DAVIDE CAMPARI-MILANO S.p.A.
ADDITIONAL FINANCIAL INFORMATION
AT 30 SEPTEMBER 2018

CAMPARI GROUP

CONTENTS

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 30 September 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, advertising and promotional costs, and financial instruments, as well as the representation of the effects of hyperinflation.

The impact of applying the new accounting standard IFRS 15–Revenues from Contracts with Customers, is described in note 50 of the 2017 annual financial statements. The impact of applying the new accounting standard IFRS 9–Financial Instruments, is described in note 4 of the condensed half-year financial statements at 30 June 2018. Lastly, following the inclusion of Argentina in the group of countries operating under hyperinflation, from 1 July 2018, IAS 29–Financial Reporting in Hyperinflationary Economies was applied with effect from 1 January 2018. For more details, see the section, 'Significant events during the period' of this additional financial information for the quarter ending 30 September 2018.

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.

	30 September 2018	30 September 2017(*)	change	
			total	organic
	€ million	€ million	%	%
Net sales	**1,200.6**	**1,231.2**	**-2.5%**	**6.6%**
Contribution margin	521.0	522.3	-0.3%	6.9%
EBITDA	312.1	337.5	-7.5%	
Adjusted EBITDA(1)	**299.8**	**299.3**	**0.2%**	**8.5%**
EBIT	271.5	295.5	-8.1%	-0.6%
EBIT adjusted(1)	**259.2**	**257.3**	**0.7%**	**8.7%**
Profit before tax	249.4	238.2	4.7%	
Group profit before tax	**249.4**	**238.2**	**4.7%**	
Adjusted Group profit before taxes(1)	**235.5**	**224.6**	**4.8%**	
EBIT margin (EBIT/net sales)	22.6%	24.0%		
EBIT margin (EBIT adjusted/net sales)	**21.6%**	**20.9%**		
	30 September 2018	31 December 2017		
	€ million	€ million		
Net debt	913.8	981.5		

	third quarter 2018	third quarter 2017(*)	change	
			total	organic
	€ million	€ million	%	%
Net sales	**422.4**	**414.9**	**1.8%**	**8.9%**
Contribution margin	184.0	179.5	2.5%	6.3%
EBITDA	104.6	150.8	-30.6%	0.9%
Adjusted EBITDA(1)	**111.9**	**107.6**	**4.0%**	**7.0%**
EBIT	91.4	137.1	-33.3%	-0.6%
EBIT adjusted(1)	**98.7**	**93.9**	**5.1%**	**7.4%**
Profit before tax	83.4	129.8	-35.7%	
Group profit before tax	**83.4**	**129.8**	**-35.7%**	
Adjusted Group profit before taxes(1)	90.7	86.8	4.5%	
EBIT margin (EBIT/net sales)	21.6%	33.0%		
EBIT margin (EBIT adjusted/net sales)	**23.4%**	**22.6%**		

(*) The figures shown for 30 September 2017 have been restated following application of the new accounting standard IFRS 15 – Revenues from Contracts with Customers. For more information on the impact of the new accounting standard, please refer to note 50 of the 2017 annual financial statements.

(1) For information on the definition of alternative performance indicators, see 'Alternative performance indicators' in the next section of this additional financial information.

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
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.
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) Co-opted on to the Board by resolution of the Board of Directors on 29 April 2016 and ratified by the Shareholders' Meeting on 28 April 2017.

Additional financial information for the quarter ending 30 September 2018

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 € 52.7 million (of which € 59.4 million was paid on the closing date, as well as the positive net financial resources acquired, price adjustments, and disbursements for inventory purchased from previous distributors). The acquired business includes inventory, particularly maturing stock, brands and production facilities, such as warehouses for the maturing 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, the duty free channel and Switzerland.
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. It also complements the cognac-based brand of Grand Marnier, which was already a significant 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 launched, 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.

Joint-venture in South Korea
In March 2018, the Group signed an agreement to create Trans Beverages Co. Ltd., a joint venture in South Korea with a local partner, BNC F&B Co. Ltd., operating in the food & beverage sector. The aim of the joint venture is to promote and develop the Group's products. The Group has a call option on the remaining shares, which represent 60% of the share capital.

Sales

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 of the sale includes the manufacturing and bottling facility located in Crodo (Northern Italy), water springs and inventory.
In the fiscal year ended 31 December 2017, the business 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 core market for the brands. 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 the closing date, 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 gain of €38.5 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.

Termination of the agreement to distribute Brown Forman products in Italy
The agreements to distribute Brown Forman products in Italy were terminated in April 2018. Sales – mainly relating to the Jack Daniel's brand – represented around 2% of Group sales in 2017.

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 December 2017, the Group announced the move of Campari America from San Francisco to New York City, the new head office for the United States and for the North America business unit. The move is expected to be completed by the end of 2018. The main reason for the decision to relocate the head office 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, the main sales area, and North America. Another advantage is its greater proximity to the Parent Company's headquarters in Milan, as well as to the other operating activities in the North America region and its main distribution partners in the United States, which will facilitate faster and more efficient intra-Group communication.

Outsourcing of the financial and administrative activities of the US, Canada and other countries in the Americas region

As part of the relocation project mentioned above, the Group decided to migrate the activities previously carried out by the American shared service center, which is 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 technological innovation. The company, Campari Services America, was therefore placed in liquidation. Subsequently, the Group's accounting and administrative activities in Argentina and Peru were also transferred to the same external provider.

Optimisation of production plants in Brazil and Jamaica

The Group announced a reorganisation of its production facilities in Brazil and Jamaica.
In June 2018, the closure of a plant in Brazil was finalised.
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, was not achieving the levels of operating efficiency required to ensure its long-term sustainability. The transfer of its existing production lines to the Suape plant, built in 2010, will enable the Group to make better use of production capacity.

A restructuring programme for Jamaica was also announced in the third quarter of 2018. Its aim is to close two operating sites for the cultivation and production of sugar cane. The reason behind this decision is to minimise the losses generated in the sugar business, but it is also driven by the general trend in commodity market prices. In view of the significance of the restructuring programme for the local community, the Group is managing the initiative with great care and sensitivity by means of economic subsidies, investment in the local infrastructure and alternative farming solutions. At the same time, the Group remains committed to operating in the sugar cane sector in Jamaica, partly in view of the importance of this aspect in the heritage of the values of Appleton Estate Jamaican rum.

