DAVIDE CAMPARI-MILANO S.p.A.
ADDITIONAL FINANCIAL INFORMATION
AT 31 MARCH 2019

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Highlights

This additional financial information for the quarter ending 31 March 2019 has been prepared using the same recognition and measurement criteria as those used to prepare the 2018 annual financial statements, to which reference is made, with the exception of those relating to leases. Further details concerning the estimated impacts of applying the new accounting standard IFRS 16-Leases can be found in section 4-'Changes in accounting standards' of the consolidated financial statements in the 2018 annual report.

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 2019	31 March 2018	change	
			total	organic
	€ million	€ million	%	%
Net sales	**370.1**	**336.0**	**10.1%**	**9.6%**
Contribution margin	165.1	145.8	13.2%	11.2%
EBITDA	88.8	96.3	-7.8%	
Adjusted EBITDA(1)	**89.6**	**74.7**	**19.9%**	**17.0%**
EBIT	71.7	82.7	-13.3%	
EBIT adjusted(1)	**72.4**	**61.1**	**18.5%**	**1.5%**
Profit before tax	63.2	76.5	-17.4%	
Group profit before tax	**63.2**	**76.5**	**-17.4%**	
Adjusted Group profit before taxes(1)	**63.9**	**54.9**	**16.4%**	
ROS % (EBIT/net sales)	19.4%	24.6%		
ROS (EBIT adjusted/net sales)	**19.6%**	**18.2%**		
	31 March 2019	31 December 2018		
	€ million	€ million		
Net debt	893.9	846.3		

(1) For information on the definition of alternative performance indicators, see the 'Alternative performance indicators' paragraph in 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 data expressed as a percentage.

Corporate officers

Marco P. Perelli-Cippo	Honorary Chairman

Board of Directors[1]

Luca Garavoglia	Chairman
Robert Kunze-Concewitz	Managing Director and Chief Executive Officer
Paolo Marchesini	Managing Director and Chief Financial Officer
Fabio di Fede	Director, and Group General Counsel and Business Development Officer
Eugenio Barcellona,	Director and Member of the Control and Risks Committee and the Remuneration and Appointments Committee
Annalisa Elia Loustau[2]	Director and Member of the Control and Risks Committee and the Remuneration and Appointments Committee
Alessandra Garavoglia	Director
Catherine Gérardin-Vautrin[2]	Director and Member of the Control and Risks Committee and the Remuneration and Appointments Committee
Michel Klersy[2]	Director

Board of Statutory Auditors[3]

Ines Gandini	Chairman
Fabio Facchini	Statutory Auditor
Chiara Lazzarini	Statutory Auditor
Piera Tula	Alternate Auditor
Giovanni Bandera	Alternate Auditor
Pierluigi Pace	Alternate Auditor

Independent auditors[4]

EY S.p.A.

[1] The Shareholders' meeting of 16 April 2019 appointed the new Board of Directors for the three-year period 2019-2021, comprising Luca Garavoglia, Eugenio Barcellona, Fabio Di Fede, Annalisa Elia Loustau, Alessandra Garavoglia, Catherine Gérardin-Vautrin, Michel Klersy, Robert Kunze-Concewitz and Paolo Marchesini; it also confirmed Luca Garavoglia as Chairman of the Board of Directors for the same three-year period.
The new Board of Directors, which met after the Shareholders' meeting, confirmed as managing directors, Robert Kunze-Concewitz, Chief Executive Officer, and Paolo Marchesini, Chief Financial Officer for the three-year period 2019-2021. At the same time, it appointed Eugenio Barcellona, Annalisa Elia Loustau and Catherine Gérardin-Vautrin as members of the Control and Risks Committee and the Remuneration and Appointments Committee for the same three-year period.

[2] Independent director.

[3] The Board of Statutory Auditors was appointed on 16 April 2019 by the Shareholders' meeting for the three-year period 2019-2021.

[4] On 19 December 2017, the Shareholders' meeting appointed EY S.p.A. as audit firm for the nine-year period 2019-2027.

Additional financial information at 31 March 2019

Significant events during the period

Main brand-building activities

The brand portfolio represents a strategic asset for Campari Group. One of the main pillars of its mission is to build and develop brands. The Group has an ongoing commitment to invest in marketing designed to strengthen the recognition and reputation of iconic and distinctive brands in the key markets, as well as to launch and develop them in new high-potential geographical regions. The Group is developing its strategies with an increasing focus on the on-premise channel, which is considered fundamental to brand-building activities in the early phases of developing the brand, and on digital media, but without compromising its ongoing focus on traditional media. The Group is pursuing long-term growth objectives for its brands, with a strong, ongoing focus on satisfaction in the consumption experience.
The main marketing initiatives carried out in the first quarter of 2019, which focused on the global priority brands, are shown below.

Global priority brands

APEROL
Global marketing campaign Together We Joy
In March 2019, the new global campaign Together We Joy, was launched, depicting the brand as a universal language that can connect people, multiplying their joy. Directed by French duo Greg&Lio, the campaign takes inspiration from their musical experience innovating the way to communicate using colour and pop that portrays a vibrant, joyful mood and the idea of connections between people.

Aperol food platform
In February 2019, Aperol food platform was launched in Italy with the aim of reinforcing the idea of enjoying the brand during different occasions, other than as an aperitif, such as at informal meals. The campaign is being run in partnership with Alma (International school of Italian cuisine) and Giallo Zafferano.

Aperol winter tour
As part of the strategy to encourage the consumption of Aperol at any time of year, in January 2019, the winter tour was launched in all the main ski resorts in the Alps. The tour took in 18 stops with DJ sets and a variety of activities to encourage the consumption of Aperol throughout the year.

CAMPARI
Campari Red Diaries 2019
On 5 February 2019, the short movie of the Campari Red Diaries 2019 campaign, Entering Red, was presented in Milan. Directed by Matteo Garrone and featuring film star Ana De Armas and Italian actor Lorenzo Richelmy, the short movie relates an intriguing story in which Ana explores the city of Milan through the exciting lens of Campari.

SKYY Vodka
SKYY Vodka Born in San Francisco
In early 2019, after its launch in the core US market, the new SKYY Vodka label bearing the slogan ‘Born in San Francisco’ was launched in all the other markets, including Germany, Brazil and South Africa. The aim is to educate and inspire consumers about the history and heritage of the brand, which was born in San Francisco, a city with a welcoming spirit and home to progressive thinking. The label emphasises the brand’s values such as openness to diversity and the celebration of social inclusivity.

GRAND MARNIER
Grand Marnier Cuvée Louis Alexandre
In January 2019, the new Cuvée Louis Alexandre was launched in the United States with a new VSOP liquid and a new premium packaging. Created by Patrick Raguenaud, Grand Marnier master blender and chairman of the Professional National Cognac Bureau, Cuvée Louis Alexandre uses cognac from the finest growing areas of the Cognac region, and is carefully matured in oak barrels in Bourg-Charente. The Cuvée Louis Alexandre is the result of a careful selection of cognac, enriched with the highly aromatic essence of bitter oranges.

