DAVIDE CAMPARI-MILANO S.p.A.
ADDITIONAL FINANCIAL INFORMATION
FOR THE QUARTER ENDING 31 MARCH 2018
GRUPPO CAMPARI

CAMPARI GROUP

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Disclaimer
This document contains forward-looking statements relating to future events and the operating, economic and financial results of Gruppo Campari. These statements contain an element of risk and uncertainty since, by their very nature, they depend on future events and developments. Actual results may vary significantly from those forecast for a number of reasons, most of which are beyond the Group's control. The official text is the Italian version of the document. Any discrepancies or differences arisen in the translation are not binding and have no legal effect. In case of any dispute on the content of the document, the Italian original shall always prevail.

Highlights

This additional financial information for the quarter ending 31 March 2018 has been prepared using the same recognition and measurement criteria as those used to prepare the 2017 annual financial statements, to which reference is made, except for those relating to the identification and valuation of sales and advertising and promotion costs. The impact of applying the new accounting standard IFRS 15 – Revenue from Contracts with Customers, is described in detail in note 50 of the 2017 annual financial statements.
This document has not been audited.
The quarterly information provides a description of the significant events that occurred during the period, the Group's sales performance, broken down by region, the Group's profit before tax and consolidated net financial debt.

	31 March 2018	31 March 2017[*]	change	
			total	organic change
	€ million	€ million	%	%
Net sales	**336.0**	**366.2**	**-8.2%**	**2.2%**
Contribution margin	145.8	151.4	-3.7%	7.2%
EBITDA	96.3	77.8	23.8%	
Adjusted EBITDA[1]	**74.7**	**78.6**	**-5.0%**	**8.8%**
EBIT	82.7	63.6	30.2%	-21.6%
EBIT adjusted[1]	**61.1**	**64.4**	**-5.1%**	**8.9%**
Profit before tax	76.5	53.6	42.7%	
Group profit before tax	**76.5**	**53.6**	**42.7%**	
Adjusted Group profit before taxes[1]	**54.9**	**54.4**	**1.0%**	
EBIT margin (EBIT/net sales)	24.6%	17.4%		
EBIT margin (EBIT adjusted/net sales)	**18.2%**	**17.6%**		
	31 March 2018	31 December 2017		
	€ million	€ million		
Acquisition and sale of companies or business division	16.5	123.6		
Net debt	938.7	981.5		

[*] The values shown for 31 March 2017 have been restated following application of the new accounting standard IFRS 15 – Revenue from Contracts with Customers. For more information on the impact of the new accounting standard, please refer to note 50 of the annual financial statements for the year ending 31 December 2017.
[1] For information on the definition of alternative performance indicators, see the 'Alternative performance indicators' section in the next part of this Report on operations.

Information on the figures presented
For ease of reference, all figures in this additional financial information are expressed in millions of euro to one decimal place, whereas the original data is recorded and consolidated by the Group in thousands of euro. Similarly, all percentages relating to changes between two periods or to percentages of sales or other indicators are always calculated using the original data in thousands of euro. The use of values expressed in millions of euro may therefore result in apparent discrepancies in both absolute values and percentage changes. For information on the definition of alternative performance indicators, see the next section of this additional financial information.

Corporate officers

Marco P. Perelli-Cippo	Honorary Director

Board of Directors[1]

Luca Garavoglia	Chairman
Robert Kunze-Concewitz	Managing Director and Chief Executive Officer
Paolo Marchesini	Managing Director and Chief Financial Officer
Eugenio Barcellona	Director and member of the Control and Risks Committee and the Remuneration and Appointments Committee[4]
Giovanni Cavallini	Director[5]
Camilla Cionini-Visani	Director and member of the Control and Risks Committee and the Remuneration and Appointments Committee[4][5]
Karen Guerra	Director [5][6]
Thomas Ingelfinger	Director and member of the Control and Risks Committee and the Remuneration and Appointments Committee[4][5]
Annalisa Elia Loustau	Director[5]
Stefano Saccardi	Director[1]
Catherine Vautrin-Gérardin	Director[5]

Board of Statutory Auditors[2]

Pellegrino Libroia	Chairman
Enrico Colombo	Statutory Auditor
Chiara Lazzarini	Statutory Auditor
Giovanni Bandera	Alternate Auditor
Graziano Gallo	Alternate Auditor
Piera Tula	Alternate Auditor

Independent auditors[3]

PricewaterhouseCoopers S.p.A.

[1] The 11 members of the Board of Directors were appointed on 29 April 2016 by the shareholders' meeting and will remain in office for the three-year period 2016-2018. At the same shareholders' meeting, Luca Garavoglia was appointed Chairman and granted powers in accordance with the law and the Company's articles of association.
On the occasion of the Board of Directors meeting held on 19 December 2017, Stefano Saccardi resigned its powers, with effect from 31 December 2017, remaining a Director.
At a meeting held on the same date, the Board of Directors gave Managing Directors Robert Kunze-Concewitz and Paolo Marchesini the following powers for three years, until approval of the 2018 financial statements:
- individual signature: powers of ordinary representation and management, within the value or time limits established for each type of function;
- joint signature: powers of representation and management for specific types of function, within the value or time limits deemed to fall outside ordinary activities.

[2] The Board of Statutory Auditors was appointed on 29 April 2016 by the shareholders' meeting for the three-year period 2016-2018.

[3] On 30 April 2010, the shareholders' meeting appointed PricewaterhouseCoopers S.p.A. as its independent auditors for the nine-year period 2010-2018.

[4] The Control and Risks Committee and the Remuneration and Appointments Committee were appointed by the Board of Directors on 29 April 2016 for the three-year period 2016-2018.

[5] Independent director.

[6] Appointed by resolution of the Board of Directors on 29 April 2016.

Report on operations

Significant events during the period

Acquisitions and commercial agreements

Acquisition of Bisquit
On 31 January 2018, the Group closed the agreement to acquire Bisquit Dubouché et Cie from South African group Distell. The company, which owns the Bisquit brand, is a cognac producer located in the heart of the French town of Cognac. The total net cash outlay was €51.9 million (of which €59.4 million was paid on the closing date) and includes price adjustments and positive net financial resources acquired of €7.5 million. The acquired business includes inventory, specifically maturing stock valued at approximately €33.0 million, the brands, and production facilities consisting of warehouses for the ageing process, blending cellars and bottling lines.
The Bisquit brand is expected to record pro-forma sales of approximately €9.0 million in 2018. The brand's key markets are South Africa, Belgium, Switzerland and the duty free channel.
The acquisition of Bisquit represents an opportunity for the Group to expand its offer in the high-growth cognac category. With its deeply-rooted tradition, the Bisquit super premium brand enhances the Group's brands portfolio, and gives it a more varied product mix. With this acquisition, the Group takes full control of the cognac ageing process, creating brand innovation opportunities and acquiring a significant stock of high-quality cognac. The value for the Group includes the synergy with Grand Marnier, which is based on cognac and already an important player in the region. Commercially, the deal further strengthens the Group's distribution platform, particularly on the South African market, where a direct sales force was recently established, as well as in the US and China, key markets for the cognac category. Lastly, it further increases the Group's exposure to the super premium segment of the on-premise distribution channel, in both the developed and emerging markets.