Other significant events

Hyperinflation in Argentina

A consensus has been reached whereby Argentina, after a long period of observation of inflation rates and other indicators, has been globally recognized as a country with hyperinflationary environment according to International Financial Reporting Standards (IFRS). Therefore, starting from 1 July 2018 all companies operating in Argentina have been required to adopt IAS 29 rules (Financial Reporting in Hyperinflationary Economies).
Regarding Campari Group's reporting, the consolidated financial results at 30 September 2018 include the effects deriving from the adoption of the IAS 29 accounting standard, starting from 1 January 2018.
The Group reports the consolidated financial results in the Euro (€) and therefore no restatement of the values presented in 2017 is required. Regarding the quarterly results at 31 March 2018 and Half Year results at 30 June 2018, it should be noted that the full impacts from measurements described below were accounted for in the income statement relating to the third quarter 2018 only. In accordance with IAS 29, specific procedures and an assessment process were applied in the third quarter 2018 to restate the financial statements. In particular:

- income statement: costs and revenues were revalued by applying the general consumer price index change, in order to reflect the loss of purchasing power in the local currency at 30 September 2018. Coherently, for the currency conversion into the Euro (€), the exchange rate at 30 September 2018 was applied. Regarding the consolidated net sales for the period, the effect deriving from the application of the IAS 29 standard resulted in a negative change of €4.2 million in the first nine months 2018.
- balance sheet: monetary values have not been restated given that they were reported at the end of the period. Non-monetary assets and liabilities have instead been revalued to reflect the loss of purchasing

power in the local currency which occurred from the date whereby they were initially recorded to the end of the period.
- the effect resulting from the net monetary position, (corresponding to a gain of €0.5 million for the 9M 2018) is reported in the Net financial income/(charges), while the effects of the first time adoption as of 1 January 2018 have been represented directly into net equity.

Regarding performance indicators, the organic change in Argentina reflects only the change recorded in volumes sold, converted at the average constant exchange rates of 2017: therefore both the price effects and the revaluation required by IAS 29 were excluded from the organic change and included in the FX effect. It should be noted that the weight of the Argentine market on Group sales is equal to 0.9% at 30 September 2018, (2.8% in FY 2017).

Acquisition of 'Camparino'

Within the scope of its initiatives to create brand houses for its iconic brands, Campari Group has taken over management of the historic 'Camparino' bar and restaurant, with its main premises in the prestigious Vittorio Emanuele II in the heart of Milan.
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, while also acquiring expertise in managing a sales outlet.

Purchase of own shares

Between 1 January and 30 September 2018, the Group purchased 6,988,345 own shares at an average price of € 6.63, and sold 3,732,180 own shares after the exercise of stock options. At 30 September 2018, the Parent Company held 12,315,831 own shares, equivalent to 1.06% 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 share outstanding (an increase of +11.1% from the dividend paid for 2016). The dividend was paid on 23 May 2018.
The total dividend, calculated on the shares outstanding on the shareholders' meeting date 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 features film star 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 Campari, finished in bourbon barrels, which strengthens the brand'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 took place in April 2018, and is 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 intense taste experience and, together with Braulio Riserva and Cynar 70, forms part of the premium offer in the *amaro* category.

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*. The launch started in Europe in 2018, and will be followed by other geographical regions over the new few years.

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 McConaughey's personal page (with over 5.2 million subscribers), followed by a major digital, social media and press campaign.
In June 2018, Eddie Russell unveiled the fourth series of Master's Keep, Master's Keep Revival, a limited edition created from Wild Turkey bourbon aged for 12-15 years and finished in selected sherry casks. Core markets include the United States, Australia, Japan and Global Travel Retail.

***Negroni Week* 2018**
For the sixth year, Campari was the main sponsor, in collaboration with Imbibe magazine, of Negroni Week, which celebrates the iconic cocktail Negroni. The international initiative was held in bars, restaurants and shops all over the world to raise funds for charities. The annual event, which has grown since last year, was held in about 10,000 venues in 69 countries.

Campari main sponsor of the 75th Venice International Film Festival
To strengthen its links with the world of cinema, Campari chose to appear on the red carpet of the 75th International Film Festival, organised as part of the Venice Biennale.
From a Campari Lounge near the red carpet and other dedicated spaces in the Festival's most iconic locations, Campari was present at the Lido throughout the ten days of festivities, offering aperitifs in perfect Italian style for more than 50,000 guests to enjoy.
Campari also launched two special awards: the Campari *Passion for Film* award, launched jointly with the Biennale to promote the contribution made by directors' closest collaborators, and the *Created by Passion* Award, which promotes young students in the cinema world. Lastly, Campari cocktails were offered to the guests during the opening and closing ceremonies, as well as at the most exclusive events happening in the city.

Group operating and financial results

Preliminary remarks

Following the entry into force from 1 January 2018 of the new accounting standard IFRS 15–Revenues from contracts with customers, some cost components, previously classified under Group advertising and promotion costs, were deducted from revenues. These cases relate to products or services that cannot 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, see note 50 of the 2017 annual financial statements.
The figures shown here for the first nine months of 2017 include the effects of the retrospective application of the new standard. Organic growth values for the first nine months of 2018 were calculated based on the financial accounts for the year-earlier period, which were adjusted in the same way to take account of the new regulatory framework. It should be noted that the figures for the years before 2017 were not reclassified based on the new IFRS 15 accounting standard. Therefore, with reference to the bases of comparison, the organic changes, expressed as percentages, in the first nine months of 2017 compared with the same period in 2016, were calculated on a non-reclassified basis, in accordance with the new IFRS 15 accounting standard. They are, however, considered to be uniform and consistent with the organic percentage changes in the first nine months of 2018.
Lastly, following the inclusion of Argentina in the group of countries operating under hyperinflation, IAS 29–Financial Reporting in Hyperinflationary Economies was applied with effect from 1 January 2018. For more details, see the section, 'Significant events during the period' of this additional financial information.

Sales performance

Overall performance

In the first nine months of 2018, the Group's net sales were € 1,200.6 million, an overall decrease of -2.5% on the same period of last year. Good organic growth of +6.6% for the first nine months was completely offset by negative perimeter and exchange rate variations of -3.7% and -5.4% respectively.

	nine months 2018		nine months 2017		total change	9 months change, of which				change % third quarter	
	€ million	%	€ million	%	€ million	total	organic	perimeter	exchange	total	organic
Americas	520.3	43.3%	560.8	45.5%	-40.5	-7.2%	4.6%	-2.3%	-9.5%	-1.5%	4.7%
Southern Europe, Middle East and Africa	345.7	28.8%	356.1	28.9%	-10.4	-2.9%	5.8%	-8.6%	-0.1%	-2.9%	9.6%
North, Central and Eastern Europe	247.1	20.6%	232.9	18.9%	14.1	6.1%	9.3%	-1.0%	-2.2%	11.7%	13.9%
Asia-Pacific	87.6	7.3%	81.4	6.6%	6.2	7.6%	16.3%	-	-8.7%	12.9%	19.2%
Total	**1,200.6**	**100.0%**	**1,231.2**	**100.0%**	**-30.6**	**-2.5%**	**6.6%**	**-3.7%**	**-5.4%**	**1.8%**	**8.9%**

Organic change

The first nine months of the year recorded organic growth of +6.6%, including a very positive performance in the third quarter (+8.9%), with faster growth than in the first half (+5.4%). It should be noted that organic growth has been adjusted for hyperinflationary effects in Argentina. In particular, as indicated in 'Significant events during the period', the organic growth of the Argentine market refers exclusively to volume changes in products sold. This change in methodology had a negative effect on Group sales, amounting to organic change of 20 basis points in the nine-month period and 60 basis points in the third quarter alone. It should be noted that the latter incorporates all the effects of the change, since the data published in previous periods have not been changed.

On a global basis, sales increased in all regions in the first nine months. Growth was driven by the good performance of high-margin developed markets (such as the United States, western Europe and Australia), which more than offset the ongoing weakness caused in some emerging markets by a combination of macroeconomic factors and the unfavourable basis of comparison with the year-earlier period.
With regard to brand performance, the first nine months saw sustained growth in global priority (+10.3%) and regional priority (+5.6%) brands, whose overall performance in the third quarter alone (+13.4% and +7.1% respectively) were a further improvement on the very positive results recorded in the first half of the year. In terms of the main product/market combinations, the improvement in the sales mix was in line with the Group's growth strategy of continuously strengthening 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 nine months of 2018 are described below.