Regional priority brands

<u>O’ndina</u>
O’ndina Best Italian Contemporary Style Gin
O’ndina gin was named ‘Best Italian Contemporary Style Gin’ at the World Gin Awards. This competition selects the best gins among the internationally recognised styles and promotes the best ones to consumers and trade across the globe.

<u>Bulldog</u>
Global campaign Shine in Your Own Light
The new integrated global campaign Shine in Your Own Light, launched in Spain in January 2019, is a bold call to action, encouraging people to be guided by their own instinct.

<u>Forty Creek Whisky</u>
Forty Creek 22 Year Old Rye best whisky in Canada
Forty Creek 22 Year Old Rye was named ‘Best Whisky in Canada’ in 2019, at the ninth Canadian Whisky Awards. The all-rye whisky, distilled 22 years ago in the Forty Creek distillery in Grimsby, Ontario, was selected from a blind tasting of over 100 whiskies by ten independent connoisseurs.

<u>GlenGrant</u>
Double Gold Medal for GlenGrant 15-Year Old Single Malt
GlenGrant 15-Year Old Batch Strength Single Malt Scotch received the Double Gold Medal, from a field of many elite competitors, at the renowned San Francisco World Spirits Competition.

<u>Cinzano</u>
Cinzano classico vermouth
In February 2019, the Cinzano classico vermouth was relaunched to celebrate the brand’s rich historic heritage dating back over two centuries. The new look depicts Cinzano’s iconic red and blue, with contemporary vintage visual cues.

Other significant events

Purchase of own shares
Between 1 January and 31 March 2019, the Group purchased 1,254,407 own shares at an average price of €7.91, and sold 496,290 own shares after the exercise of stock options. At 31 March 2019, the Parent Company held 15,740,075 own shares, equivalent to 1.36% of the share capital.

Group operating and financial results

Sales performance

Overall performance
In the first quarter of 2019, the Group's net sales amounted to €370.1 million, an overall increase of +10.1% on the same period in 2018. The organic component, which showed a strong growth of +9.6%, confirmed the positive trend seen throughout 2018. The component attributable to exchange rate variations, +2.6%, was essentially offset by the negative perimeter effect of -2.0%.

	2019		2018		total change	3 months change, of which			
	€ million	%	€ million	%	€ million	total	organic	perimeter	exchange rate
Americas	178.9	48.3%	150.0	44.7%	28.8	19.2%	13.1%	-0.1%	6.2%
Southern Europe, Middle East and Africa	100.8	27.2%	101.2	30.1%	-0.4	-0.4%	6.4%	-6.7%	-0.1%
North, Central and Eastern Europe	65.4	17.7%	58.7	17.5%	6.6	11.3%	11.6%	0.1%	-0.4%
Asia-Pacific	25.0	6.8%	26.0	7.7%	-1.0	-3.8%	-3.1%	-	-0.7%
Total	**370.1**	**100.0%**	**336.0**	**100.0%**	**34.1**	**10.1%**	**9.6%**	**-2.0%**	**2.6%**

Organic change
Organic growth of +9.6% was recorded in the first quarter of 2019.

The first quarter traditionally suffers from changes in the timing of Easter which, when falling in the least significant quarter of the year in terms of business seasonality, can lead to significant percentage changes that will then be partly reabsorbed in the following quarters. The results obtained in the first quarter of 2019 should therefore be considered positive as the Easter period was later than in 2018. At the same time, performance benefited from a favourable comparison base with the first quarter of 2018, when organic growth was +2.2%.

The organic growth at consolidated level has been adjusted for hyperinflationary effects in Argentina. In particular, the organic growth of the Argentine market relates solely to volume changes in products sold, while the change due to the price increase is included in the exchange rate effect. The change in methodology had a negative effect on the Group's organic sales growth, equivalent to 90 basis points in the first quarter.

Lastly, the change in methodology for showing the figures for the Argentine business was applied from the publication of the additional financial information for the quarter ending 30 September 2018, with retroactive effect from 1 January 2018. The figures shown at 31 March 2018 do not therefore include the effects of applying IAS 29-Financial Reporting in Hyperinflationary Economies.

Overall, the organic increase in sales is concentrated in the main geographical regions, and is particularly strong in the regions with higher marginality, North America and Europe. In addition, growth was supported by a recovery in some emerging markets in South America and Eastern Europe, where positive growth in a quarter featuring modest seasonality benefited from a favourable basis of comparison.

Growth in sales of brands was driven by the high-margin global priority brands (+12.6%) and the regional priority brands (+7.8%), in line with the Group's growth strategy of continuously strengthening its high-margin brands in the core developed markets. Local priority brands, in turn, made a positive contribution to total growth in the quarter, with an increase in sales of +2.3%.

The main trends by region and by priority brand are shown below.

❖ **Geographical regions**

- The **Americas** region recorded organic growth of +13.1%; this performance was supported by North America (+11.9%), particularly the United States (+11.2%), the region's largest market in terms of sales and for the Group as a whole, Jamaica (+22.9%) and Canada (+15.9%); and by South America (+25.6%), driven by Brazil (+41.8%) and Argentina (+19.6%).
- The **Southern Europe, Middle East and Africa** region reported organic growth of +6.4%, driven by the performance of its main market, Italy, where organic sales increased by +6.4%. The other countries in the region reported a sustained performance overall, with positive results in France, in the Global Travel Retail channel, as well as highly positive results in Nigeria and South Africa.
- The **Northern, Central and Eastern Europe** region showed positive organic growth of +11.6%. Specifically, growth in the region was boosted by Germany (+9.7%), the region's core market and Russia (+18.5%), as well as the United Kingdom and Austria.

- The **Asia-Pacific** region reported a decrease of -3.1%, with Australia, the region's core market, falling by -2.3%.

❖ **Brands**

- The **Group's global priority brands** posted overall organic growth of +12.6%, with all brands making a positive contribution. Specifically, double-digit increases in sales were reported by Aperol (+26.8%), the Jamaican rum portfolio (+10.0%), Grand Marnier (+10.0%) and the Wild Turkey portfolio (+10.0%), while Campari recorded an excellent performance (+9.2%). Sales of SKYY Vodka rose slightly by +0.7%. The overall organic performance of the high-margin global priority brands segment is very positive and continues to outpace the Group's average (+9.6%).
- The **regional priority brands** reported organic growth of +7.8%. The positive result is driven by an excellent performance by Espolòn (+22.7%), as well as good performances by Cinzano, Cynar, Forty Creek, Frangelico and GlenGrant.
- The **local priority brands** showed growth of +2.3%, thanks to the good growth of the Brazilian brands, Campari Soda and Ouzo 12.

Perimeter variation

The perimeter variation in the first quarter of 2019 was down by -2.0% compared with sales in the same period of the previous year and is analysed in the table below.

breakdown of the perimeter effect	€ million	% change on 2018
acquisitions (Bisquit Dubouché et Cie S.A.)	0,1	0,1%
total acquisition and sales	**0,1**	**0,1%**
new agency brands distributed	0,1	-
discontinued agency brands	-6,9	-2,1%
total distribution contracts	**-6,9**	**-2,1%**
total perimeter effect	**-6,9**	**-2,0%**

- **Business acquisitions**

In the first quarter of 2019, the perimeter variation due to business acquisitions stems from the acquisition of Bisquit Dubouché et Cie. S.A., owner of the brand of the same name, which was closed out on 31 January 2018. The value recorded in this period relates to both sales of the Bisquit brand and bulk sales.