Disposal

Sale of Lemonsoda business
On 2 January 2018, the Group closed an agreement to sell the Lemonsoda business to Danish-based beer and non-alcoholic drinks manufacturer Royal Unibrew A/S.
Total net proceeds, including contractual price adjustments, amounted to €80.2 million (total price received by the Group at the closing date of €81.5 million and positive net financial resources sold of €1.3 million). The sold business includes the alcohol-free, fruit-flavoured carbonated variants Lemonsoda, Oransoda, Pelmosoda and Mojito Soda, grouped under the Freedea brand name, and the Crodo brands. The sale did not include the Crodino brand. Besides the brands, the perimeter includes the manufacturing and bottling facility located in Crodo (Northern Italy), water springs and inventory.
In the fiscal year ended 31 December 2017, the perimeter of brands sold recorded total net sales of €32.6 million and a contribution margin (gross margin after advertising and promotional costs) of €4.1 million. Italy is the brands' core market. The total consideration for the deal corresponds to a multiple of approximately 13 times the contribution margin, before allocated costs and depreciation, of the brands sold.
As part of the transaction, and effective from closing, Campari Group and Royal Unibrew entered into a multi-year manufacturing agreement, under which Royal Unibrew will continue to manufacture certain of Campari Group's own products which are currently produced at the bottling facility in Crodo.
The net assets sold were classified as net assets held for sale in the financial statements for the year ending 31 December 2017. The sale generated a total capital gain of €38.4 million in the first quarter of 2018, which was reported under adjustments to operating income and charges, before deduction of the related tax effect of €0.7 million.
This transaction is in line with Campari Group's commitment to streamline its brand portfolio and increase its focus on its core spirits business.

Restructuring activities

The Group has launched the following activities designed to improve the efficiency of its production facilities and move its sales structures closer to the business.

- **Relocation of the Campari America office to New York City**

On 11 December 2017, the Group officially relocated the administrative and commercial offices of Campari America from the current premises in San Francisco to New York City, which will become the new head office for the United States and for the North America business unit. The main reason for this decision to relocate to the heart of Manhattan is that New York is more central to the US spirits business. This will give Campari Group increasing weight in the US and North American markets. In addition, being closer to the Parent Company's European head office and to the other companies in the North America region, will allow information to be exchanged more rapidly and efficiently.

- **Outsourcing of US and Canadian accounting and administrative activities**

As part of the relocation project mentioned above, the Group decided to migrate the activities currently carried out by the American shared service center, which is also located in San Francisco, to an external provider. After a detailed evaluation, the Group concluded that this change could result in improved efficiency of the accounting and administrative procedures, including in terms of automation and technology innovation.

- **Optimisation of production plants in Brazil**

The Group announced the reorganisation of its operational structures in Brazil, including the planned closure of a plant in June 2018.
The Sorocaba plant, which was built in the early 1960s and became part of the Group in 2001 with the acquisition of Brazilian brands Dreher, Drury's and Old Eight, is not achieving the levels of operating efficiency required to ensure its long-term sustainability. The transfer of its current production lines to the Suape plant, built in 2010, will enable the Group to make better use of production capacity.
The initiative, which confirms the Group's commitment to ongoing investment in its own brands, aims to improve the operating efficiency of the local production structure, while keeping commercial operations with local consumers and customers unchanged.

Other significant events

Acquisition of 'Camparino'

Within the scope of its initiatives to create authentic brand houses for its main iconic brands in their respective traditional localities around the world, Campari Group has taken over management of the historic 'Camparino' premium bar and restaurant, with its main premises in the famous Galleria Vittorio Emanuele II, in Milan downtown.
The initiative will enable the Group to raise both its local and international visibility via its global priority brands, particularly Campari, in the premium on-premise channel.

Purchase of own shares

Between 1 January and 31 March 2018, the Group purchased 4,339,000 own shares at an average price of €6.18, and sold 2,146,243 own shares after the exercise of stock options. At 31 March 2018, the Parent Company held 11,245,870 own shares, equivalent to 0.97% of the share capital.

Ordinary Shareholders' Meeting of the Parent Company

On 23 April 2018, the Ordinary Shareholders' Meeting of Davide Campari-Milano S.p.A. approved the 2017 financial statements and agreed the distribution of a dividend of €0.05 per outstanding share (an increase of +11.1% from the dividend paid for 2016).
The total dividend, calculated on the outstanding shares and excluding own shares in the portfolio (11,394,314 shares), was €57,510,284.

Innovation and new product launches

Campari Red Diaries 2018
On 30 January 2018, the new short movie in the 'Campari Red Diaries' campaign, 'The Legend of Red Hand', was launched. The new chapter is directed by Stefano Sollima and stars actress Zoe Saldana and Italian actor Adriano Giannini. The story, which describes the pursuit of the perfect cocktail, has received more than 31 million views on YouTube, even more than the highly successful 2017 movie.

Campari Cask Tales
Campari Group launched a new version of the classic red bitter aperitif, finished in bourbon barrels, which strengthens Campari's credentials as a premium spirit. Campari Cask Tales was distributed in January 2018, before the official launch, to top international bartenders, and received extremely positive feedback. The commercial launch of 15,000 limited edition bottles worldwide will take place in April, and will be exclusive to the global travel retail channel for six months.

Averna
Averna Riserva Don Salvatore was launched in January 2018 as a hand-crafted premium version of the classic Averna *amaro*. Produced and matured for 18 months in small oak barrels in Caltanissetta, Averna Riserva Don Salvatore offers a more intensive taste experience and, together with Braulio Riserva and Cynar 70, forms part of the premium offer in the *amaro* category.

Grand Marnier
In March 2018, the new Grand Marnier campaign, 'Live Grand', was launched in New York. An iconic New York location was transformed into 'The Grand Manor', an immersive experience that brought the brand's sophisticated eccentric world to life. Attended by over 300 guests, 70 journalists and a handful of celebrities the event was accompanied by intensive digital activity. The 'Live Grand' campaign was launched in the US using various channels, including television, digital, search and social media. 'Live Grand' invites us to celebrate living an out-of-the-ordinary, luxury lifestyle. The centrepiece of the campaign is a groundbreaking TV commercial directed by video director Joseph Kahn.

O'ndina
The launch of O'ndina marks Campari Group's entry into the super premium gin segment. O’ndina, crafted from the distillation of fresh basil and other selected herbs typical of the Mediterranean coast, embodies the spirit of *la dolce vita*. It will be launched in Europe in 2018, followed by other geographical regions in subsequent years.

Group operating and financial results

Preliminary remarks

On 1 January 2018, the new accounting standard IFRS 15 – Revenue from Contracts with Customers became effective. Certain cost components previously classified under the Group's advertising and promotion costs have been deducted from revenue. These relate to products or services that can be separated from the main sale transaction, such as visibility initiatives at sales outlets, product listing fees, coupons, incentives and contributions paid to distributors that are not related to promotions and other marketing activities. For more details, please refer to the annual financial statements for the year ending 31 December 2017, note 50 – Application of IFRS 15 – Revenue from contracts with customers, of the consolidated financial statements.
The figures represented below for the first quarter of 2017 include the effects of the retrospective application of the new standard. Organic growth values for the first quarter of 2018 were calculated based on the figures of the first quarter of 2018 and 2017, adjusted in the same way to take account of the new standard. It should also be noted that the figures for the years before 2017 were not reclassified based on the new accounting standard IFRS 15. Therefore, with reference to the bases of comparison, the organic changes, expressed as percentages, in the first quarter of 2017 compared with the same period in 2016, were calculated on a non-reclassified basis according to the new IFRS 15 accounting standard. They are, however, considered to be homogeneous and consistent to the organic changes in the first quarter of 2018.

