered more than 300 million people in over 100 countries, becoming one of the classics of the best wine-making tradition, symbol of the Italian Wine Style. For its fiftieth anniversary, the grape selection is extremely important: in a vintage like 2014, not especially favourable, Masi will not market its Amarone wines: the best grapes went to Campofiorin, which thus achieved that qualitative excellence required for the important celebration.

## **SIGNIFICANT EVENTS OCCURRING AFTER THE YEAR-END**

As happened last year, the Consortium for the Protection of Valpolicella Wines resolved to present the Veneto Region with an instance to reduce, for 2017 grape harvest purposes, the quantity of certifiable grapes per hectare for the production of the DOCG Amarone della Valpolicella and Recioto della Valpolicella wines. More specifically, the request is a reduction to 40% of the grape selection, that is 4.8 t/ha, with the declared objective to maintain suitable remuneration along the entire production chain of the Valpolicella segment and guarantee a global situation of well-being for the denomination, imposing production control measures to keep the market tight.

Masi Agricola S.p.A believes that this further request made by the Consortium – provided for by regulations under exceptional circumstances yet repeated for 9 consecutive years - is untimely and founded on methodologically weak premises because it is based on considerations that are purely quantitative, damaging the interests of quality producers and disrupting the market. We wish that this approach, which is a mere tactical move against a structural impasse, will not be accepted by the Regional Government. The issue should be addressed at the time of the harvest. The Company



has, in any case, safeguarded its business through coherent management of purchases and stocks, and reserves the right to protect its rights before the competent authorities, as it did last year before the Veneto Regional Administrative Court (TAR), with the association Famiglie dell'Amarone d'Arte and dozens of other Valpolicella producers.

## **PUBLICATION OF THE CONSOLIDATED HALF-YEAR FINANCIAL REPORT AND THE REPORT OF THE AUDIT FIRM**

The consolidated half-year financial report at 30 June 2017 and the limited audit report issued by Ernst & Young S.p.A. are available to the public at the company's registered office, on the website [www.masi.it](http://www.masi.it), in the Investors/Financial Statements section. Masi Agricola S.p.A. states that the abovementioned report of the audit firm, shown below, gives an unqualified opinion.

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### **MASI AGRICOLA**

Masi Agricola is a winery based in Valpolicella Classica, producing and distributing fine wines firmly rooted in the values of the Triveneto region. By using indigenous grape varieties and methods, as well as constantly conducting experiments and research, today Masi is one of the best-known Italian producers of fine wines in the world. Its products, and especially its Amarone wines, have won several international awards. The Group's business model combines high quality and efficiency with the modernization of local values and traditions. All this forms part of a vision that allows Masi to stand out not only for its core business, but also for how it carries out research and experimentation in agriculture and winemaking, seeking to promote the territory and the cultural heritage of the Triveneto region. The Group boasts an increasingly strong international outlook: it operates in almost 120 countries, with exports representing over 84% of overall sales at 31 December 2016. In 2016, the Masi Group generated approximately 64 million euros in sales, with an EBITDA margin of around 24%. Masi has a detailed growth strategy based on three pillars: broadening the offering of wines associated with the territory and techniques of the Triveneto region, including through acquisitions; growing organically by strengthening its position in the several markets where it already operates; establishing a more direct relationship with end consumers (also through the Masi Wine Experience project), making its internationally famous brand resonate more strongly.

Masi shares trade under the ticker symbol "MASI" and the ISIN code IT0004125677. The minimum trading lot is 250 shares. The company's Nomad and Specialist is Equita Sim S.p.A.

### **ANNEXES**

- Reclassified consolidated profit and loss statement
- Reclassified consolidated balance sheet
- Reclassified consolidated cash flow statement

*Note: the information relating to 2017 and 2016 has been prepared according to the accounting principles set out by the Consiglio nazionale dei Dottori Commercialisti ed Esperti Contabili (the Italian association of chartered accounts), revised, updated and supplemented by the OIC (Italian Accounting Board) and, where these are lacking, the accounting principles recommended by the IASB as recalled by Consob. The data relating to the 2016 financial year has been subject to a full audit, whereas the information relating to the first half of 2017 and the first half of 2016 has been subject to a limited audit. The profit and loss statement, the balance sheet and the cash flow statement herewith attached have been reclassified according to a format that is normally used by management and investors to evaluate the results of the Group. These reclassified financial statements are not aligned with the reporting standards required by the reference accounting principles, and must not therefore be seen as substitutes for the latter. Nevertheless, since the content they show is the same, these can easily be reconciled to the financial statements shown in the formats provided for by the reference accounting principles.*