- **Brands distributed**

In the first quarter of 2019, perimeter effects relating to brands distributed by the Group were mainly due to the termination of the distribution agreement for the Brown Forman product portfolio in Italy, which expired in April 2018.

Exchange rate effects

The positive exchange rate effect in the first quarter of 2019 was +2.6%, due to the appreciation of all the Group's main currencies against the Euro, particularly the US Dollar, the Jamaican Dollar and the Canadian Dollar. In addition, the financial results for the period ending 31 March 2019 include the effects of applying IAS 29-Financial Reporting in Hyperinflationary Economies in Argentina. The negative exchange rate effect includes both the effects of applying that standard (including the conversion into Euro at the period-end spot exchange rate of all the income statement items expressed in the Argentine peso) and the new method for calculating organic growth for the Argentine market.

The table below shows the average exchange rates for the first quarter of 2019 and spot rates at 31 March 2019 for the Group's most important currencies, together with the percentage change against the Euro, compared with the same period in 2018.

	average exchange rates		spot exchange rates	
	first quarter 2019	change compared with first quarter 2018	31 March 2019	change compared with 31 March 2018
	1 Euro	%	1 Euro	%
US Dollar	1.136	8.3%	1.124	9.7%
Canadian Dollar	1.510	3.0%	1.500	6.0%
Jamaica Dollar	147.424	4.9%	141.669	9.3%
Mexican Peso	21.804	5.7%	21.691	3.8%
Brazilian Real	4.277	-6.7%	4.387	-6.7%
Argentine Peso(*)	48.935	-50.5%	48.935	-49.3%
Russia Ruble	74.884	-6.6%	72.856	-2.7%
Australian Dollar	1.594	-1.9%	1.582	1.4%
Yuan Renminbi	7.662	2.0%	7.540	2.7%
Great Britain Pound	0.872	1.3%	0.858	1.9%
Switzerland Franc	1.133	2.9%	1.118	5.3%

(*) The average exchange rate for the Argentine Peso is the same as the spot exchange rate on 31 March 2019.

Sales by region

Sales for the first quarter of 2019 are analysed by geographical region and core market below. Unless otherwise stated, the comments relate to the organic change in each market.

- **Americas**

The region, broken down into its core markets below, recorded overall organic growth of +13.1%.

	% of Group total	2019		2018		total change	3 months change, of which			
		€ million	%	€ million	%	€ million	total	organic	perimeter	exchange
United States	31.2%	115.3	64.5%	95.8	63.8%	19.5	20.4%	11.2%	-	9.2%
Jamaica	6.6%	24.5	13.7%	19.0	12.7%	5.5	28.7%	22.9%	-0.2%	6.0%
Canada	3.1%	11.6	6.5%	9.7	6.5%	1.9	19.3%	15.9%	-	3.4%
Brazil	2.1%	7.7	4.3%	5.8	3.9%	1.9	32.3%	41.8%	-	-9.5%
Argentina	1.2%	4.5	2.5%	4.7	3.1%	-0.2	-5.3%	19.6%	-	-24.9%
Mexico	2.0%	7.6	4.2%	7.6	5.1%	-	-0.3%	-4.9%	-0.7%	5.3%
Other countries of the region	2.1%	7.8	4.4%	7.4	5.0%	0.4	4.9%	0.1%	-0.2%	5.1%
Americas	**48.3%**	**178.9**	**100.0%**	**150.0**	**100.0%**	**29.0**	**19.2%**	**13.1%**	**-0.1%**	**6.2%**

The **Americas** region recorded organic sales growth of +13.1%, driven by the performances of both North America (+11.9%) and South America (+25.6%).

With reference to North America, the **United States**, the Group's largest market with 31.2% of total sales, closed the first quarter of 2019 with organic growth of +11.2%. This positive performance was achieved on the strength of double-digit growth across all the main brands, including Grand Marnier, Aperol, Campari, Espolòn, Wild Turkey and the Jamaican rums. These results more than offset the fall in sales of SKYY Vodka, due to the announced destocking, despite the fact that orders are gradually closing the gap with the most favourable consumption trends, as well as the ongoing fierce competitive pressures in the category.

Jamaica recorded an increase in sales of +22.9% in the quarter, thanks to the double-digit growth achieved in the period by Wray&Nephew Overproof, Campari, Appleton Estate, as well as the positive performance of other local brands, especially Magnum Tonic.

Canada posted a highly positive performance of +15.9% in the period, due to the positive contribution of Aperol, Forty Creek, and Appleton Estate.

Mexico recorded a fall of -4.9%, mainly attributable to the Jamaican rums; this was primarily the result of a different phasing of sales activity than in the first quarter of 2018. However, the results of SKYY ready-to-drink and SKYY Vodka were positive.

With reference to South America, the positive performance in **Brazil** (+41.8%) was mainly driven by the local brands, especially Dreher, SKYY Vodka, Campari and Aperol. The positive result also benefited from a favourable basis of comparison with the first quarter of 2018 (-32.1%). Despite signs of improvement at the start of the year, the macroeconomic situation remains difficult with political instability and high unemployment rates.

In **Argentina**, sales showed positive organic growth of +19.6%, driven by Cinzano vermouth, SKYY Infusions and Aperol, and also benefited from a favourable basis of comparison with the same period in 2018. As a prudent measure, the organic change in this market includes only the component attributable to volumes sold, stripping out price/mix effects due to the application of IAS 29. The economic context for the market continues to be affected by generalised instability, high inflation and low propensity to spend.

Lastly, the **other countries in the region** are broadly stable overall, although sales in **Peru** are declining due to an unfavourable basis of comparison with the same period of the previous year which had benefited from the launch of direct marketing by the Campari Group.

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

The region, which is broken down by core market in the table below, reported organic growth of +6.4%.

	% of Group total	2019		2018		total change	3 months change, of which			
		€ million	%	€ million	%	€ million	total	organic	perimeter	exchange
Italy	20.6%	76.3	75.7%	77.7	76.7%	-1.3	-1.7%	6.4%	-8.1%	-
Other countries of the region(*)	6.6%	24.5	24.3%	23.5	23.3%	0.9	4.0%	6.5%	-2.1%	-0.4%
Southern Europe, Middle East and Africa	**27.2%**	**100.8**	**100.0%**	**101.2**	**100.0%**	**-0.4**	**-0.4%**	**6.4%**	**-6.7%**	**-0.1%**

(*) Includes the Global Travel Retail channel.

Italy recorded a highly positive performance of +6.4%, driven by the double-digit growth of Aperol (+14.5%) and the good performance of Campari and Campari Soda. This result was partially offset by the negative performance of Crodino. Of the amaro brands, Cynar recorded growth, offsetting the temporary decline in sales of Braulio (due to product availability).