❖ **Geographical regions**

- The **Americas** recorded organic growth of +4.6% in the first nine months (+4.7% in the third quarter). This performance continued to be driven by the United States (+4.3%), the region's leading market in terms of sales and for the Group as a whole, by Jamaica (+14.0%), Mexico and other markets in the Americas, offsetting the decline recorded in Brazil and Argentina.
- The **Southern Europe, Middle East and Africa** region reported organic growth of +5.8% in the nine months (+9.6% in the third quarter), driven by the performance of its main market, Italy, where organic sales increased by +3.7%. The **region's other countries** recorded a very strong overall performance (+12.9%). The results were positive in almost all markets, especially in France, Nigeria and Spain, offsetting the negative effect recorded in South Africa, which was mainly due to an unfavourable basis of comparison with the year-earlier period.
  The Global Travel Retail channel also recorded double-digit growth in this period.
- The **North, Central and Eastern Europe** region recorded a positive trend in all its markets, closing the period with organic growth of +9.3% (+13.9% in the third quarter). Germany, the region's main market, recorded a particularly positive performance in the first nine months of +8.8% (+11.5% in the quarter). The very positive trend also continued in the other markets in the region, in particular the UK and the Czech Republic, while Russia reported a decline, which was also due to an unfavourable comparison with last year.
- Growth in the **Asia-Pacific** region remained strong at +16.3% (+19.2% in the third quarter), thanks to double-digit growth in Australia (+12.9%), the region's largest market, and Japan, as well as good performances by the region's other markets, especially China.

❖ **Brands**

- The **Group's global priority brands** recorded total organic growth of +10.3% (+13.4% in the third quarter), mainly due to the excellent performance of Aperol (+31.0%) and the highly positive results of Campari (+9.7%), the Wild Turkey portfolio (+11.4%) and the Jamaican rums portfolio (+5.1%). Grand Marnier registered a slight increase (+0.7%). Sales for SKYY declined (-8.1%), despite its third-quarter result being on a par with the previous year. This result did not, however, affect the overall positive performance of the global priority brands segment, whose organic growth continues to outpace the Group average (+6.6%).
- **Regional priority brands** closed the first nine months with organic growth of +5.6% (+7.1% in the third quarter), due to the excellent performance of Espolòn and healthy growth in sales of Riccadonna, Braulio and Bulldog, which was partially offset by falls in other brands, such as Cinzano, Frangelico and Averna.
- The performance of **local priority brands** fell by -1.9% compared with the previous period (+3.0% in the third quarter). Healthy growth by Wild Turkey ready-to-drink in Australia was more than offset by the substantial slowdown in the Brazilian brands, due to the difficult macroeconomic situation in the country, and by the decline in Crodino and Campari Soda in Italy.

Perimeter effect

The negative perimeter effect, amounting to -3.7%, is attributable to the sale of non-core businesses (notably, Carolans and the Lemonsoda business) and the termination of the agreement to distribute a portfolio of Brown Forman products in Italy. This was partially offset by the acquisition of Bisquit.

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

Breakdown of perimeter effect	€ million	% change on 2017
Acquisition and sales of business		
Acquisitions (Bisquit)	5,3	0,4%
Disposals	-43,0	-3,5%
Total acquisition and sales	**-37,0**	**-3,1%**
Distribution contracts		
New agency brands distributed	0,7	0,1%
Total distribution contracts	-8,8	-0,7%
totale contratti distributivi	**-8,1**	**-0,7%**
Total perimeter effect	**-45,9**	**-3,7%**

- **Business acquisitions**

The acquisition of Bisquit Dubouché et Cie. S.A., owner of the brand of the same name, only affected sales in the first nine months from 1 February 2018, since the transaction was completed on 31 January 2018. The acquisition of Bulldog London Dry Gin, which was completed in February 2017, did not, however, 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 nine months of 2018 are as follows:

- sale of the Lemonsoda business, which was closed on 2 January 2018;
- sales 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 and Irish Mist brands, which was closed on 1 August 2017; it should be noted that only sales of the brands in the United States, Canada 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**

In the first nine months of 2018, perimeter effects relating to brands distributed by the Group were mainly due to the termination of the agreement to distribute a portfolio of Brown Forman products in Italy with effect from April 2018.

Exchange rate effects

The significant negative exchange rate effect in the first nine months of 2018 (-5.4%) was associated with the depreciation against the Euro of nearly all the Group companies' currencies. It should be noted, however, that this negative effect is mainly due to the conversion of the US dollar. As described in detail in the section 'Significant events during the period', the third quarter of 2018 was fully impacted by the application of the accounting rules stipulated by the International Financial Reporting Standards (IFRS) for Argentina. The effects of applying the revaluations required by IAS 29, in addition to the effect of converting all the economic values expressed in Argentine Peso into Euro at the period-end spot exchange rate, were recognised as exchange rate differences. It should be noted, however, that they had a limited overall impact on the Group's consolidated results as at 30 September 2018.

The table below shows the average exchange rates for the first half nine months of 2018 and spot rates at 30 September 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		
	2018	change compared with 2017	30 September 2018	change compared with 30 September 2017	change compared with 31 December 2017
	1 Euro	%	1 Euro	%	%
US Dollar	1.195	-5.5%	1.158	2.0%	3.6%
Canadian Dollar	1.538	-4.8%	1.506	-2.5%	-0.2%
Jamaica Dollars	153.989	-6.2%	155.747	-1.8%	-4.1%
Mexican peso	22.741	-6.2%	21.780	-1.5%	8.6%
Brazilian Real	4.296	-16.1%	4.654	-19.1%	-14.6%
Argentine Peso	46.050	-59.3%	46.050	-55.1%	-50.2%
Russia Rubles	73.424	-10.3%	76.142	-10.4%	-8.9%
Australian Dollar	1.577	-6.6%	1.605	-6.1%	-4.4%
Yuan Renminbi	7.780	-2.0%	7.966	-1.4%	-2.0%
Great Britain Pounds	0.884	-0.9%	0.887	-0.6%	-
Switzerland Francs	1.161	-4.3%	1.132	1.2%	3.4%

(*) The Argentina Peso average exchange rate is reported equal to the exchange rate of at 30 September 2018.

Sales by region

Sales for the first nine months and the third quarter are analysed by region and key market below. Comments mainly relate to the organic component of the change in each market.

- **Americas**

The region, broken down into its core markets below, recorded overall organic growth of +4.6%.