Sales performance

Overall performance

In the first quarter of 2018, the Group's net sales were €336.0 million, an overall decrease of -8.2% on the same period of last year. This decline was entirely due to the negative perimeter and exchange rate variations of -2.9% and -7.5% respectively, although it was partly offset by organic growth of +2.2% in the period.

	First quarter 2018		First quarter 2017		total change	3 months change, of which			
	€ million	%	€ million	%	€ million	total	organic	perimeter	exchange rate
Americas	150.0	44.7%	173.9	47.5%	-23.8	-13.7%	2.9%	-3.3%	-13.3%
Southern Europe, Middle East and Africa	101.2	30.1%	103.8	28.3%	-2.6	-2.5%	1.1%	-3.5%	-0.0%
North, Central and Eastern Europe	58.7	17.5%	63.7	17.4%	-4.9	-7.7%	-3.8%	-1.6%	-2.3%
Asia-Pacific	26.0	7.7%	24.8	6.8%	1.2	4.8%	17.8%	-1.3%	-11.7%
Total	**336.0**	**100.0%**	**366.2**	**100.0%**	**-30.2**	**-8.2%**	**2.2%**	**-2.9%**	**-7.5%**

Organic change

Positive organic growth of +2.2% was reported in the first quarter and was affected by both the weakness in low-margin emerging markets and the effects of the timing of orders. These results were exacerbated in a quarter that, due to the seasonal nature of the Group's business, is traditionally the least relevant. The Americas (where the United States and Jamaica, in particular, more than offset the South American markets), Southern Europe, Middle East and Africa, and Asia-Pacific regions made a positive contribution to organic growth, while the Northern, Central and Eastern Europe region experienced a temporary fall, mainly due to the Russian market.
In terms of the main product/market combinations, the improvement in the sales mix was in line with the Group's growth strategy to continuously strengthen its global priority brands and key regional priority brands in the major developed markets.

The main trends in each of the geographical regions and brands in the first quarter of 2018 are described below.

❖ **Geographical regions**

- The **Americas** region closed the quarter with organic growth of +2.9%, driven by good performances from the US (+3.5%), Jamaica and the regions' other markets, which made up for the slowdown in Brazil and Argentina.
- The **Southern Europe, Middle East and Africa** region reported organic growth of +1.1%, which was also driven by its core market, Italy (+3.9%), where the aperitifs portfolio, and in particular, Aperol and Campari, was positive, partly due to Easter being earlier than the previous year. This performance was partially counterbalanced by a negative effect recorded in South Africa, which was mainly due to an unfavourable basis of comparison.
- The **Northern, Central and Eastern Europe** region saw a decline of -3.8% in organic sales in the first quarter, due to a fall in Russia and, to a lesser extent, in Germany, despite the excellent performance of Aperol. This was, however, partly offset by the positive performance of the region's other markets.
- The **Asia-Pacific** region recorded a highly positive performance, with growth of +17.8%, driven primarily by Japan and Australia, which made a positive start to the year after falling in 2017.

❖ ***Brands***

- The **Group's global priority brands** recorded total organic sales growth of +3.8%. Aperol and Campari continue to record highly positive performances of +22.8% and +6.6% respectively. Positive contributions also came from the Wild Turkey portfolio, which grew by +6.2%, thanks to the US market, and Grand Marnier, which, in starting to reap the benefits of the Group's actions undertaken as part of its strategy to reposition the brand following its acquisition, generated growth of +4.2%. This positive performance was offset by the downtrend in the Jamaican rums portfolio (-4.5%) and SKYY (-15.3%).
- The **regional priority brands** closed the quarter with a slight organic decline of -1.3%; this is due to the highly positive performance by key brands such as Espolòn and Bulldog, and Riccadonna, which was offset by the fall in other brands, such as Cinzano and GlenGrant.
- The **local priority brands** performed in line with the previous year, thanks to good growth in single-serve drinks, Crodino and Campari Soda, Wild Turkey ready-to-drink and Cabo Wabo, while the Brazilian brands recorded a significant slowdown.

Perimeter effect

The negative perimeter effect of -2.9% is attributable to the sale of non-core businesses (notably Carolans and the Lemonsoda business), partly offset by the acquisition of Bisquit.

- **Business acquisitions**

The acquisition of Bisquit Dubouché et Cie, owner of the brand of the same name, only affected first-quarter 2018 sales from 1 February, since the transaction was completed on 31 January 2018.
The acquisition of Bulldog London Dry Gin, which was completed in February 2017, did not generate a perimeter effect, as the brand was already distributed by the Group at the time of acquisition and is therefore included in annual organic sales growth.

- **Business sales**

The perimeter effects due to business sales in the first quarter of 2018 are as follows:

- sale of the Lemonsoda business, which was closed on 2 January 2018;
- sale of the Chilean wines Lapostolle business and French winery Château de Sancerre, which were closed on 31 January 2017 and 4 July 2017 respectively;
- sale of the Carolans Irish Cream and Irish Mist brands, which was closed on 1 August 2017; note that only sales of the brands in the US and Ireland are included in the calculation of the negative perimeter effect, and not those recorded in the other markets, where the Group will continue to sell the products under a multi-year distribution agreement.

❖ **Brands distributed**

There were no significant changes to the distribution agreements during the quarter.

The impact of these perimeter effects on sales is analysed in the table below.

Breakdown of the perimeter effect	€ million	% change on 2017
Acquisitions and sales of *business*		
Acquisitions (Bisquit)	2.0	0.6%
Disposals	-12.4	-3.4%
Total acquisition and sales	**-10.4**	**-2.8%**
Distribution contracts		
New agency brands distributed	0.2	0.1%
Discontinued agency brands	-0.6	-0.2%
Total distribution contracts	**-0.4**	**-0.1%**
Total perimeter effect	**-10.7**	**-2.9%**

Exchange rate effects
The significant negative exchange rate effect in the first quarter of 2018 (-7.5%) was associated with depreciation in nearly all the Group companies' currencies compared to Euro. Note, however, that around half of this negative effect is due to the conversion of the US dollar.
The table below shows the average exchange rates for the first quarter of 2018 and spot rates at 31 March 2018 for the Group's most important currencies, together with the percentage change against the Euro, compared with the same period in 2017.

	average exchange rates		spot exchange rates	
	First quarter 2018	change compared with first quarter 2017	31 March 2018	change compared with 31 March 2017
	: 1 Euro	%	: 1 Euro	%
US Dollar	1.229	-13.4%	1.232	-13.2%
Canadian Dollar	1.555	-9.3%	1.590	-10.3%
Jamaica Dollars	154.644	-11.9%	154.795	-11.5%
Mexican peso	23.036	-6.1%	22.525	-11.1%
Brazilian Real	3.990	-16.2%	4.094	-17.4%
Argentine Peso	24.203	-31.0%	24.819	-33.7%
Russia Rubles	69.946	-10.6%	70.890	-14.9%
Australian Dollar	1.564	-10.2%	1.604	-12.8%
Yuan Renminbi	7.815	-6.2%	7.747	-4.9%
Great Britain Pounds	0.883	-2.7%	0.875	-2.2%
Switzerland Francs	1.165	-8.2%	1.178	-9.2%

Sales by region
Sales for the quarter are analysed by geographical region and key market below. The comments mainly relate to the organic component of the change in each market.