The **other countries in the region** grew by +6.5%, driven by the good performance of nearly all the markets, especially **South Africa**, which posted double-digit growth, partly thanks to a highly favourable basis of comparison with the first quarter of 2018, and **France**, which rose by +4.6%, supported by sales of Aperol and GlenGrant. A highlight in the African markets was **Nigeria**, recording double-digit growth on the strength of Campari and Wild Turkey sales, despite the ongoing conditions of socio-economic instability. Sales in **Spain**, which were affected by an unfavourable basis of comparison with the first quarter of 2018, were broadly stable.

The **Global Travel Retail** channel reported organic growth of +5.8%, due to the performance of Aperol and GlenGrant.

- **Northern, Central and Eastern Europe**

The region recorded overall organic growth of +11.6%, spread across its core markets.

	% of Group total	2019		2018		total	3 months change, of which			
		€ million	%	€ million	%	€ million	total	organic	perimeter	exchange rate
Germany	8.4%	31.1	47.5%	28.3	48.2%	2.7	9.7%	9.7%	-	-
Russia	2.0%	7.3	11.2%	6.6	11.3%	0.7	10.7%	18.5%	-	-7.8%
United Kingdom	1.6%	5.9	9.0%	5.3	9.0%	0.6	11.8%	10.4%	-	1.4%
Other countries of the region	5.7%	21.1	32.3%	18.5	31.5%	2.6	13.8%	12.4%	0.3%	1.1%
North, Central and Eastern Europe	**17.7%**	**65.4**	**100.0%**	**58.7**	**100.0%**	**6.6**	**11.3%**	**11.6%**	**0.1%**	**-0.4%**

In **Germany**, sales increased by +9.7%, boosted by a favourable basis of comparison with the first quarter of 2018. Of particular note was the strong growth of Aperol sales (+24.0%), as well as the positive performances of Ouzo 12, Frangelico, Cinzano sparkling wine and Wild Turkey, which offset the slight weakness in sales of Averna and Campari. The latter is mainly associated with the price increase during the quarter.

Russia recorded an increase in sales of +18.5%, thanks to the performance of Aperol, Cinzano vermouth, Cinzano sparkling wine and Mondoro, which benefited from a favourable basis of comparison with the same period of the previous year (-30.5%). The macroeconomic situation shows signs of reduced volatility although the propensity to consume remains weak.

The **United Kingdom** showed an increase of +10.4%, although the market continues to suffer from instability associated with the political/economic decisions surrounding the Brexit negotiations. Growth in the period in question was supported by Aperol, Campari and Cinzano vermouth, and by the positive performance of other minor brands, especially Magnum Tonic.

The **other countries in the region** grew by +12.4% in the period, with positive performances in all the main markets, including solid growth in **Austria** (Aperol, Campari and Grand Marnier), **Benelux** (Aperol, Campari, Crodino and Bulldog), and the **Czech Republic** (Cinzano vermouth, Campari and Crodino).

- **Asia-Pacific**

This region, which is broken down by core market in the table below, recorded an organic decline of -3.1%.

	% of Group total	2019		2018		total change	3 months change, of which			
		€ million	%	€ million	%	€ million	total	organic	perimeter	exchange rate
Australia	4.8%	17.8	71.3%	18.6	71.5%	-0.8	-4.1%	-2.3%	-	-1.9%
Other countries of the region	1.9%	7.2	28.7%	7.4	28.5%	-0.2	-3.1%	-5.3%	-	2.3%
Asia-Pacific	**6.8%**	**25.0**	**100.0%**	**26.0**	**100.0%**	**-1.0**	**-3.8%**	**-3.1%**	**-**	**-0.7%**

In **Australia**, the region's leading market, the organic change in the period was negative at -2.3%, mainly as a result of an unfavourable basis of comparison due to the different timing of Easter. The positive performances of Aperol, SKYY Vodka and Espolòn were more than offset by the weak sales of Wild Turkey bourbon due to fierce competitive pressure. Sales of Wild Turkey ready-to-drink were stable. In addition, the market's performance was affected by the price repositioning of various brands during the quarter, while consumption trends were positive and outperformed market data in the main categories.

The **other countries in the region** showed a fall of -5.3%, mainly due to weak sales in Japan and New Zealand. China recorded good growth (+70.4%), boosted by the basis of comparison with the same period in 2018, due to the performance of SKYY Vodka, Cinzano sparkling wine and Grand Marnier.

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, 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 3 months, of which			
		total	organic	perimeter	exchange rate
Aperol	15.6%	27.8%	26.8%	-	1.0%
Campari	10.4%	10.6%	9.2%	-	1.4%
SKYY[(1)]	8.0%	5.8%	0.7%	-	5.1%
Wild Turkey portfolio[(1)(2)]	9.2%	17.5%	10.0%	-	7.5%
Grand Marnier	9.0%	17.9%	10.0%	-	7.9%
Jamaican rums portfolio[(3)]	5.8%	15.1%	10.0%	-	5.1%
global priority brands	**58.0%**	**16.8%**	**12.6%**	**-**	**4.2%**
Espolòn	3.5%	31.3%	22.7%	-	8.6%
Bulldog	0.7%	1.3%	1.6%	-	-0.2%
GlenGrant	1.1%	7.0%	6.4%	-	0.6%
Forty Creek	1.1%	13.8%	9.8%	-	4.0%
Italian liquors[(4)]	4.2%	5.4%	3.7%	-	1.7%
Cinzano	3.1%	8.3%	11.1%	-	-2.8%
other	1.9%	-7.7%	-6.0%	0.6%	-2.3%
regional priority brands	**15.6%**	**9.4%**	**7.8%**	**0.1%**	**1.5%**
Campari Soda	3.9%	2.3%	2.3%	-	-
Crodino	3.2%	-4.7%	-4.7%	-	0.1%
Wild Turkey portfolio *ready-to-drink*[(5)]	1.9%	-2.3%	-0.4%	-	-1.9%
Dreher and Sagatiba	0.9%	45.7%	55.7%	-	-10.0%
other	1.7%	2.7%	-0.2%	-	3.0%
local priority brands	**11.5%**	**1.9%**	**2.3%**	**-**	**-0.4%**
rest of the portfolio	**14.9%**	**-4.3%**	**6.8%**	-11.9%	**0.8%**
total	**100.0%**	**10.1%**	**9.6%**	**-2.0%**	**2.6%**

(1) Excludes ready-to-drink.
(2) Includes American Honey.
(3) Includes Appleton Estate 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** (58.0% of sales) grew by +12.6% at organic level, with overall growth of +16.8%, after the exchange rate effect of +4.2% and a neutral perimeter effect. The comments below relate to the organic performance of individual brands.

Aperol recorded double-digit organic growth of +26.8%, thanks to highly positive results in all the markets where the brand is being developed and consolidated. Of particular note is the strong growth in Italy, Germany and the United States, now the brand's third largest market by value, but also in the United Kingdom, Spain, the Global Travel Retail channel and Australia.

Campari closed the period with organic growth of +9.2%, driven by the good results achieved in Italy, the United States, the brand's second largest market by value, Jamaica, Brazil and Nigeria, which offset the slight weakness recorded in Germany, due to the phasing of sales in tandem with the price increase during the quarter.