	% of Group total	nine months 2018		nine months 2017		total change	nine months change, of which				change % third quarter	
		€ million	%	€	%	€ million	total	organic	perimeter	exchange	total	organic
US	27.2%	326.2	62.7%	345.7	61.6%	-19.5	-5.6%	4.3%	-3.0%	-7.0%	0.7%	1.0%
Jamaica	4.9%	58.7	11.3%	55.4	9.9%	3.3	5.9%	14.0%	-	-8.1%	8.7%	12.5%
Canada	3.2%	38.9	7.5%	41.4	7.4%	-2.5	-6.0%	5.9%	-6.4%	-5.5%	8.7%	15.7%
Brazil	2.7%	32.9	6.3%	41.6	7.4%	-8.7	-20.9%	-3.8%	-	-17.1%	11.4%	36.9%
Argentina	0.9%	10.2	2.0%	26.9	4.8%	-16.7	-61.9%	-20.2%	-	-41.7%	-114.1%	-52.4%
Other countries	4.4%	53.3	10.2%	49.7	8.9%	3.6	7.3%	15.7%	0.1%	-8.5%	7.4%	10.7%
Americas	**43.3%**	**520.3**	**100.0%**	**560.8**	**100.0%**	**-40.5**	**-7.2%**	**4.6%**	**-2.3%**	**-9.5%**	**-1.5%**	**4.7%**

The **United States**, the Group's core market with 27.2% of total sales, closed the period with organic growth of +4.3% (+1.0% in the third quarter). This positive performance was achieved due to the excellent results achieved by Espolòn tequila, Campari and Aperol, which again reported double-digit growth, as well as highly positive results from Wild Turkey. Grand Marnier recorded slightly positive growth, with the key US market suffering from a particularly unfavourable basis of comparison in the third quarter. These results more than offset the decrease for SKYY. Although the gap with SKYY's more favourable consumption data is closing, sales of the brand are still trending below the sell-out data due to destocking.

Jamaica recorded a 14.0% increase in sales in the first nine months (+12.5% in the third quarter), thanks to the excellent result achieved in the period by Campari, and the positive performance of local rums (in particular Wray&Nephew Overproof and Appleton Estate) and other local brands, especially Magnum Tonic.

Canada recorded a positive performance in the period of +5.9% (+15.7% in the third quarter), thanks to the contribution of Forty Creek, Aperol, Campari, Appleton Estate and Grand Marnier.

In **Brazil**, which remains in a difficult macroeconomic situation with political instability and high unemployment rates, sales fell by -3.8% in the first nine months of 2018, despite the good result in the third quarter (+36.9%). This negative performance, which was also penalised by an unfavourable basis of comparison with the year-earlier period (+12,4%), was mainly caused by the local brands, especially Dreher, as well as SKYY. The result was only partially offset by the good results for Aperol, which continues to post double-digit growth, and for Campari.

In **Argentina**, sales registered an organic performance of -20.2%. It should be noted that, as a prudent measure, the organic change in this market includes only the component attributable to volumes sold at constant average exchange rates in 2017, in order to strip out price/mix effects and the application of IAS 29. The decline in volumes was driven by Campari and local brands and was partly offset by Aperol and SKYY, which continued to grow.

Lastly, of the other countries in the region, good performances were recorded by Mexico (+12.7%), thanks to SKYY ready-to-drink, SKYY, Aperol and Espolòn, and by Peru.

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

The region, which is broken down by core market in the table below, reported organic growth of +5.8%.

	% of Group	nine months 2018		nine months 2017		total change	nine months change, of which				change % third quarter	
		€	%	€	%	€	total	organic	perimeter	exchange	total	organic
Italy	21.2%	254.7	73.7%	274.7	77.1%	-19.9	-7.3%	3.7%	-11.0%	-	-11.5%	5.2%
Other countries of the	7.6%	90.9	26.3%	81.4	22.9%	9.5	11.7%	12.9%	-0.7%	-0.5%	22.2%	22.5%
Southern Europe, Middle East and Africa	**28.8%**	**345.7**	**100.0%**	**356.1**	**100.0%**	**-10.4**	**-2.9%**	**5.8%**	**-8.6%**	**-0.1%**	**-2.9%**	**9.6%**

(*) Includes the Global Travel Retail channel .

In **Italy**, the healthy performance seen in the first half continued, and the market closed the first nine months with organic growth of +3.7% (+5.2% in the third quarter alone). Growth was driven by the very positive performance of Aperol (+13.0%) and Campari (+10.3%). However, it was partially offset by the negative performance of the Crodino and Campari Soda single-serve aperitifs. Of the amaro brands, Braulio's sustained growth offset the decrease for Averna.

The **other countries in the region** grew by 12.9% (+22.5% in the third quarter), thanks to the good performance of almost all markets, especially **France,** which experienced double-digit growth (+19.9%) due to sales of Aperol, Riccadonna sparkling wine, Campari and GlenGrant. In **Spain**, which grew by +6.9%, Aperol and Campari made good progress. In the African markets, **Nigeria** (+60.3%) was a highlight, recording, thanks to Campari, double-digit growth year-on-year, despite conditions of socio-economic instability. Performance was partially mitigated by a decline in **South Africa**, which was affected by an unfavourable basis of comparison.

The **Global Travel Retail** channel reported organic growth of +13.0%, thanks to Wild Turkey bourbon, Aperol, Braulio, Frangelico and Ouzo12.

- **Northern, Central and Eastern Europe**

The region recorded overall organic growth of +9.3%, spread across its core markets.

	% of Group total	nine months 2018		nine months 2017		total change	nine months change, of which				change % third quarter	
		€ million	%	€	%	€ million	total	organic	perimeter	exchange	total	organic
Germany	9.7%	116.2	47.0%	107.6	46.2%	8.6	8.0%	8.8%	-0.8%	-	11.2%	11.5%
Russia	2.0%	24.2	9.8%	32.9	14.1%	-8.7	-26.4%	-16.5%	-0.3%	-9.6%	-12.1%	-2.0%
United Kingdom	1.9%	23.2	9.4%	19.9	8.5%	3.3	16.6%	18.2%	-	-1.5%	20.8%	20.3%
Other countries of the	7.0%	83.5	33.8%	72.5	31.1%	10.9	15.1%	19.2%	-1.8%	-2.3%	21.4%	23.5%
North, Central and Eastern Europe	**20.6%**	**247.1**	**100.0%**	**232.9**	**100.0%**	**14.1**	**6.1%**	**9.3%**	**-1.0%**	**-2.2%**	**11.7%**	**13.9%**

In **Germany**, sales in the first nine months of 2018 closed with an increase of +8.8% (+11.5% in the third quarter, also due to the favourable comparison with the third quarter of last year). Of note were the significant growth of Aperol (+29.0%) and Campari (+9.4%), as well as the positive performance of Bulldog, Grand Marnier and Averna, the latter growing after having absorbed the impact of the significant first-quarter price increase. Lastly, there were slightly negative trends for Frangelico, SKYY and GlenGrant.

The **United Kingdom** grew by +18.2% (+20.3% in the third quarter), thanks to good growth achieved during the period by Aperol (+51.2%), Campari (+28.3%), Bulldog (+16.8%) and the Jamaican rum portfolio, in particular Wray&Nephew Overproof (+8.7%).

Russia recorded a fall of -16.5% in sales in the first nine months (-2.0% in the third quarter), suffering from both a highly unfavourable basis of comparison with the year-earlier period (+91.6%) and the effects generated by price rises in the first quarter. In particular, healthy growth in Aperol and Campari was unable to offset the fall in more important brands, such as Cinzano and Mondoro, in a period of low seasonality. This performance also took place in a highly volatile economic context.