- **Americas**

The region, broken down below into its core markets, recorded overall organic growth of +2.9%.

	% of Group total	First quarter 2018		First quarter 2017		total change	3 months change, of which			
		€ million	%	€ million	%	€ million	total	organic	perimeter	exchange rate
US	28.5%	95.8	63.8%	111.3	64.0%	-15.5	-14.0%	3.5%	-4.2%	-13.3%
Jamaica	5.7%	19.0	12.7%	18.9	10.9%	0.1	0.3%	13.9%	0.0%	-13.6%
Canada	2.9%	9.7	6.5%	11.8	6.8%	-2.1	-17.8%	0.1%	-9.4%	-8.5%
Brazil	1.7%	5.8	3.9%	10.2	5.9%	-4.4	-43.1%	-32.1%	0.0%	-11.0%
Argentina	1.4%	4.7	3.1%	7.2	4.1%	-2.5	-34.6%	-5.2%	0.0%	-29.4%
Other countries	4.5%	15.0	10.0%	14.4	8.3%	0.6	4.4%	14.9%	0.1%	-10.7%
Americas	**44.7%**	**150.0**	**100.0%**	**173.9**	**100.0%**	**-23.8**	**-13.7%**	**2.9%**	**-3.3%**	**-13.3%**

The **United States**, the Group's core market with 28.5% of total sales, closed the quarter with organic growth of +3.5%, despite a highly unfavourable basis of comparison with the same period of the previous year (+7.5%). This positive performance was achieved thanks to growth by Grand Marnier, Wild Turkey and the Espolòn and Cabo Wabo tequilas, as well as double-digit growth by Campari and Aperol. These results more than offset the fall in sales of SKYY, which continues to suffer in its core market from the following: - ongoing competition within the category; - weakness in the flavoured vodka segment; - loss of market share to brand leaders in the craft vodka segment; - certain effects reflected in the basis of comparison, generated by changes in the brand's distribution structure in the same period in 2017. It should be noted that, in a quarter that typically experiences small seasonality trends, the sell-out data show a mid-single digit decline for the brand.

Jamaica recorded an increase in sales of +13.9% in the quarter, thanks to a good result from Campari, local rums, Appleton Estate and other local brands, especially Magnum Tonic. The positive results were partly offset by a decrease in sales of Wray&Nephew Overproof, due to an unfavourable basis of comparison with the first quarter of 2017, which saw early orders placed ahead of the price rise.

In **Brazil**, which still faces political instability and high unemployment rates, sales fell by -32.1% in the first quarter of 2018, a quarter that experiences small seasonality trends. This result is attributable to both a highly unfavourable basis of comparison with the first quarter of 2017 (+51.7%) and the effect on sales of the introduction of a stricter credit management policy. The brands that suffered most from these effects were SKYY and local brands Dreher and Sagatiba. In contrast, Aperol, Bulldog and Cynar continue to record highly positive performances.

Argentina recorded a negative performance of -5.2%, mainly due to the general macroeconomic situation in the country and, also in this market, the introduction of a stricter credit management policy. These effects impacted

the most important brands in the market, such as Campari and Cinzano, although their performance was partly offset by growth in sales of SKYY, Aperol and Cynar.

Lastly, of the other countries in the region, good performances were recorded by Mexico, thanks to SKYY ready-to-drink, and Peru, while the Canadian market was broadly stable.

- **Southern Europe, Middle East and Africa**

The region, which is broken down by core market in the table below, reported organic growth of +1.1%.

	% of Group total	First quarter 2018		First quarter 2017		total change	3 months change, of which			
		€ million	%	€ million	%	€ million	total	organic	perimeter	exchange rate
Italy	23.1%	77.7	76.7%	78.8	75.9%	-1.1	-1.4%	3.9%	-5.4%	0.0%
Other countries of the region(*)	7.0%	23.5	23.3%	25.0	24.1%	-1.4	-5.8%	-8.1%	2.4%	-0.1%
Southern Europe, Middle East and Africa	**30.1%**	**101.2**	**100.0%**	**103.8**	**100.0%**	**-2.6**	**-2.5%**	**1.1%**	**-3.5%**	**-0.0%**

(*) Includes the Global Travel Retail channel .

In **Italy**, organic growth in the first quarter was +3.9%, thanks to the positive trend shown by Aperol and Campari, and by the single-serve aperitifs segment, driven by Crodino, which partly benefited from an earlier Easter period than the previous year. These results were partly offset by a fall in sales of Cinzano.

The **other countries in the region** recorded a negative performance of -8.1%. This was significantly affected by the poor result recorded in South Africa**,** mainly due to the unfavourable comparison with the year-earlier quarter, which had benefited from the launch of the new distribution organisation. Good performances were posted by France, due especially to Riccadonna, and Spain, thanks to Aperol and Campari. In Nigeria, sales made a partial recovery in the quarter, despite the continuing general socio-economic instability.
The Global Travel Retail channel was stable in the first quarter, compared with sustained growth in the year-earlier period.

- **Northern, Central and Eastern Europe**

The region recorded a fall of -3.8% in organic sales, spread across its core markets.

	% of Group total	First quarter 2018		First quarter 2017		total change	3 months change, of which			
		€ million	%	€ million	%	€ million	total	organic	perimeter	exchange rate
Germany	8.4%	28.3	48.2%	29.7	46.7%	-1.4	-4.8%	-2.6%	-2.2%	0.0%
Russia	2.0%	6.6	11.3%	10.7	16.8%	-4.1	-38.1%	-30.5%	-0.2%	-7.3%
United Kingdom	1.6%	5.3	9.0%	4.8	7.5%	0.5	10.1%	13.1%	0.0%	-3.0%
Other countries of the region	5.5%	18.5	31.5%	18.4	29.0%	0.1	0.5%	5.3%	-1.9%	-2.9%
North, Central and Eastern Europe	**17.5%**	**58.7**	**100.0%**	**63.7**	**100.0%**	**-4.9**	**-7.7%**	**-3.8%**	**-1.6%**	**-2.3%**

In **Germany**, first-quarter 2018 sales posted a temporary decline of -2.6%. The excellent performance of Aperol (+21.0%) and the positive results of Bulldog, SKYY, Grand Marnier and Wild Turkey bourbon during the period were not enough to offset the fall in sales of lower-margin brands, such as Cinzano sparkling wine and agency brands. The market's performance was also affected by the weakness of Campari and Averna, with the latter impacted by price repositioning during the first quarter.

The **UK** saw a +13.1% increase in sales of Aperol, Campari, Bulldog and Magnum Tonic in the period.

Russia recorded a fall of -30.5% in sales, suffering from both a highly unfavourable basis of comparison with the year-earlier period (+86.5%) and the effects generated by price rise negotiations. This performance should also be seen in the context of a highly volatile economic environment, which has an impact on sales orders for certain brands; this is, in turn, exacerbated in a quarter that experiences small seasonality trends. Specifically, healthy growth in Aperol and Campari was unable to offset the fall in more important brands, such as Cinzano and Mondoro, during the period, although these continue to report positive sell-out figures. However, the sell-out figures remain positive for all main brands in the portfolio in this market.