SKYY closed the first quarter of 2019 with modest growth of +0.7%, mainly attributable to positive performances in the international markets such as China, Brazil and South Africa, which offset weak sales in the US, due to the announced destocking, despite the fact that orders are gradually closing the gap with the most favourable consumption trends, as well as the ongoing fierce competitive pressures in the category.
The **Wild Turkey** portfolio, which includes American Honey, reported organic growth of +10.0% in the period, due to growth in the core US market (which also benefited from improvements in the sales mix as a result of the excellent performance of premium versions such as Wild Turkey Longbranch and Russell's Reserve), and in the markets in which it has recently been introduced, where volumes are still modest (Germany, Italy, Nigeria and New Zealand). This result enabled the Group to completely offset the decline in Australia and Japan, the latter being affected by a particularly unfavourable basis of comparison with the first quarter of 2018.
Grand Marnier recorded organic growth of +10.0%, thanks to the performance in the United States, the brand's main market, which benefited from the phasing of sales in the first quarter of 2019, which were higher than the consumption figures, and from the continuing relaunch of the drinking strategy initiated in 2018. Canada's result was positive on the strength of a favourable comparison with the first quarter of 2018.
The **Jamaican rum portfolio** (Appleton Estate and Wray&Nephew Overproof) recorded organic growth of +10.0% during the period. Wray&Nephew Overproof had a good result in the period, boosted by a good performance in Jamaica, the brand's core market, the United States and Canada. Appleton Estate recorded a positive trend, as a result of the good performance in its core markets (the United States, Canada, New Zealand Canada), as well as in the Global Travel Retail channel.

The **regional priority brands** (15.6% of the Group's sales) posted organic growth of +7.8%, with an overall increase of +9.4%, net of an exchange rate effect and perimeter effect of +1.5% and +0.1% respectively. The comments below relate to the organic performance of individual brands.
Espolòn (+22.7%) recorded excellent growth in the United States, the brand's largest market, and highly encouraging results, from a small volume base, in the international markets in which the brand was recently introduced, including Australia, Russia, Italy and Canada.
Bulldog posted modest growth (+1.6%), driven by Belgium, Germany, Austria and Brazil.
GlenGrant posted a positive result of +6.4% in the period, thanks to the progressive strategic repositioning of the brand, intended to improve the sales mix, to be driven by premium versions of the product that have a longer ageing process and higher marginality. The brand recorded a positive performance in France, Germany, the United States and the Global Travel Retail channel.
Forty Creek posted a solid performance of +9.8%, on the strength of the excellent result recorded in its main market of Canada, which offset weak sales in the United States.
Italian liqueurs posted a positive result (+3.7%). The positive performances of **Cynar** and **Averna** (Italy, United States) and **Frangelico** (United States, Germany) more than offset the temporary weakness of **Braulio** due to product availability.
Cinzano recorded overall growth of +11.1%; this was mainly attributable to the German and Chinese markets for the sparkling wine segment, and to the Russian and Argentine markets, as well as the Czech Republic, for the vermouth segment.
Of the **other brands**, Mondoro recorded a good performance in the Russian market, partly offsetting the decline in sales of Riccadonna during the period, which was mainly attributable to the French market.
The recently-acquired **Bisquit** brand, which contributed to the Group's organic sales effect from February 2019, recorded an organic decline of -35.3%; this was due to destocking, in light of the brand's repositioning, which is currently under way.

The **local priority brands** (11.5% of the Group's portfolio) showed organic sales growth of +2.3%, with an overall increase of +1.9%, after an exchange rate effect of -0.4% and a neutral perimeter effect. The comments below relate to the organic performance of individual brands.
The organic performance of the local brands is the result of good growth by the **Brazilian brands** (**Dreher** and **Sagatiba**), helped by a favourable basis of comparison with the first quarter of 2018. Moreover, as regards sales of single-serve Italian aperitifs, **Campari Soda** increased (+2.3%), while Crodino contracted (-4.7%), mainly due to the different timing of Easter, which had made a positive contribution to the results in the first quarter of 2018. However, the international markets recorded solid growth although volumes are still low for Crodino. **Wild Turkey ready-to-drink** declined slightly (-0.4%), due to weak sales in New Zealand, compared with broadly stable sales in Australia.
The **rest of the portfolio** (14.9% of the Group's sales) showed positive organic growth of +6.8%, driven specifically by **SKYY ready-to-drink** in Mexico.

Income statement

Highlights

In the income statement for the first quarter of 2019, all the profitability indicators monitored by the Group showed a positive organic performance that was higher than net organic sales growth. This result reflects the continuous strengthening of the underlying business and the improvement in the product/market sales mix, in line with the Group's growth strategy.

Specifically, the gross margin, the contribution margin and the result from recurring activities (adjusted EBIT) showed organic growth of +9.9%, +11.2% and +15.4% respectively. These performances compare with organic sales growth of +9.6%, thus generating a healthy increase in the sales margin.

Overall, total changes in the profitability indicators reflect the favourable exchange rate effect, mainly generated by the strengthening of the US Dollar, which more than offset the depreciation of the currencies in the Group's main emerging markets, and the negative impact of the deconsolidation of businesses that were sold.

Moreover, the income statement for the first quarter of 2019 reflects the application of the new accounting standard IFRS 16-Leases. Under this standard, the recognition of operating lease costs on a straight-line basis is replaced with the depreciation of the right-of-use asset and the financial charges relating to the lease liabilities. The new standard was introduced from 1 January 2019, while the figures for the comparative period have not been restated. For more details about the adoption of this standard, see section 4-'Changes in accounting standards' of the consolidated financial statements in the annual report at 31 December 2018.
With reference to the main levels of operating profitability, in the first quarter of 2019, the first-time adoption of IFRS 16-Leases, generated a positive effect of €0.5 million on adjusted EBIT and €3.6 million on adjusted EBITDA, corresponding to an impact of 10 basis points and 110 basis points respectively, on both overall and organic change.

Lastly, it should be noted that the change in methodology for presenting the figures for the Argentine business was applied starting from the publication of the additional financial information at 30 September 2018, with retroactive effect from 1 January 2018. The figures shown at 31 March 2018 do not therefore include the effects of applying accounting standard IAS 29-Financial Reporting in Hyperinflationary Economies.

The table below shows the income statement for the first quarter of 2019 and a breakdown of the total change by organic growth, external growth and exchange rate effects.