The **other countries in the region** grew by +19.2% (+23.5% in the third quarter), with positive performances in nearly all the markets, including solid growth in **Austria** (Aperol and Averna), **Benelux** (Aperol, Crodino and Grand Marnier) and the **Czech Republic** (Aperol and Cinzano sparkling wine).

- **Asia-Pacific**

The region, which is broken down by core market in the table below, recorded organic growth of +16.3%.

	% of Group total	nine months 2018		nine months 2017		total change	nine months change, of which				change % third quarter	
		€ million	%	€	%	€ million	total	organic	perimeter	exchange	total	organic
Australia	4.9%	59.2	67.6%	56.9	69.9%	2.3	4.0%	12.9%	-	-8.9%	9.1%	16.9%
Other countries of the	2.4%	28.4	32.4%	24.5	30.1%	3.9	16.0%	24.2%	0.1%	-8.3%	21.3%	24.4%
Asia-Pacific	**7.3%**	**87.6**	**100.0%**	**81.4**	**100.0%**	**6.2**	**7.6%**	**16.3%**	**0.0%**	**-8.7%**	**12.9%**	**19.2%**

In **Australia**, the region's largest market, organic growth in the period was +12.9% (+16.9% in the third quarter) due to the sustained positive trend for all brands, which recorded growth above the market average. Wild Turkey ready-to-drink and bourbon, Campari, GlenGrant, SKYY and Espolòn performed particularly well, while Aperol recorded excellent double-digit growth (+57.1%).

The **other countries in the region** saw growth of +24.2% (+24.4% in the third quarter). This performance was driven by **Japan** (+30.2%) which, following distribution changes, recorded strong results for Wild Turkey bourbon, SKYY ready-to-drink, Grand Marnier and Cinzano. Of the other countries, there was good progress in **China** (+32.7%) (due to SKYY, Cinzano sparkling wine and Campari) and **New Zealand** (+3.6%), despite a slight slowdown in the third quarter.

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 nine months 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	change in percentage sales, of which				change % third quarter
		total	organic	perimeter	exchange rate	organic
Aperol	18.1%	28.6%	31.0%	-	-2.3%	42.9%
Campari	10.3%	3.7%	9.7%	-	-5.9%	13.1%
SKYY (1)	8.6%	-15.5%	-8.1%	-	-7.4%	-1.1%
Grand Marnier	7.8%	-5.5%	0.7%	-	-6.2%	-15.2%
portafoglio Wild Turkey (1)(2)	7.8%	3.7%	11.4%	-	-7.6%	21.2%
Jamaican rums portfolio (3)	5.2%	-1.4%	5.1%	-	-6.5%	6.6%
global priority brands	**57.8%**	**4.7%**	**10.3%**	**-**	**-5.6%**	**13.4%**
Espolòn	3.1%	22.5%	31.5%	-	-8.9%	26.6%
Bulldog	0.8%	3.6%	5.5%	-	-1.9%	3.8%
GlenGrant	1.2%	-3.9%	-1.5%	-	-2.4%	-2.8%
Forty Creek	1.1%	-1.4%	4.6%	-	-6.0%	15.6%
Italian liquors (4)	3.8%	-2.8%	1.3%	-	-4.1%	7.3%
Cinzano	3.0%	-16.7%	-6.5%	-	-10.2%	-7.7%
other	1.8%	16.4%	8.7%	14.1%	-6.3%	12.2%
regional priority brands	**15.0%**	**0.5%**	**5.6%**	**1.5%**	**-6.5%**	**7.1%**
Campari Soda	3.4%	-1.9%	-1.9%	-	-0.1%	-1.6%
Crodino	3.5%	-3.7%	-3.5%	-	-0.2%	-7.9%
Wild Turkey portfolio ready-to-drink (5)	2.0%	-0.1%	8.4%	-	-8.5%	4.0%
Dreher and Sagatiba	1.4%	-26.0%	-10.7%	-	-15.3%	25.0%
other	1.9%	-4.6%	-1.6%	-	-3.0%	2.1%
local priority brands	**12.3%**	**-6.0%**	**-1.9%**	**-**	**-4.1%**	**3.0%**
rest of the portfolio	**15.0%**	**-22.8%**	**2.6%**	-20.8%	**-4.6%**	**0.4%**
total	**100.0%**	**-2.5%**	**6.6%**	**-3.7%**	**-5.4%**	**8.9%**

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

The **Group's global priority brands** (57.8% of sales) recorded organic growth of +10.3%, but were penalised in the first nine months by negative exchange rate effects of -5.6%, which led to an overall increase in sales of +4.7%. The comments below relate to the organic performance of individual brands.

In the first nine months, **Aperol** continued the trend seen in the previous periods. Exceptional organic growth of +31.0% (+42.9% in the third quarter) was achieved due to highly positive results, both in its core markets of Italy, Germany and Austria, and, more generally, in all the markets where the brand is being developed and consolidated. In particular, strong growth was recorded in the United States, which is now the brand's third-largest market by value, but also in Russia, the UK, France, the Czech Republic, Spain, Australia and in the Global Travel Retail channel.

Campari closed the period with organic growth of +9.7% (+13.1% in the third quarter), with good results recorded in many markets, including the United States (currently the brand's second largest market by value), Italy, Jamaica, Nigeria and Germany. These positive trends enabled the brand to make up the decline recorded in Argentina.

SKYY closed the first nine months with a fall of -8.1% (-1.1% in the third quarter), attributable to the negative performance of the United States. In this market, although the gap with SKYY's more favourable consumption data is closing, sales of the brand are still trending below the sell-out data due to destocking. On the international markets, SKYY continues to record highly positive results in China, Mexico and Italy. In contrast, performance was negative in Brazil, due to the difficult macroeconomic conditions adversely affecting the market, and in South Africa and Japan, which suffered from an unfavourable basis of comparison.

Grand Marnier recorded growth of +0.7% in the first nine months (-15.2% in the third quarter), due to an unfavourable basis of comparison in the third quarter of 2017 in the main US market, where consumption figures showed a positive trend in the low single-digits.

The **Wild Turkey** portfolio, which includes American Honey, reported growth of +11.4% (+21.2% in the third quarter). This was the result of higher sales in both the US market, which also benefited from improvements in the sales mix, as a result of the good performance of premium flavours (Russell's Reserve and Longbranch), and in Japan and Australia, as well as the Global Travel Retail channel. The brand is also developing well in other markets into which it was recently introduced (Canada, New Zealand, Germany and Italy), despite low volumes.

It should be noted that the performance described above does not include that of the Wild Turkey ready-to-drink portfolio, which is classified under local priority brands as it is an exclusively domestic business in the Australian market.

The **Jamaican rum portfolio** (Appleton Estate and Wray&Nephew Overproof) recorded organic growth of +5.1% during the period (+6.6% in the third quarter). Appleton Estate trended positively, thanks to a good performance in the main markets (United States, Jamaica and Canada). Wray&Nephew Overproof registered a good result in the period, thanks to healthy performances in Jamaica, the brand's core market, the United States and the UK.