The **region's other countries** reported growth of +5.3% in the period, with positive performances in many markets thanks to continued growth in sales of Aperol and Campari, but also of other brands such as Grand Marnier and Crodino.

- **Asia-Pacific**

The region, which is broken down by core market in the table below, recorded organic growth of +17.8%.

	% of Group total	First quarter 2018		First quarter 2017		total change	3 months change, of which			
		€ million	%	€ million	%	€ million	total	organic	perimeter	exchange rate
Australia	5.5%	18.6	71.5%	18.9	76.2%	-0.3	-1.7%	9.4%	0.0%	-11.1%
Other countries of the region	2.2%	7.4	28.5%	5.9	23.8%	1.5	25.6%	44.8%	-5.5%	-13.7%
Asia-Pacific	**7.7%**	**26.0**	**100.0%**	**24.8**	**100.0%**	**1.2**	**4.8%**	**17.8%**	**-1.3%**	**-11.7%**

In **Australia**, the region's core market, organic growth of +9.4% was driven by Wild Turkey, which, despite the fierce competitive pressure, posted a good performance in both the ready-to-drink segment and bourbon. Aperol continued to report growth and SKYY maintained its positive results.

The **other countries in the region** showed strong growth of +44.8%. These notably include the good performance by Japan, which after absorbing the negative effects of changes to the distribution structures saw a recovery in sales of Wild Turkey, SKYY (both vodka and ready-to-drink) and Campari. Good growth was also recorded in New Zealand, driven by sales of Coruba rum.

Sales by major brands at consolidated level

The following table summarises growth (split into its various components) in the Group's main brands in the first quarter of 2018, broken down into the categories identified by the Group based on the priority (global, regional, local and other) assigned to them.

	Percentage of Group sales	change in percentage sales, of which			
		total	organic	perimeter	exchange rate
Aperol	13.5%	19.2%	22.8%	-	-3.6%
Campari	10.4%	-0.1%	6.6%	-	-6.8%
Wild Turkey portfolio[(1)(2)]	8.6%	-7.1%	6.2%	-	-13.3%
Grand Marnier	8.4%	-8.0%	4.2%	-	-12.2%
SKYY[(1)]	8.4%	-26.1%	-15.3%	-	-10.8%
Jamaican rums portfolio[(3)]	5.5%	-14.4%	-4.5%	-	-9.9%
global priority brands	**54.7%**	**-5.4%**	**3.8%**	**-**	**-9.2%**
Cinzano	3.1%	-27.4%	-22.4%	-	-5.0%
Averna, Braulio and Cynar	2.8%	-3.6%	-0.0%	-	-3.6%
Espolòn	2.9%	12.4%	28.8%	-	-16.4%
Frangelico	1.6%	-15.8%	-8.5%	-	-7.2%
GlenGrant	1.2%	-23.3%	-21.0%	-	-2.3%
Forty Creek	1.0%	-16.0%	-6.8%	-	-9.3%
Bulldog	0.8%	11.4%	14.1%	-	-2.7%
other	2.2%	34.1%	28.1%	13.8%	-7.8%
regional priority brands	**15.7%**	**-6.9%**	**-1.3%**	**1.4%**	**-7.0%**
Campari Soda	4.2%	1.8%	1.9%	-	-0.1%
Crodino	3.7%	3.6%	3.8%	-	-0.2%
Wild Turkey portfolio ready-to-drink[(4)]	2.1%	-3.2%	7.7%	-	-11.0%
Dreher and Sagatiba	0.7%	-49.8%	-40.5%	-	-9.2%
other	1.8%	1.0%	7.3%	-	-6.3%
local priority brands	**12.5%**	**-4.0%**	**-0.3%**	**-**	**-3.8%**
rest of the portfolio	**17.2%**	**-19.6%**	**2.2%**	-16.0%	**-5.8%**
total	**100.0%**	**-8.2%**	**2.2%**	**-2.9%**	**-7.5%**

(1) Excludes ready-to-drink.
(2) Includes American Honey.
(3) Includes Appleton, J.Wray and Wray & Nephew Overproof rum.
(4) Includes American Honey ready-to-drink.

The **Group's global priority brands** (54.7% of sales) posted organic growth of +3.8%, but were penalised in the quarter by negative exchange rate effects of -9.2%, which led to an overall fall in sales of -5.4%. The comments below relate to the organic performance of individual brands.

Aperol continued the trend seen in previous periods, resulting in solid organic growth of +22.8% in the quarter, achieved thanks to positive results both in its core markets – Italy, Germany, Austria and Switzerland – and, generally, in all markets where the brand is currently being developed and consolidated. In particular, strong growth was posted in the United States, which is now the brand's third-largest country by total sales, but also in Australia, Russia, Brazil, the UK, Spain and the Global Travel Retail channel.
Campari closed the quarter with organic growth of +6.6%, with good results recorded in many markets, including the US, Italy, Jamaica, Spain and the UK. These positive performances offset the slowdown in some markets, including Germany, Argentina and Brazil.
The **Wild Turkey** portfolio, which includes American Honey, reported organic growth of +6.2% in the period. This is the result of higher sales in both the US market (which also benefited from improvements in the sales mix,

leading to double-digit growth in the super premium bourbon Russell's Reserve) and in Japan and Australia, but also in other markets in which it was recently introduced, where the brand is developing well despite low volumes. It should be noted that this performance does not include the Wild Turkey ready-to-drink portfolio, which, given that it is an exclusively domestic business in the Australian market, is classified under local priority brands.
SKYY closed the quarter with a fall of -15.3%. This was due to the negative performance by the US, which was mainly attributable to fierce competition within the category, ongoing weakness in the flavoured vodka segment, which penalises its overall performance, the loss of market share to brand leaders in the craft vodka segment, and other effects, reflected in the basis of comparison, generated by changes in the brand's distribution structure in the same period in 2017. With reference to the US market, although sales of SKYY fell significantly in a quarter where trading is typically modest, the sell-out figures show a fall in the brand in the mid-single-digits. On the international markets, SKYY continues to record highly positive results in Argentina, Japan and Jamaica. In contrast, performances were negative in Brazil, due to the different timing of orders, and in South Africa and China, which suffered from an unfavourable basis of comparison as a result of changes in the distribution structure in the year-earlier period.
Grand Marnier recorded organic growth of +4.2%, thanks to the good performance of the US market, where the brand is starting to reap the benefits of the marketing actions carried out by the Group last year as part of its brand repositioning strategy.
The **Jamaican rums portfolio** (Appleton Estate, Wray&Nephew Overproof and J.Wray) reported a temporary organic fall of -4.5%. Appleton Estate recorded a slightly negative result despite good performances by its core markets of Canada, Jamaica and Mexico. Wray&Nephew Overproof reported a decrease due to the unfavourable basis of comparison (+36.8% in the first quarter of 2017, mainly attributable to early orders placed ahead of a price rise in Jamaica, the brand's key market, in the first quarter of 2017.

The **regional priority brands** (15.7% of Group sales) fell slightly in the first quarter. The good performances of Espolòn, Bulldog and the Mondoro and Riccadonna sparkling wines were completely cancelled out by the downturn in other brands in the category. This is mainly due to the unfavourable timing of orders, the effect of which was exacerbated in a quarter experiencing small seasonality trends.