P&L grow/margin	31 March 2019		31 March 2018		total change		of which organic		of which external		of which due to	
	€ million	%	€ million	%	€ million	%	€ million	%	€ million	%	€ million	%
Net sales	**370.1**	**100.0**	**336.0**	**100.0**	**34.1**	**10.1%**	**32.1**	**9.6%**	**(6.9)**	**-2.0%**	**8.8**	**2.6%**
Cost of goods sold	(146.2)	(39.5)	(136.0)	(40.5)	(10.2)	7.5%	(12.3)	9.0%	5.8	-4.2%	(3.6)	2.7%
Gross profit	**223.8**	**60.5**	**200.0**	**59.5**	**23.9**	**11.9%**	**19.8**	**9.9%**	**(1.1)**	**-0.6%**	**5.2**	**2.6%**
Advertising and promotional costs	(58.8)	(15.9)	(54.1)	(16.1)	(4.6)	8.6%	(3.4)	6.3%	(0.1)	0.2%	(1.1)	2.1%
Contribution margin	**165.1**	**44.6**	**145.8**	**43.4**	**19.2**	**13.2%**	**16.4**	**11.2%**	**(1.2)**	**-0.8%**	**4.0**	**2.8%**
Overheads	(92.6)	(25.0)	(84.7)	(25.2)	(7.9)	9.4%	(7.0)	8.2%	-	0.1%	(0.9)	1.1%
Result from recurring activities (EBIT adjusted)(1)	**72.4**	**19.6**	**61.1**	**18.2**	**11.3**	**18.5%**	**9.4**	**15.4%**	**(1.2)**	**-2.0%**	**3.1**	**5.1%**
Adjustments to operating income (charges)(1)	(0.8)	(0.2)	21.6	6.4	(22.3)	-103.5%						
Operating result(1)	**71.7**	**19.4**	**82.7**	**24.6**	**(11.0)**	**-13.3%**						
Financial income (charges)	(8.3)	(2.3)	(5.8)	(1.7)	(2.6)	45.1%						
Profit (loss) related to companies valued at equity	0.2	-		-	0.2	-						
Put option income (charges)	(0.3)	(0.1)	(0.5)	(0.1)	0.2	-31.6%						
Profit before tax and non-controlling interests interest	**63.2**	**17.1**	**76.5**	**22.8**	**(13.3)**	**-17.4%**						
Group profit before tax	**63.2**	**17.1**	**76.5**	**22.8**	**(13.3)**	**-17.4%**						
Group profit before tax adjusted(1)	**63.9**	**17.3**	**54.9**	**16.3**	**9.0**	**16.5%**						
Total depreciation and amortisation	(17.1)	(4.6)	(13.6)	(4.0)	(3.6)	26.3%	(3.3)	24.0%	-	0.3%	(0.3)	2.1%
Adjusted EBITDA(1)	**89.6**	**24.2**	**74.7**	**22.2**	**14.9**	**19.9%**	**12.7**	**17.0%**	**(1.2)**	**-1.6%**	**3.4**	**4.5%**
EBITDA	**88.8**	**24.0**	**96.3**	**28.7**	**(7.5)**	**-7.8%**						

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

The increase in profitability shown by the operating profitability indicators, expressed as a percentage (basis points) of net sales at total and organic level, and including the effects of the first-time adoption of the standard IFRS 16-Leases, as commented on above, is shown in the following table.

margin accretion (dilution) in basis point(*)	Total	Organic
Cost of goods sold	100	20
Gross margin	**100**	**20**
Advertising and promotional costs	20	50
Contribution margin	**120**	**70**
Overheads	20	30
Adjusted result from recurring activities(1)	**140**	**100**

(*) 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 'Alternative performance indicators' in the next section of this additional financial information.

Income statement in detail

The key 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 €223.8 million, an increase of +11.9% on the same period of the previous year. The organic growth component was +9.9% and was higher than organic sales growth (+9.6%). The positive exchange rate effect of +2.6% was marginally offset by a negative perimeter effect of -0.6%. As a percentage of sales, profitability rose from 59.5% in the first quarter of 2018 to 60.5%, an increase of 100 basis points, of which 20 related to organic growth and 80 to the perimeter effect. With regard to organic growth, the positive result was achieved on the strength of the improved product/market mix, driven by the continuous strengthening of the high-margin global priority and regional priority brands in the major developed markets. This result was partly offset by the dilutive effect of the very positive performance of the less profitable emerging markets. In addition, the positive sales mix offset the dilutive impact of the average price increase associated with the use of agave reflected in the cost of sales.
The negative perimeter effect of -0.6% was mainly due to the termination of agreements to distribute some low-margin agency brands, which therefore had a positive impact on gross margin.

Advertising and promotional costs came in at €58.8 million, up by +8.6% overall compared with the first quarter of 2018. As a percentage of sales, these costs were 15.9%, with an overall reduction in profitability of 20 basis points. Organic marketing costs increased by +6.3%, lower than organic sales growth (+9.6%), thereby generating an increase in profitability of 50 basis points. The Group continued with its efforts in carrying out significant marketing campaigns in the first quarter of 2019, focusing on global priority brands, including Aperol, Campari, SKYY and Grand Marnier, as well as selected regional priority brands, to support their development. Exchange rate effects and the perimeter variation together totalled +2.2%, with a resulting dilutive effect on sales of 30 basis points. This was mainly due to the deconsolidation of businesses with very low spending on promotional activity.

The **contribution margin** was €165.1 million, a rise of +13.2% overall, with an increase in profitability of 120 basis points. The organic growth component of +11.2%, which was higher than organic sales growth (+9.6%), contributed to the improvement in the sales margin with an increase of 70 basis points. The perimeter effect was negative at -0.8%. The related effects on profitability were positive, however, totalling 50 basis points, due to disposals of businesses with low contribution margin. The exchange rate effect was positive at +2.8% (a neutral effect in terms of the change in basis points on the sales margin).

Overheads amounted to €92.6 million, up by +9.4% on the first quarter of 2018. The organic growth component, which accounted for +8.2% of the increase in overheads, reflects the higher absorption of fixed structure costs due to the strong sales growth (+9.6%); as a result, profitability improved by 30 basis points. The components due to exchange rate trends (+1.1%) and the perimeter effect (+0.1%) were marginal. As a percentage of sales, the overheads improved slightly, falling from 25.2% in the first quarter of 2018 to 25.0% in the first quarter of 2019, with a resulting positive effect on profitability of 20 basis points.

The **adjusted result from recurring activities (adjusted EBIT)** was €72,4 million, an increase of +18.5% overall on the first quarter of 2018. Adjusted ROS (Return on Sales), which measures the percentage of sales in the first quarter of 2019, was 19.6%, showing an increase in profitability of 140 basis points compared with the same period in 2018, when the figure was 18.2%. As shown above, the adoption of the new standard IFRS 16-Leases, from 1 January 2019 generated a positive effect of €0.5 million on adjusted EBIT, corresponding to 10 basis points on both overall and organic growth.

At organic level, adjusted EBIT increased by +15.4%, higher than organic sales growth, resulting in an improvement in profitability of 100 basis points, of which the effect from the first-time adoption of IFRS 16 was not significant (10 basis points);
The main factors that affected the organic results were:
- an improvement in gross margin, which boosted organic profitability by 20 basis points;
- a decrease in advertising and promotional costs as a percentage of sales, which generated an improvement of

50 basis points;
- a reduction in overheads, which generated an increase in profitability of 30 basis points.

The impact of the perimeter changes on adjusted EBIT was -2.0% and is mainly due to the termination of the distribution agreement for the Brown Forman product portfolio in Italy. The exchange rate effect was +5.1%, mainly due to the strengthening of the US dollar against the Euro.