Regional priority brands (15.0% of Group sales) posted organic growth of +5.6%, due to the excellent performance of Espolòn and good sales growth for Riccadonna, Braulio, Cynar and Bulldog, which was partially offset by falls in other brands, such as Cinzano, Frangelico and Averna.
Espolòn (+31.5% growth in the period) continues to enjoy an excellent performance in the United States, the brand's core market, and satisfactory results in the new international markets in which it was recently launched, including Italy and Canada.
Bulldog continued its growth trend (+5.5%), driven by Germany, Portugal and the UK.
GlenGrant fell -1.5% in the period, due to adverse effects in Italy, South Africa, Germany and in the Global Travel Retail channel which were only partially mitigated by the results of the United States, France and Australia. This slowdown is attributable to the brand's gradual repositioning, the aim of which is to ensure increasing profitability via improvements in the sales mix, which will be driven by rebalancing the offer towards products with a longer ageing process.
Forty Creek recorded a good performance, up +4.6%, due to the excellent third-quarter result (+15.6%), which was entirely a result of growth in the Canadian market.
Italian bitters and **liqueurs** recorded increased growth of +1.3% in the first nine months (+7.3% in the third quarter). The positive performance of **Braulio** in Italy, the United States and the Global Travel Retail channel, as well as **Cynar** in Brazil and Argentina, was partially offset by a decline in **Averna** in Italy and **Frangelico** in Spain and Germany.
Cinzano recorded an overall performance of -6.5%; this is mainly attributable to the slowdown in Russia in both the sparkling wines and vermouths segments, as a result of price increases implemented in the first quarter.
Other brands (including Riccadonna and Mondoro) posted a good result in the period, thanks to positive performances in France and the South American markets.
It should be noted that sales for the recently purchased Bisquit, which is included in regional priority brands, contributed to the Group's sales from February 2018.

Local priority brands (12.3% of the Group's portfolio) decreased by -1.9%. This performance is the result of good growth in the **Wild Turkey ready-to-drink** portfolio in Australia (+8.4%), offset by the extremely negative performance of the low-margin **Brazilian brands** (-10.7%). **Campari Soda** and **Crodino** recorded a slowdown in the Italian market. Crodino was affected by an unfavourable basis of comparison in the third quarter that was affected by the launch of innovation initiatives, while some recently introduced international markets recorded positive results, even though volumes are still very low.

The **rest of the portfolio** (15.0% of the Group's sales) reported growth of +2.6% compared with the previous year, 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 for the first nine months of 2018

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

	30 September 2018		30 September 2017[2]		total change		of which organic		of which external		of which due to exchange rates	
	€	%	€	%	€	%	€	%	€	%	€	%
Net sales	**1,200.6**	**100.0**	**1,231.2**	**100.0**	**(30.6)**	**-2.5%**	**81.3**	**6.6%**	**(45.9)**	**-3.7%**	**(66.0)**	**-5.4%**
Cost of goods sold	(468.8)	(39.0)	(506.4)	(41.1)	37.7	-7.4%	(23.4)	4.6%	31.3	-6.2%	29.8	-5.9%
Gross profit	**731.8**	**61.0**	**724.8**	**58.9**	**7.0**	**1.0%**	**57.9**	**8.0%**	**(14.6)**	**-2.0%**	**(36.3)**	**-5.0%**
Advertising and promotional costs	(210.8)	(17.6)	(202.5)	(16.4)	(8.3)	4.1%	(21.6)	10.7%	0.3	-0.2%	12.9	-6.4%
Contribution margin	**521.0**	**43.4**	**522.3**	**42.4**	**(1.3)**	**-0.3%**	**36.3**	**6.9%**	**(14.3)**	**-2.7%**	**(23.3)**	**-4.5%**
Overheads	(261.8)	(21.8)	(265.0)	(21.5)	3.2	-1.2%	(13.9)	5.2%	(0.7)	0.3%	17.7	-6.7%
Result from recurring activities (EBIT adjusted) [1]	**259.2**	**21.6**	**257.3**	**20.9**	**1.9**	**0.7%**	**22.4**	**8.7%**	**(15.0)**	**-5.8%**	**(5.6)**	**-2.2%**
Adjustments to operating income (charges)[1]	12.3	1.0	38.2	3.1	(25.9)	-						
Operating result [1]	**271.5**	**22.6**	**295.5**	**24.0**	**(24.0)**	**-8.1%**						
Financial income (charges)	(22.4)	(1.9)	(29.7)	(2.4)	7.2	-24.4%						
Adjustments to financial income (charges)[1]	1.6	0.1	(24.6)	(2.0)	26.2	-106.4%						
Proft (loss) related to companies valued at equity	(0.1)	-	-	-	(0.1)	-						
Put option income (charges)	(1.2)	(0.1)	(3.0)	(0.2)	1.8	-59.6%						
Profit before tax and non-controlling interests interest	**249.4**	**20.8**	**238.2**	**19.4**	**11.1**	**4.7%**						
Group profit before tax	**249.4**	**20.8**	**238.2**	**19.4**	**11.1**	**4.7%**						
Group profit before tax adjusted[1]	**235.5**	**19.6**	**224.6**	**18.2**	**10.9**	**4.8%**						
Total depreciation and amortisation	(40.7)	(3.4)	(42.1)	(3.4)	1.4	-3.3%	(2.9)	6.9%	1.5	-3.6%	2.8	-6.6%
Adjusted EBITDA[1]	**299.8**	**25.0**	**299.3**	**24.3**	**0.5**	**0.2%**	**25.3**	**8.5%**	**(16.5)**	**-5.5%**	**(8.3)**	**-2.8%**
EBITDA	**312.2**	**26.0**	**337.5**	**27.4**	**(25.4)**	**-7.5%**						

[1] For information on the definition of alternative performance indicators, see 'Alternative performance indicators' in the next section of this additional financial information.
[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–Revenues from Contracts with Customers, of the annual financial statements for the year ending 31 December 2017.

The table below shows the income statement for the third quarter of 2018 broken down into total change, organic growth, external growth and exchange rate effects.

	third quarter 2018		third quarter 2017		total change		of which organic		of which external		of which due to exchange rates	
	€	%	€	%	€	%	€	%	€	%	€	%
Net sales	422.4	100.0	414.9	100.0	7.5	1.8%	36.9	8.9%	(15.4)	-3.7%	(14.0)	-3.4%
Gross profit	259.9	61.5	247.7	59.7	12.2	4.9%	22.3	9.0%	(5.3)	-2.1%	(4.8)	-1.9%
Contribution margin	184.0	43.6	179.5	43.3	4.4	2.5%	11.3	6.3%	(5.3)	-3.0%	(1.6)	-0.9%
Result from recurring activities (EBIT adjusted)[1]	**98.7**	**23.4**	**93.9**	**22.6**	**4.7**	**5.1%**	6.9	**7.4%**	**(5.5)**	**-5.8%**	**3.3**	**3.5%**
Operating result [1]	91.4	21.6	137.1	33.0	(45.7)	-33.3%						
Group profit before tax adjusted[1]	**90.7**	**21.5**	**86.8**	**20.9**	**3.9**	**4.5%**						
Adjusted EBITDA[1]	**111.9**	**26.5**	**107.6**	**25.9**	**4.3**	**4.0%**	7.5	**7.0%**	**(6.0)**	**-5.6%**	**2.8**	**2.6%**
EBITDA	104.6	24.8	150.8	36.3	(46.1)	-30.6%						

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

The changes in the Group's profitability for the first nine months of 2018, calculated in basis points, are shown below.

margin accretion (dilution) in basis point[*]	Total	Organic
Costo del venduto	210	80
Gross margin	**210**	**80**
Advertising and promotional costs	(110)	(60)
Contribution margin	**100**	**10**
Overheads	(30)	30
Adjusted result from recurring activities	**70**	**40**

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

In the first nine months of the year, all the profitability indicators monitored by the Group showed a positive organic performance compared with the year-earlier period. Specifically, while organic sales rose by +6.6%, the gross margin, the contribution margin and the adjusted result from recurring activities increased by +8.0%, +6.9% and +8.7% respectively.
It should be noted that the operating results for the first nine months of 2018 include the effects of applying accounting standard IAS 29 regarding hyperinflation (see the section 'Significant events during the period' for more details). None of the figures presented in 2017 or 2018 were restated; therefore, only the income statement for the third quarter includes the full impact of these remeasurements.