Espolòn (+28.8% in the period) continues to enjoy excellent growth in the US, the brand's core market, and satisfactory results in the new international markets on which it was recently launched, including Australia, Italy and Canada.
GlenGrant fell -21.0% in the period, with adverse effects in South Africa and France only partly offset by the results of the US, Ukraine and Spain.
Forty Creek recorded a decrease of -6.8% in the period. Despite growth on the Canadian market, the fall in US sales reversed the brand's positive trend.
Sales of **Averna, Braulio** and **Cynar** performed in line with the previous period. Positive performances by Cynar in Argentina and Brazil and by Braulio in Italy were offset by a temporary fall in sales of Averna, which was penalised by the effects on orders of a price rise in Germany.
Frangelico closed the period with a negative performance of -8.5%, driven by the fall in the brand's core markets of the US and Germany.
Bulldog sales continue to rise (+14.1%), driven by the UK, Germany, Italy and Portugal.
Cinzano recorded an overall performance of -22.4%. This is mainly attributable to the slowdown in Russia in both the sparkling wines segment and vermouths, due to negotiations about price rises.
The **other brands** (including Riccadonna and Mondoro sparkling wines) posted a good result in the period, thanks to positive performances in France and the South American markets.
It should be noted that sales of the recently-purchased Bisquit brand, which is included in the regional priority brands, contributed to the Group's sales from February 2018.

Sales of **local priority brands** (12.5% of the Group's portfolio) were broadly stable in the quarter, dipping -0.3%. This performance is the result of good growth in single-serve aperitifs Crodino and Campari Soda, the Wild Turkey ready-to-drink portfolio in Australia and Cabo Wabo in the US, offset by the negative performance of the low-margin Brazilian brands.

The **rest of the portfolio** (17.2% of the Group's sales) reported growth of +2.2%, mainly driven by the Group's smaller brands in Jamaica and the UK, and by SKYY ready-to-drink in Mexico and Japan.

Income statements

In the income statement for the first quarter of 2018, compared to the same period of the previous year, all the profitability indicators monitored by the Group showed a positive organic performance that was higher than sales growth. This result is attributable to improvements in the sales mix, driven by growth above the Group average in high-margin product/market combinations, in line with the Group's growth strategy. Specifically, while organic sales rose by +2.2%, gross profit, the contribution margin and the adjusted result from recurring activities increased by +6.7%, +7.2% and +8.9% respectively, thereby generating steady margin growth as a percentage of sales.

In contrast, sales and profitability indicators, such as the gross margin, contribution margin and adjusted result from recurring activities, decreased in absolute terms, which was entirely due to negative exchange rate and perimeter effects, as expected.

Lastly, the Group's operating result and profit before tax recorded overall growth of +30.2% and +42.7% respectively, due to the significant impact of the capital gain generated by the sale of the Lemonsoda business, net of charges for restructuring plans.

The table below shows the income statement for 2018 and a breakdown of the total change by organic growth, external growth and exchange rate effects.

P&L grow/margin	31 March 2018		31 March 2017[2]		total change		of which organic		of which external		of which due to exchange rates	
	€ million	%	€ million	%	€ million	%	€ million	%	€ million	%	€ million	%
Net sales	**336.0**	**100.0**	**366.2**	**100.0**	**(30.2)**	**-8.2%**	**8.2**	**2.2%**	**(10.7)**	**-2.9%**	**(27.6)**	**-7.5%**
Cost of goods sold	(136.0)	(40.5)	(158.8)	(43.4)	22.7	-14.3%	5.7	-3.6%	7.2	-4.5%	9.8	-6.2%
Gross profit	**200.0**	**59.5**	**207.4**	**56.6**	**(7.4)**	**-3.6%**	**13.9**	**6.7%**	**(3.5)**	**-1.7%**	**(17.8)**	**-8.6%**
Advertising and promotion costs	(54.1)	(16.1)	(56.0)	(15.3)	1.9	-3.4%	(3.0)	5.4%	0.1	-0.2%	4.8	-8.6%
Contribution margin	**145.8**	**43.4**	**151.4**	**41.3**	**(5.5)**	**-3.7%**	**10.9**	**7.2%**	**(3.4)**	**-2.3%**	**(13.0)**	**-8.6%**
Overheads	(84.7)	(25.2)	(87.0)	(23.8)	2.3	-2.6%	(5.1)	5.9%	(0.1)	0.1%	7.5	-8.6%
Result from recurring activities (EBIT adjusted)[1]	**61.1**	**18.2**	**64.4**	**17.6**	**(3.3)**	**-5.1%**	**5.7**	**8.9%**	**(3.5)**	**-5.4%**	**(5.5)**	**-8.5%**
Adjustments to operating income (charges)[1]	21.6	6.4	(0.8)	(0.2)	22.4	-						
Operating result[1]	**82.7**	**24.6**	**63.6**	**17.4**	**19.2**	**30.2%**						
Financial income (charges)	(5.8)	(1.7)	(10.0)	(2.7)	4.3	-42.7%						
Adjustments to financial income (charges)[1]	-	-	0.1	-	(0.1)	-65.4%						
Put option income (charges)	(0.5)	(0.1)	-	-	(0.5)	-						
Profit before tax and non-controlling interests interest	**76.5**	**22.8**	**53.6**	**14.6**	**22.9**	**42.7%**						
Group profit before tax	**76.5**	**22.8**	**53.6**	**14.6**	**22.9**	**42.7%**						
Group profit before tax adjusted[1]	**54.9**	**16.3**	**54.4**	**14.8**	**0.5**	**1.0%**						
Total depreciation and amortisation	(13.6)	(4.0)	(14.2)	(3.9)	0.7	-4.7%	(1.2)	8.2%	0.5	-3.5%	**1.3**	**-9.4%**
Adjusted EBITDA[1]	**74.7**	**22.2**	**78.6**	**21.5**	**(3.9)**	**-5.0%**	**6.9**	**8.8%**	**(4.0)**	**-5.1%**	**(6.8)**	**-8.7%**
EBITDA	**96.3**	**28.7**	**77.8**	**21.2**	**18.5**	**23.8%**						

[1] For information on the definition of alternative performance indicators, see the 'Alternative performance indicators' section in the next part of this Report on operations.

[2] Includes the effects of the reclassification arising from the application of the new accounting standard (IFRS 15). For more information, please see section 50 – Application of IFRS 15 – Revenue from contracts with customers, of the annual financial statements for the year ending 31 December 2017.

The resulting changes in the Group’s profitability, calculated in basis points, are shown below.

margin accretion (dilution) in basis point[*]	Total	Organic
Costo del venduto	290	250
Gross margin	**290**	**250**
Advertising and promotional costs	(80)	(50)
Contribution margin	**210**	**200**
Overheads	(150)	(90)
Adjusted EBIT (from recurring activities)	**60**	**110**

[*] There may be rounding effects given that the basis points corresponding to the dilution have been rounded to the nearest ten.

[1] For information on the definition of alternative performance indicators, see the 'Alternative performance indicators' section in the next part of this Report on operations.

The most important income statement items are analysed below. See the previous section for a detailed analysis of sales for the period.