Adjustments to operating income and charges showed a net charge of €0.8 million, mainly generated by provisions for restructuring operations launched in the previous year of 2018 that are still in progress. This compares with the figures for the first quarter of 2018 for this item, which included positive adjustments of €21.6 million, mainly generated by a capital gain of €38.5 million on the sale of the Lemonsoda range, which more than offset the charges relating to the restructuring processes already underway in the Group.

The **operating result** was €71.7 million in the first quarter of 2019, an overall decrease of -13.3% compared with the same period in 2018, mainly due to lower adjustments to operating income and charges than in the first quarter of 2018. The ROS (operating result as a percentage of net sales) amounted to 19.4% (24.6% in the first quarter of 2018).

Depreciation and amortisation totalled €17.1 million, up +26.3% on the same period in 2018. It should be noted that the item in question includes the effects of adopting IFRS 16-Leases, from 1 January 2019, which generated an increase of €3.1 million in depreciation/amortisation in the first quarter of 2019.

Adjusted EBITDA amounted to €89.6 million, an increase of +19.9% on the first three months of 2018, mainly generated by the organic growth component, which contributed +17.0% to the figure. The exchange rate effect and the perimeter effect moved in contrasting directions (+4.5% and -1.6% respectively), generating an overall positive effect of +2.9%.

The adoption of the new standard IFRS 16-Leases, from 1 January 2019, generated a positive effect of €3.6 million on adjusted EBITDA, corresponding to 110 basis points on both overall and organic growth.

Adjusted EBITDA amounted to €88.8 million, a decrease of -7.8% compared with the first quarter of 2018.

Net financial charges stood at €8.3 million, an increase of €2.6 million on the figure of €5.8 million in the same period in 2018. Despite a lower average level of debt at 31 March 2019 (€870.2 million, compared with €960.1 million at 31 March 2018), the average cost of debt for the first three months of 2019 amounted to 3.7%, increasing from 2.7% in the same period of 2018, for the following reasons:

- significant negative carry on interest generated by cash and cash equivalents compared with interest on existing medium- and long-term debt;
- the effect of adopting the new standard IFRS 16-Leases, from 1 January 2019, which entailed the recognition of interest, in the first quarter, totalling €0.9 million, on the notional liability representing the obligation to pay all future rent on existing agreements. For more details about the adoption of this standard, see section 4-'Changes in accounting standards' of the consolidated financial statements in the annual report at 31 December 2018.

It should be noted that the cost of debt, as described above, excludes the effects of exchange rate differences and adjustments for financial components.

The exchange rate differences component, which is included in total net financial charges, had an insignificant impact.

In the first three months of 2019, the item **income (charges) relating to put options and earn-outs** showed a net charge of €0.3 million; this was due to the non-cash effects of the discounting to present value of payables for future commitments to buy company shareholdings in acquired companies.

The Group's profit before tax was €63.2 million, a decrease of -17.4% compared with the same period of 2018. Profit as a percentage of sales was 17.1% (22.8% in the first quarter of 2018).

Before the adjustments, the Group's profit before tax amounted to €63.9 million, an increase of +16.5% on the figure for the first quarter of 2018, which was also adjusted in the same manner. The adoption of the new standard IFRS 16-Leases, from 1 January 2019, generated a negative effect of €0.5 million on the Group's profit before tax.

Breakdown of net debt

At 31 March 2019, the consolidated net financial position was negative at €893.9 million, an increase of €47.7 million on the figure of €846.3 million reported at 31 December 2018.
Specifically, the healthy cash generation achieved in the period was more than offset by the notional increase in debt due to the adoption of the new accounting standard IFRS 16-Leases (totalling €83.3 million at the first-time adoption date). Specifically, under the new accounting standard, notional payables and receivables were recorded in the net financial position to represent future commitments related to transactions undertaken concerning the use of third-party assets.
For more information on the impact of the first-time adoption of this standard, see section 4-‘Changes in accounting standards’ of the consolidated financial statements in the annual report at 31 December 2018.

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

	31 March 2019	31 December 2019	change
	€ million	€ million	€ million
cash and cash equivalents	694.2	613.9	80.2
bonds	(219.1)	(219.1)	-
payables to banks	(9.8)	(9.3)	(0.6)
lease payables(**)	(15.0)	(0.5)	(14.4)
lease receivables(**)	2.8	0.3	2.5
other financial receivables and payables	(15.9)	18.7	(34.6)
short-term net financial position	**437.2**	**404.1**	**33.1**
bonds(*)	(797.1)	(790.8)	(6.3)
payables to banks	(300.0)	(300.0)	-
lease payables(**)	(80.0)	(1.0)	(79.0)
lease receivables(**)	6.1	0.8	5.3
other financial receivables and payables	15.0	15.0	-
medium/long-term net financial position	**(1,156.0)**	**(1,076.0)**	**(80.0)**
debt relating to operating activities	**(718.8)**	**(672.0)**	**(46.9)**
liabilities for put option and earn-out payments	(175.1)	(174.3)	(0.8)
net financial position	**(893.9)**	**(846.3)**	**(47.7)**

(*) Including the related derivatives.
(**) Including notional obligations stemming from the adoption of the new accounting standard IFRS 16-Leases, with effect from 1 January 2019. For more information on the impact of the first-time adoption of this standard, see section 4-‘Changes in accounting standards’ of the consolidated financial statements in the annual report at 31 December 2018.

In terms of structure, the net financial position at 31 March 2019 continued to comprise a larger medium/long-term debt component compared with the short-term portion.

The short-term net financial position was €437.2 million, an improvement of €33.1 million on the previous year.
The item mainly consists of cash and cash equivalents (€694.2 million), which was partly offset by the bond loan due to mature in October 2019 (€219.1 million).
A notional short-term financial position relating to lease operations must be added to the figure of €9.8 million for payables to banks: this comprises an amount of €15.0 million for payables and an amount of €2.8 million for receivables (of which payables of €14.7 million and receivables of €1.9 million result from the first-time adoption of the new standard on 1 January 2019).
Other financial payables and receivables of various types, which showed a net payable of €15.9 million, mainly include payables for interest accrued on existing bonds (in an amount of €16.3 million). It should be noted that the Parent Company’s maturing cash investments shown under this item at 31 December 2018 were collected in the first quarter of 2019.

The medium/long-term items include bond loans of €797.1 million (including a liability of €18.1 million for hedging derivatives) and bank payables of €300.0 million.
Notional payables of €80.0 million and receivables of €6.1 million for long-term leases were also recorded (of which payables of €76.2 million and receivables of €5.7 million arose from the first-time adoption of the new standard on 1 January 2019).
Lastly, the medium/long-term net financial position includes other financial payables and receivables of various types, represented by a net receivable of €15.0 million, relating to various financial assets (€10.4 million) and restricted deposits for the settlement of put options associated with business acquisitions (€4.6 million).

Separately, the Group’s net financial position shows a payable of €175.1 million, which comprises the payable for future commitments to buy company shareholdings in acquired companies and payables for future earn-outs.