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 € 731.8 million (€ 259.9 million in the third quarter), an increase of +1.0% on the year-earlier period. The organic growth component of +8.0% was more than offset by negative perimeter and exchange rate variations of -2.0% and -5.0% respectively. As a percentage of sales, profitability rose from 58.9% in the first nine months of 2017 to 61.0%, an increase of 210 basis points, of which 80 related to organic growth and 140 to perimeter and exchange rate effects. With regard to organic growth, the positive result was achieved due to the improvement in the product/market mix and the continuous strengthening of the main high-margin global priority brands and regional priority brands in the key developed markets, as explained in the section on sales performance. These results completely offsetted the negative impact of the rise in the price of agave, included in the cost of sales, the dilutive effect of which had been intensifying over the period.
The negative perimeter effect of -2.0% was mainly due to the sale of non-core brands Carolans and Irish Mist and the Lemonsoda business, and the termination of some low-margin agency brands, which therefore had a positive impact on gross margin.

Advertising and promotional costs amounted to 17.6% of sales in the period (18.0% in the third quarter of 2018), showing an increase on the figure of 16.4% in the same period of 2017. Organic advertising costs increased by +10.7%, compared with organic sales growth of +6.6%, thereby generating dilution of 60 basis points. These costs related to the implementation of a number of major marketing campaigns, concentrated in the second and third quarter of 2018, which were mainly associated with the global priority brands, such as Campari, Wild Turkey, Aperol and Grand Marnier, and regional priority brands, to support their development. It should be noted that advertising and promotional 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 € 521.0 million (€ 184.0 million in the third quarter), broadly in line with the same period of 2017. The organic growth component was +6.9%, contributing to an increase in profitability of 10 basis points. Perimeter and exchange rate variations were, however, negative at -2.7% and -4.5% respectively. These results contributed to an increase in overall profitability of 80 basis points, mainly due to the sale of low-margin businesses and less advertising pressure compared with the Group average.

Overheads fell overall by -1.2% on the year-earlier period. As a percentage of sales, overheads were 21.8% in the first nine months of 2018 (20.2% in the third quarter), a slight increase on the figure of 21.5% in the year-earlier period, generating a total dilutive effect of 30 basis points. In overall terms, organic growth in overheads was more than offset by exchange rate trends (-6.7%), while the effect of the deconsolidation of the businesses that were sold, which did not have an impact on the Group's structures, was broadly neutral (+0.3%). The organic growth component in the first nine months of 2018 had a positive impact of 30 basis points on profitability. Organic growth of overheads was +5.2%, which was less than the organic sales growth of +6.6%. Spending on overheads in the period reflects the selective strengthening of the Group's sales structures in the on-premise and Global Travel Retail channels.

The **result from recurring activities (adjusted EBIT)**, was € 259.2 million (€ 98.7 million in the third quarter), a slight overall increase (+0.7%) compared with the same period of 2017 (+5.1% in the third quarter). As a percentage of sales, it was 21.6% in the first nine months of 2018 (23.4% in the third quarter), an increase on the figure of 20.9% for the year-earlier period; this reflects an overall improvement in profitability of 70 basis points. At organic level, adjusted EBIT rose by +8.7%, representing an increase of 40 basis points in profitability.
The main factors that affected the organic results were:

- an improvement in gross margin, which boosted organic profitability by 80 basis points;
- an increase in advertising and promotional costs as a percentage of sales, generating dilution of 60 basis points;
- a reduction in overheads, which generated an increase in profitability of 30 basis points.

The impact of the perimeter changes on the adjusted result from recurring activities was -5.8%, attributable mainly to the effect of the sales of non-core businesses Carolans and Irish Mist, as well as the Lemonsoda range, while the effect of exchange rate variations was -2.2%, mainly due to the strengthening of the Euro against the US Dollar.

Adjustments to operating income and charges showed a net income balance of € 12.3 million for the first nine months of 2018. The sale of the Lemonsoda business entailed the recording of a capital gain of € 38.5 million, which more than offset the costs associated with the Group's organisational restructuring operations currently under way. For further information, please see the section on 'Significant events during the period'. This compares with net income of € 38.2 million from the adjustment of the operating result in the first nine months of 2017, which was attributable to income from the sale of the Carolans Irish Cream and Irish Mist brands, net of restructuring costs.

The **operating result** for the first nine months of 2018 was € 271.5 million (€ 91.4 million in the third quarter); this shows an overall decrease of -8.1% compared with the first nine months of 2017 as a result of lower adjustments to operating income and charges than in the year-earlier period. The ROS (return on sales), i.e. operating result as a percentage of net sales, amounted to 22.6% (24.0% in the same period of 2017).

Depreciation and amortisation totalled € 40.7 million (€ 13.2 million in the third quarter), a fall of -3.3% compared with the first nine months of 2017.

Adjusted EBITDA totalled € 299.8 million (€ 111.9 million), a slight increase (+0.2%) on the year-earlier period (+4.0% in the third quarter), mainly due to perimeter and exchange rate effects, which almost entirely offset the positive organic increase of +8.5%.

EBITDA was € 312.2 million (€ 104.6 million), a decrease of -7.5% on the same period of 2017.

Net **financial charges** stood at € 22.4 million (€ 7.6 million in the third quarter), a decrease of € 7.2 million on the figure of € 29.7 million recorded in the same period of the previous year. The reduction is mainly due to the decrease in average debt, which fell from € 1,181.0 million in the first nine months of 2017 to € 945.2 million in the same period this year. It should be noted that average debt in 2017 incorporated the effects of Grand Marnier acquisition, while in 2018 it benefited from the sales of non-core businesses. The average cost of debt (excluding the effects of exchange rate differences and adjustments for financial components) was 3.1%, a slight increase on the figure for the first nine months of 2017 (2.9%); this reflects a significant negative carry on interest generated by cash and cash equivalents compared with interest on existing medium and long-term debt.

In the first nine months of 2018, positive **adjustments to financial income (charges)** of € 1.6 million relating to the sale of financial assets were recorded; this compares with significant costs incurred in the same period in 2017 (€ 24.6 million), which were mainly attributable to non-recurring liability management transactions carried out in April 2017.

In the first nine months of 2018, the item **income (charges) relating to put options and earn-outs** showed a net charge of € 1.2 million; this was due to the non-cash effects of both the discounting to present value of payables for future commitments to buy company shareholdings, and the review of estimates of earn-out payables.