The **gross margin** for the period was €200.0 million, a slight fall compared to the same period of the previous year (-3.6%). As a percentage of sales, it rose from 56.6% in the first quarter of 2017 to 59.5%, with an increase in profitability of 290 basis points, of which 250 related to organic growth. This effect is due to the improvement in the sales mix, which was particularly favourable in the first quarter of 2018, driven by high-margin products and markets, as shown in the sales performance section. The perimeter effect component of -1.7% is chiefly due to the sale of the Carolans and Irish Mist brands and other low-margin, non-core businesses. The deconsolidation

of these businesses generated an accretive effect on the gross margin. The negative exchange rate effect in the first quarter of 2018, of -8.6%, contributed to the overall decrease of -3.6% in the gross margin.

Advertising and promotion costs amounted to 16.1% of sales in the period, showing an increase on the figure of 15.3% reported in the first quarter of 2017. Organic investment increased by +5.4%, compared with organic sales growth of +2.2%, thereby generating dilution of 50 basis points. This performance notably reflects the timing of some major marketing campaigns, mainly associated with global and regional priority brands, carried out in the first quarter of 2018.
It should be noted that advertising and promotion costs as a percentage of sales for both periods under comparison are calculated on the income statement values after applying IFRS 15 – Revenue from contracts with customers.

The **contribution margin** was €145.8 million, a decrease of -3.7% compared to the same period of the previous year. The organic growth component was +7.2% contributing 200 basis points to profitability. Perimeter changes (sale of low-margin businesses) and exchange rate effects had a negative impact (-2.3% and -8.6% respectively), which nevertheless generated a 10-basis-point increase in overall profitability.

Overheads fell overall by -2.6% compared to the same period of the previous year. As a percentage of sales, however, overheads rose overall from +23.8% in 2017 to +25.2% in 2018, with total dilutive and organic effects of 150 and 90 basis points respectively. The organic component of the increase in overheads was +5.9%, compared with organic sales growth of +2.2%. This performance reflects, on one side, the full recognition in the quarter of the costs of progressively strengthening the distribution structures over the previous year. On the other hand, the non-proportionate contribution of primarily fixed costs in a quarter that is less relevant for business seasonality and due to more modest sales growth.
In overall terms, organic growth in overheads was more than offset by exchange rate trends (-8.6%), while the deconsolidation of the businesses that were sold had a broadly neutral effect (+0.1%).

The **result from recurring activities (adjusted EBIT)** was €61.1 million, a decrease of -5.1% compared with 2017. It was 18.2% as a percentage of sales, an improvement of 60 basis points, compared with 17.6% last year. At organic level, adjusted EBIT increased by +8.9%, with an improvement of 110 basis points in profitability.
The main factors, as noted above, that affected the organic results were:
- an improvement in gross margin, which boosted organic profitability by 250 basis points;
- a slight increase in advertising and promotional costs as a percentage of sales, generating dilution of 50 basis points;
- an increase in overheads, which rose at a higher rate than organic sales, diluting organic profitability by 90 basis points.

The impact of perimeter changes on the adjusted result from recurring activities was -5.4%, attributable mainly to the effect of the sales of non-core assets, including the Lemonsoda business and the Carolans and Irish Mist brands.

Adjustments to operating income and charges showed a net income balance of €21.6 million for the first quarter of 2018. The sale of the Lemonsoda business entailed the recording of a capital gain of €38.4 million, which more than offset the costs incurred for the Group's restructuring operations in progress. For more information, please see the section on 'Significant events during the period'.

The **operating result** for the first quarter of 2018 was €82.7 million, a sustained overall increase of +30.2% compared to the same period of the previous year. The return on sales, i.e. the operating result expressed as a percentage of net sales, was 24.6% (17.4% in 2017), significantly increased compared to the same period of the previous year.

Depreciation/amortisation for the quarter totalled €13.6 million, broadly in line with the first quarter of 2017.

Adjusted EBITDA totalled €74.7 million, a decrease of -5.0% (+8.8% at organic level).

EBITDA was €96.3 million, an increase of +23.8%.

Net financial charges stood at €5.8 million, a decrease of €4.3 million on the figure of €10.0 million recorded in the same period in 2017. The significant reduction is due to the following factors:
- a general reduction in average debt, which fell from €1,195.8 million in the first quarter of 2017 to €960.1 million in the first quarter of 2018. It should be noted that average debt in the first quarter of 2017 incorporated the effects of the SPML acquisition;

- a reduction in the average cost of debt, which fell from 3.1% in 2017 to 2.7% in 2018, as a result of liability management operations carried out in April 2017.

The Group's profit before tax was €76.5 million, an increase of +42.7% compared with the same period of 2017. Net profit as a percentage of sales was 22.8% (14.6% in 2017).
Profit after adjustments to operating and financial income for the period (€21.6 million) was €54.9 million, an increase of +1.0% compared with the same period in 2017, which was also adjusted accordingly.

Breakdown of net debt

At 31 March 2018, the consolidated net financial position was negative at €938.7 million, a decrease of €42.8 million on the amount of €981.5 million reported at 31 December 2017.

The table below shows how the debt structure changed during the two periods under comparison.

	31 March 2018 € million	31 December 2017 € million	change € million
Cash and cash equivalents	580.3	514.5	65.9
Payables to banks	(33.6)	(17.6)	(16.0)
Lease payables	(0.1)	(0.1)	-
Other financial receivables and payables	20.1	0.2	20.0
Short-term net financial position	**566.8**	**496.9**	**69.8**
Payables to banks	(300.1)	(300.4)	0.4
Real estate lease payables	(1.2)	(1.3)	0.2
Bonds(*)	(999.3)	(996.3)	(3.0)
Other financial receivables and payables	10.5	37.8	(27.3)
Medium-/long-term net financial position	**(1,290.0)**	**(1,260.3)**	**(29.7)**
Debt relating to operating activities	**(723.3)**	**(763.4)**	**40.1**
Liabilities for put option and earn-out payments	(215.5)	(218.2)	2.7
Net financial position	**(938.7)**	**(981.5)**	**42.8**

(*) Including the relevant derivatives.

In terms of structure, at 31 March 2018, the net financial position continued to comprise a larger medium-/long-term debt component compared with the short-term portion.

The final short-term net financial position was €566.8 million, an increase of €69.8 million on the figure at 31 December 2017, and consisted mainly of cash and cash equivalents (€580.3 million).
Current payables to banks, totalling €33.6 million, were partly offset by net financial receivables of €20.1 million, which mainly include the Parent Company's cash investments with a maturity of 2019.

The medium-/long-term items include bond loans of €999.3 million (including a liability of €3.2 million for hedging derivatives), bank payables of €300.1 million and other net financial assets totalling €10.5 million. The latter mainly include financial receivables and restricted deposits for the settlement of put options associated with business acquisitions.

Separately, the Group's net financial position includes a financial payable of €215.5 million, comprising a payable for future commitments to purchase minority shareholdings in acquired companies and payables for future earn-outs.

The impact of the purchases and sales of businesses carried out in the first quarter of 2018 on the net financial position is summarised below:
- the acquisition of Bisquit Dubouché et Cie involved a net cash outlay of €51.9 million (total price paid by the Group at the closing date of €59.4 million and positive net financial resources acquired of €7.5 million);
- the sale of the Lemonsoda business generated total net proceeds of €80.2 million (total price received by the Group at the closing date of €81.5 million and positive net financial resources sold of €1.3 million).