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**RECLASSIFIED CONSOLIDATED PROFIT AND LOSS STATEMENT**

<i>(in thousands of euro)</i>	<b>1H-2017</b>	<b>1H-2016<sup>2</sup></b>	<b>Year 2016</b>
<b>Revenue from sales and services</b>	<b>29,168</b>	<b>29,591</b>	<b>63,870</b>
<i>Costs for raw materials and consumables</i>	<i>(11,367)</i>	<i>(14,010)</i>	<i>(28,189)</i>
<i>Change in inventory of semi-finished and finished goods and products under construction</i>	<i>1,660</i>	<i>4,518</i>	<i>7,082</i>
<i>Change in inventory of raw materials and consumables</i>	<i>1,023</i>	<i>151</i>	<i>(232)</i>
<b>Costs for raw materials and consumables, net</b>	<b>(8,685)</b>	<b>(9,341)</b>	<b>(21,340)</b>
<b>Gross margin</b>	<b>20,483</b>	<b>20,250</b>	<b>42,531</b>
<i>Gross Margin %</i>	<i>70%</i>	<i>68%</i>	<i>67%</i>
<i>Costs for services and leases</i>	<i>(9,893)</i>	<i>(8,943)</i>	<i>(20,372)</i>
<i>Staff costs</i>	<i>(4,214)</i>	<i>(3,740)</i>	<i>(7,537)</i>
<i>Other operating costs</i>	<i>(298)</i>	<i>(160)</i>	<i>(455)</i>
<i>Other revenue and income</i>	<i>663</i>	<i>618</i>	<i>1,204</i>
<b>EBITDA (*)</b>	<b>6,742</b>	<b>8,025</b>	<b>15,372</b>
<i>EBITDA Margin (**)</i>	<i>23%</i>	<i>27%</i>	<i>24%</i>
<i>Depreciation, amortisation and write-downs</i>	<i>(2,690)</i>	<i>(2,363)</i>	<i>(5,301)</i>
<b>EBIT (***)</b>	<b>4,052</b>	<b>5,662</b>	<b>10,071</b>
<i>EBIT Margin (****)</i>	<i>14%</i>	<i>19%</i>	<i>16%</i>
<i>Total financial income and expenses</i>	<i>(486)</i>	<i>95</i>	<i>(542)</i>
<i>Total value adjustments to financial assets</i>	<i>279</i>	<i>(749)</i>	<i>0</i>
<b>Profit before tax</b>	<b>3,845</b>	<b>5,008</b>	<b>9,529</b>
<i>Current and deferred income tax for the period</i>	<i>(1,353)</i>	<i>(1,942)</i>	<i>(3,340)</i>
<b>Profit for the period</b>	<b>2,491</b>	<b>3,066</b>	<b>6,189</b>
<i>Attributable to third parties</i>	<i>33</i>	<i>(30)</i>	<i>41</i>
<i>Attributable to the Group</i>	<i>2,458</i>	<i>3,096</i>	<i>6,148</i>
<i>% Profit for the period / Revenue</i>	<i>9%</i>	<i>10%</i>	<i>10%</i>

(\*) EBITDA indicates the result before financial expenses, taxes, amortisation/depreciation of fixed assets, write-down of receivables, allocations to the provisions for risks and charges and extraordinary items. EBITDA is therefore the result from operations before amortisation/depreciation and the assessment of the collectability of trade receivables. EBITDA thus defined is the indicator used by the Company's directors to monitor and assess the Company's operating performance. EBITDA is not identified as an accounting measure under Italian accounting principles and so must not be considered an alternative measure to assess the trend in the Company's operating results. Since the composition of EBITDA is not regulated by the reference accounting principles, the criterion applied by the Company for its measurement may not be the same as that adopted by other companies and therefore may not be comparable with them.

(\*\*) EBITDA Margin is calculated by the Group as the ratio of EBITDA to Revenue from sales and services.