The Group's profit before tax was €249.4 million, an increase of +4.7% compared with the same period of 2017. Net profit as a percentage of sales was 20.8% (19.4% in 2017).
The Group's profit before tax excluding adjustments to operating and financial components, amounted to € 235.5 million, reported an increase of +4.8% on the same period of 2017, adjusted in the same manner.

Reclassified statement of financial position

Breakdown of net debt

On 1 January 2018, accounting standard IFRS 9–Financial Instruments entered into force. The impact of adopting the new rules for recording and measuring financial instruments was not material and is fully described in note 4 of the condensed half-year financial statements at 30 June 2018, to which reference is made for more details. The figures at 30 September 2018 shown below therefore reflect the new rules.

At 30 September 2018, the consolidated net financial position was negative at € 913.8 million, a decrease of € 67.7 million on the amount of € 981.5 million reported at 31 December 2017, thanks to the positive cash generation and after the sale of non-strategic businesses, net of acquisitions, for a value of € 22.3 million, the payment of the dividend (€ 57.5 million) and the purchase of treasury shares (€ 35.5 million).

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

	30 September 2018 € million	31 December 2017 € million	change € million
Cash and cash equivalents	590.7	514.5	76.2
Payables to banks	(8.3)	(17.6)	9.3
Lease payables	(0.1)	(0.1)	0.0
Other financial receivables and payables	(1.0)	0.2	(1.2)
Short-term net financial position	**581.3**	**496.9**	**84.3**
Payables to banks	(300.1)	(300.4)	0.4
Real estate lease payables	(1.0)	(1.3)	0.3
Bonds(*)	(1,002.7)	(996.3)	(6.4)
Other financial receivables and payables	15.6	37.8	(22.1)
Medium-/long-term net financial position	**(1,288.2)**	**(1,260.3)**	**(27.9)**
Debt relating to operating activities	**(706.9)**	**(763.4)**	**56.4**
Liabilities for put option and earn-out payments	(206.8)	(218.2)	11.3
Net financial position	**(913.8)**	**(981.5)**	**67.8**

(*) Including the relevant derivatives

In terms of structure, the net financial position at 30 September 2018 continued to comprise a larger medium-long-term debt component compared with the short-term portion.
The short-term net financial position was € 581.3 million, an increase of € 84.3 million on the figure at 31 December 2017, and consists mainly of cash and cash equivalents (€ 590.7 million).

The medium-long-term items include bond loans of € 1,002.7 million (including a liability of € 5.8 million for hedging derivatives), bank payables of € 300.1 million and other net financial assets totalling € 15.6 million. The latter mainly include financial assets 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 € 206.8 million, comprising a payable for future commitments to purchase minority shareholdings in acquired companies and payables for future earn-outs.

The impact of the main acquisitions and sales of businesses carried out in the first nine months of 2018 on the net financial position is summarised below:

- the acquisition of Bisquit Dubouché et Cie SA involved a total net cash outlay of € 52.7 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, and the outlay incurred to repurchase a portion of the inventory from previous distributors);
- the sale of the Lemonsoda range 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 sound capital and 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 of the Group in the last 12 months is pro-rated to take into account business acquisitions and disposals during the same period and assuming that they were completed at the beginning of the 12 months of reference. Non-monetary components of the operating activities are also excluded from this value. At 30 September 2018, this multiple was 2.0 times (unchanged from 31 December 2017).

Significant events taking place after the end of the period

No significant events took place after the end of the period.

Conclusions on the first nine months of 2018 and outlook

In the first nine months of 2018, the Group achieved a solid organic growth both in terms of sales and all profitability indicators. This result enabled the Group to largely offset both the negative exchange rate effects, mainly caused by the strengthening of the Euro against the US Dollar and the negative perimeter effect due to the sale of non-core assets.

Specifically, organic sales growth accelerated further in the third quarter, thanks to the very strong outperformance of key high-margin global and regional priority brands in developed markets. This outperformance led to an improvement in the sales mix, in line with the Group's strategic objectives. In the first nine months of the year, all the operating profitability indicators showed a solid organic growth, ahead of sales growth; leading to positive margin expansion, even in light of the expected normalization since the start of the year.

Looking at the remainder of 2018, the Group considers the outlook to be broadly unchanged, and balanced in terms of risks and opportunities.

At an organic level, the Group remains confident in the positive development of key high-margin combinations by brand and by market. With specific reference to brands, the main global and regional priority brands are expected to continue to perform positively, with the exception of SKYY, impacted by destocking, although the gap to more favourable consumption trends is progressively reducing.
Looking at the geographical regions, the main developed markets are expected to continue to drive positive organic growth, while some low-margin emerging markets will again be penalised by macroeconomic vulnerability and political instability, as well as the deflationary effect of organic performance in Argentina.

The organic expansion of gross margin is expected to benefit from the favourable sales mix improvement by brand and by market, more than offsetting the adverse agave purchase price impact in the full year. Specifically, the progressive rise in the agave purchase price, which is included in the cost of goods sold, is expected to cause a dilutive effect on the gross margin, which will gradually increase over the last part of the year.

Furthermore, with reference to the overall result from recurring activities (adjusted EBIT)(1), a potential upside from a less adverse Forex impact (particularly USD vs. EUR) than what was previously guided, is expected to be reinvested in accelerated investments into brand building initiatives behind key global brands, as well as into selective strengthening of the Group's on-premise capabilities and for brand houses development.

With reference to the key underlying business indicators, the Group remains confident in delivering a positive performance in full year 2018.

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(1) Projections communicated to the market on 8 May 2018, when the first-quarter 2018 results were announced:
- negative exchange rate effects of around -€ 90 million on net sales and approximately -€ 24 million on the result from recurring activities in 2018, calculated assuming a projected Euro/US Dollar average exchange rate of 1.25 for the full year 2018;
- negative perimeter effect of around -€ 70 million on net sales and around -€ 16 million on the results from recurring activities for the year.

Alternative performance indicators

This report on operations presents and comments on 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**

Organic change: Organic changes in performances, which are described below, are used to comment on the Group's business performance. Using this indicator makes it possible to focus on the business performance common to both the years under comparison and which the management can influence. The organic changes are calculated excluding both the impact of currency changes against the euro (expressed at average exchange rates for the year-earlier period) and the effects of business acquisitions and sales. Specifically:

- the exchange rate effects are calculated by converting the figures for the current year at the exchange rates applying in the year-earlier period;
- the results due to businesses acquired during the current year, generated from the closing date of the transaction, are excluded from the organic change;
- the results due to businesses acquired during the previous year, generated from the closing date of the transaction, are wholly included in the figures for the previous year and are only included in the current year's organic change 12 months after acquisition;
- the results due to business sales or the termination of distribution agreements stipulated during the previous year are wholly excluded from the figures for that year and, therefore, from the organic change;
- the results due to business sales or the termination of distribution agreements stipulated during the current year are excluded from the figures for the previous year from the corresponding date of sale or termination of the agreement.

The organic change in percent is the ratio of the absolute value of the organic change, calculated as described above, to the absolute value of the indicator in question for the year-earlier comparison period.
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, such as:

- 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.

- **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), 6 November 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 additional financial information accurately represents the figures contained in the Group's accounting documents, ledgers and records.

Paolo Marchesini

Chief Financial Officer

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