The Group pursues objectives of maintaining a solid financial structure through the management of an adequate level of liquidity, which makes it possible to achieve an economic return and, at the same time, access external sources of financing. The Group monitors changes to its net debt/EBITDA ratio on an ongoing basis. Net debt is the Group's net financial position calculated at average exchange rates for the previous 12 months; EBITDA is the Group's operating result before depreciation, amortisation and non-controlling interests, pro-rated to take account of sales and acquisitions in the past 12 months. At 31 March 2018, this multiple was 1.8 (2.0 at 31 December 2017).

Events taking place after the end of the year

Distribution contract resolution

Termination of the agreement to distribute Brown Forman products in Italy
The agreements to distribute Brown Forman products in Italy ceased with effect from April 2018. Sales – mainly relating to the Jack Daniel's brand – represented around 1.65% of Group sales in the full year 2017.

Innovation and new product launches

Wild Turkey Bourbon
In April 2018, Matthew McConaughey and Wild Turkey introduced Wild Turkey Longbranch, the result of a collaboration between the creative director of the iconic whiskey brand and master distiller Eddie Russell. A homage to Matthew McConaughey's roots in Kentucky and Texas, this fine bourbon is prepared using a unique production process that enriches the flavour and complexity of the whisky. The new product was launched live on Facebook, using Matthew's personal page (with over 5.2 million subscribers), followed by a major digital, social media and press campaign.

Conclusions on the first quarter 2018 and outlook

Organic sales in the first quarter of 2018 were affected by emerging market softness and phasing issues, magnified in a small seasonality quarter. At the same time, in organic terms, profitability indicators benefitted from favourable sales mix driven by the outperformance of the key high-margin combinations by brand and region. On a reported basis, the positive results achieved by the Group in the underlying business were impacted by exchange rates effect and the sales of non-core businesses.

Looking ahead to the rest of 2018, the Group believes that the outlook remains fairly unchanged and balanced in terms of organic growth drivers, in a still uncertain macroeconomic scenario for some emerging markets.

Specifically, in organic terms, the Group remains confident about the development of the high-margin global and regional priorities in the core markets. The favourable sales mix will remain the main driver of gross profit growth for the Group, despite the adverse impact of the agave price increase. Moreover, advertising and promotion investments and structure costs are expected to remain stable as a percentage of sales in organic terms.

With regard to external growth, the overall change in the year will mainly reflect the sales of Carolans and Irish Mist and the Lemonsoda business, as well as the termination of some agency brands. We confirm our projection of a negative perimeter effect of around -€70 million on net sales and approximately -€16 million on EBIT adjusted in the full year[1], with a broadly neutral effect on EBIT adjusted as a percentage of sales.

With regard to exchange rates, we confirm our forecast of a negative effect of around -€90 million on net sales and approximately -€24 million on the EBIT adjusted in the full year[2], mainly driven by the progressive strengthening of the Euro against the US Dollar.

Overall, the Group is confident in delivering a positive performance across key underlying business indicators into 2018.

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(1) Unchanged vs. guidance provided to the market on FY2017 results announcement on 27 February 2018.
(2) Unchanged vs. guidance provided to the market on FY2017 results announcement on 27 February 2018 and based on EUR/US Dollar exchange rate at 1.25 projected for the full FY2018.

Alternative performance indicators

This report on operations presents and comments upon certain financial indicators and reclassified financial statements that are not defined by IFRS.
These indicators, which are described below, are used to comment on the Group's business performance in the 'Highlights' and 'Additional financial information' sections, in compliance with the requirements of Consob communication DEM 6064293 of 28 July 2006 as subsequently amended and supplemented (Consob communication 0092543 of 3 December 2015), which incorporates the Guidelines on Alternative Performance Measures (ESMA/2015/1415).
The alternative performance indicators listed below should be used to supplement the information required by IFRS to help readers of the financial report gain a better understanding of the Group's economic, financial and capital position. The method used by Campari Group to calculate these adjustment measures has been consistent over the years. It should also be noted that these methods could be different from those used by other companies.

- **Financial indicators used to measure Group operating performance**

Contribution margin: calculated as the difference between net sales, the cost of goods sold (in its materials, production and distribution cost components) and advertising and promotional costs.
Adjustments to operating income (charges): defined as certain transactions or events, identified by the Group as adjustment components for the result from recurring activities:
- capital gains/losses on the sale of tangible and intangible assets;
- penalties arising from the settlement of tax disputes;
- impairment losses on fixed assets;
- restructuring and reorganisation costs;
- ancillary costs associated with acquisitions/sales of businesses or companies;
- other non-recurring income (charges).

The above-mentioned items were deducted from or added to the following indicators: operating result, EBITDA and net profit/loss before tax for the period.
The Company believes that these indicators, appropriately adjusted, are useful to both management and investors in assessing the Group's financial and economic results against those of other companies in the sector, as they exclude the impact of some items that are not relevant for assessing operating performance.
Adjusted result from recurring activities: the operating result for the period net of the above-mentioned adjustments to operating income (charges).
EBITDA: the operating result before depreciation and amortisation of tangible and intangible assets.
Adjusted EBITDA: EBITDA as defined above, excluding adjustments to operating income (charges) as described above.
Adjustments to financial income (charges): several transactions or events identified by the Group as components adjusting the net profit/loss related to events covering a single period or financial year such as:
- charges related to the early settlement of financial liabilities;
- financial charges associated with acquisitions/sales of businesses or companies;
- other non-recurring financial income (charges).

Group's adjusted profit/loss before tax: profit for the period before tax and net of adjustments to operating income (charges) and adjustments to financial income (charges) described above, and before the tax effect.
ROS (return on sales): the ratio of the operating result to net sales for the period.
ROI (return on investment): the ratio of the operating result for the period to fixed assets at the end of the period (see the definition of fixed assets below).

- **Net financial position**

Net financial position – calculated as the algebraic sum of:
- Cash and cash equivalents
- Non-current financial assets, recorded under Other non-current assets
- Current financial assets, recorded under Other receivables
- Payables to banks
- Other financial payables
- Bonds
- Non-current financial liabilities, recorded under Other non-current liabilities
- Payables for put options and earn-outs.

Other information

In accordance with Article 70, paragraph 8, and Article 71, paragraph 1-*bis*, of Consob Regulation 11971 of 14 May 1999, the Board of Directors has decided to take advantage of the option to derogate from the obligations to make available to the public the information documents prescribed in relation to significant mergers, spin-offs and capital increases through contributions in kind, acquisitions and disposals.

Sesto San Giovanni (MI), Tuesday, 8 May 2018

Chairman of the Board of Directors

Luca Garavoglia

Paolo Marchesini, the director responsible for preparing the company's accounting statements, hereby declares that, pursuant to paragraph 2, Article 154-*bis* of the TUF, the accounting information contained in this interim report on operations accurately represents the figures contained in the Group's accounting documents, ledgers and records.

Paolo Marchesini

Chief Financial Officer

Davide Campari - Milano S.p.A.

Registered office: Via Franco Sacchetti 20, 20099 Sesto San Giovanni (MI)
Share capital: € 58,080,000, fully paid in
Tax code and Milan company register no. 06672120158

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