(\*\*\*) EBIT indicates the result before financial expenses, extraordinary items and taxes for the period. EBIT is therefore the result of operations before the remuneration of both own and third-party sources of financing. EBIT thus defined is the indicator used by the Company's directors to monitor and assess the Company's operating performance. EBIT is not identified as an accounting measure under Italian accounting principles and so must not be considered an alternative measure to assess the trend in the Company's operating results. Since the composition of EBIT is not regulated by the reference accounting principles, the criterion applied by the Company for its measurement may not be the same as that adopted by other companies and therefore may not be comparable with them.

(\*\*\*\*) EBIT Margin is calculated by the Group as the ratio of EBIT to Revenue from sales and services.

<sup>2</sup> The figures for the first half of 2016 show the restatement of the approved consolidated financial statements, consistent with the new accounting standards issued in December 2016 by the OIC (Italian Accounting Board). In particular, the main effects refer to derivatives to hedge currencies and interest rates.

**RECLASSIFIED CONSOLIDATED BALANCE SHEET**

<i>(in thousands of euro)</i>	<b>30.06.2017</b>	<b>31.12.2016</b>	<i>Delta</i>	<b>30.06.2016<sup>3</sup></b>
Intangible fixed assets	16,571	17,988	(1,417)	17,298
Tangible fixed assets	54,206	53,534	672	45,759
Financial fixed assets	947	943	4	908
<b>Net fixed assets</b>	<b>71,725</b>	<b>72,465</b>	<b>(740)</b>	<b>63,965</b>
Trade receivables	13,084	15,751	(2,667)	12,162
Inventory	41,295	38,616	2,679	36,671
Trade payables	(7,441)	(9,441)	2,000	(6,489)
<b>Net operating working capital</b>	<b>46,937</b>	<b>44,926</b>	<b>2,011</b>	<b>42,344</b>
Other assets	4,089	4,056	33	4,479
Other liabilities	(2,287)	(2,833)	546	(2,544)
<b>Net working capital</b>	<b>48,739</b>	<b>46,149</b>	<b>2,590</b>	<b>44,279</b>
Provisions for risks and charges	(794)	(1,873)	1,079	(1,555)
Provision for employee severance indemnities	(914)	(1,094)	180	(767)
Deferred tax assets/(liabilities)	(368)	(239)	(129)	67
<b>Net invested capital</b>	<b>118,389</b>	<b>115,408</b>	<b>2,980</b>	<b>105,989</b>
Net financial position	10,096	6,576	3,520	748
Consolidated net equity	108,292	108,832	(540)	105,241
<b>Total sources of financing</b>	<b>118,389</b>	<b>115,408</b>	<b>2,980</b>	<b>105,989</b>

<sup>3</sup> The figures for the first half of 2016 show the restatement of the approved consolidated financial statements, consistent with the new accounting standards issued in December 2016 by the OIC (Italian Accounting Board). In particular, the main effects refer to derivatives to hedge currencies and interest rates.

**RECLASSIFIED CONSOLIDATED CASH FLOW STATEMENT**

<i>(in thousands of euro)</i>	<b>1H-2017</b>	<b>1H-2016</b>	<b>Year 2016</b>
<b>Net profit</b>	<b>2,491</b>	<b>3,066</b>	<b>5,954</b>
Depreciation, amortisation and write-downs of non-current assets	2,690	2,363	5,125
Other adjustments (taxes, interest expense, dividends received, provisions made, other non-monetary adjustments, etc.)	(1,240)	264	1,249
	<b>3,942</b>	<b>5,693</b>	<b>12,328</b>
Change in net working capital	(2,590)	(4,175)	(6,045)
<b>Cash flow from operating activities</b>	<b>1,351</b>	<b>1,518</b>	<b>6,283</b>
<b>Net investments</b>	<b>(1,840)</b>	<b>(2,176)</b>	<b>(13,473)</b>
<b>Free cash flow</b>	<b>(489)</b>	<b>(658)</b>	<b>(7,190)</b>
Share capital increases	-	-	-
Dividends and other equity movements	(3,032)	(3,181)	(2,477)
<b>Change in net financial position</b>	<b>(3,520)</b>	<b>(3,839)</b>	<b>(9,667)</b>
Opening net financial position	(6,576)	3,091	3,091
Closing net financial position	(10,096)	(748)	(6,576)