The Group's debt management objectives are based on its ability to ensure that it retains an optimal level of financial soundness, while maintaining an appropriate level of liquidity that enables it to make an economic return and, at the same time, access external sources of funding. The Group monitors changes to its net debt/EBITDA ratio on an ongoing basis. Net debt is the value of the Group's net financial position calculated at average exchange rates for the previous 12 months. The Group's EBITDA for the past 12 months is pro-rated to take account of the annual effect of the acquisitions and disposals made in the same period, on the assumption that they were completed at the beginning of the 12-month reporting period. Non-cash components of the operating flows are excluded from that value. At 31 March 2019, this multiple was 2.0 (1.9 at 31 December 2018).

Alternative performance indicators (non-GAAP measures)

This additional financial information presents and comments on certain financial performance indicators and reclassified financial statements that are not defined by IFRS (non-GAAP measures).
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 ESMA/2015/1415).
The alternative performance indicators listed below should be used to supplement the information required by IFRS to help readers of the additional financial information gain a better understanding of the Group's economic, financial and capital position. In addition, alternative performance indicators should be used to facilitate comparison with groups operating in the same sector, although in some cases the calculation method could differ from that used by other companies.

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

Organic change: the Group shows organic changes in performance to comment on its underlying business performance. By using this indicator, it is possible to focus on the business performance common to both the period 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 of the same period of the previous year) and the effects of business acquisitions and disposals. Specifically:
- the exchange-rate effects are calculated by converting the figures for the current period at the exchange rates applicable in the comparative period of the previous year;
- the results due to businesses acquired during the current year are excluded from the organic change for 12 months from the date that the transaction was closed;
- the results due to businesses acquired during the previous year are wholly included in the figures for the previous year from the closing date of the transaction, and are only included in the current period's organic change from 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 disposals 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 disposal 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) are defined as certain transactions or events, identified by the Group as adjustment components to the operating result, such as:
- capital gains/(losses) on the sale of tangible and intangible assets;
- capital gains/(losses) on the disposal of businesses;
- penalties arising from the settlement of tax disputes;
- impairment losses on fixed assets;
- restructuring and reorganisation costs;
- ancillary costs associated with acquisitions/disposals 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 result before tax for the period. For a detailed reconciliation of the items that had an impact on the above-mentioned alternative performance indicators in the current and comparison quarters, see the appendix shown at the end of this section.
The Company believes that the 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 performance.

Result from recurring activities (adjusted EBIT): the operating result for the period before 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 result before tax related to events covering a single period or financial year such as:
- charges related to the early settlement of financial liabilities or liability management operations;
- financial charges arising from acquisitions/disposals of businesses or companies;
- other non-recurring financial income (charges).

Group's adjusted result before tax: result for the period before tax and before 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.

Adjusted ROS: the ratio of the result from recurring activities (adjusted EBIT) 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
- receivables for leases
- payables to banks
- payables for leases
- other financial payables
- bonds
- non-current financial liabilities, recorded under Other non-current liabilities
- payables for put options and earn-outs

Net debt/EBITDA ratio

The net debt/EBITDA ratio is used by management to assess the Group's level of financial leverage, which affects its capacity to refinance its debt by the set maturity dates and to obtain further financing to invest in new business opportunities.
The Group monitors changes to this indicator on an ongoing basis. Net debt is the value of the Group's net financial position calculated at average exchange rates for the previous 12 months. The Group's EBITDA for the past 12 months is pro-rated to take account of the annual effect of the acquisitions and disposals made in the same period, assuming that they were completed at the beginning of the 12-month reporting period. Non-cash components of the operating flows are excluded from that value.

- **Appendix of alternative performance indicators**

In the first quarter of 2019 EBITDA, the result from recurring activities (EBIT) and the Group result before tax were adjusted to take account of the items shown in the table below.

31 March 2019	EBITDA		EBIT		Group profit before taxes	
	€ million	% on sales	€ million	% on sales	€ million	% on sales
alternative performance indicator reported	**88.8**	**24.0%**	**71.7**	**19.4%**	**63.2**	**17.1%**
gains/(losses) from disposals of tangible and intangible fixed assets.	1.0	0.3%	1.0	0.3%	1.0	0.3%
restructuring and reorganisation costs	(2.2)	-0.6%	(2.2)	-0.6%	(2.2)	-0.6%
other adjustments of operating income (charges)	0.4	0.1%	0.4	0.1%	0.4	0.1%
total adjustments	**(0.8)**	**-0.2%**	**(0.8)**	**-0.2%**	**(0.8)**	**-0.2%**
alternative performance indicator adjusted	**89.6**	**24.2%**	**72.4**	**19.6%**	**63.9**	**17.3%**

31 March 2018	EBITDA		EBIT		Group profit before taxes	
	€ million	% on sales	€ million	% on sales	€ million	% on sales
alternative performance indicator reported	**96.3**	**28.7%**	**82.7**	**24.6%**	**76.5**	**22.8%**
capital gains/(losses) from business disposals	38.5	11.5%	38.5	11.5%	38.5	11.5%
fees from acquisition/disposals of business or companies	(0.3)	-0.1%	(0.3)	-0.1%	(0.3)	-0.1%
restructuring and reorganisation costs	(11.6)	-3.5%	(11.6)	-3.5%	(11.6)	-3.5%
other adjustments of operating income (charges)	(5.0)	-1.5%	(5.0)	-1.5%	(5.0)	-1.5%
total adjustments	**21.6**	**6.4%**	**21.6**	**6.4%**	**21.6**	**6.4%**
alternative performance indicator adjusted	**74.7**	**22.2%**	**61.1**	**18.2%**	**54.9**	**16.3%**

Conclusions on the first quarter 2019 and outlook

Campari Group registered a very positive start to the year in 2019, despite the late Easter, achieving solid results in terms of overall and organic sales growth and an outperformance across all profitability indicators, on an adjusted basis, in a low seasonality quarter.

Regarding the organic performance, the sustained sales growth was driven by the key high-margin markets, such as the United States, Germany and Italy. In addition, growth was enhanced by a recovery in the emerging markets in South America and Eastern Europe, where the Group benefitted from a favourable comparison base.

The sales mix in terms of the brand/market combinations continued to improve in the first three months of the year, as a result of sustained and stronger-than-average growth in sales of the Global Priority brands and the high-margin Regional Priority brands, in the Group's key markets, in line with the Group’s strategic objectives.

This result generated an improvement in the gross margin as a percent of sales at an organic level, despite the negative impact of the rise in the price of agave. The increase in gross margin, combined with the lower than topline growth in marketing investments and a better absorption of fixed overhead costs due to the substantial sales growth, generated a very strong accretive effect on operating profitability at organic level.

The overall increases in sales and the operating profitability indicators, on an adjusted basis, reflect the positive exchange rate effects, driven mainly by the strengthening of the US Dollar against the Euro, which more than offset the slightly negative perimeter effect.

At the Group profit before tax level, solid growth was achieved, on an adjusted basis, i.e. excluding non-recurring income and charges recorded in the period.

The overall decrease in the operating profit and the Group’s profit before tax reflect an unfavorable comparison base versus the first quarter of the previous year, which was positively impacted by capital gains on the sale of non-core assets.

For 2019, the outlook remains balanced in terms of risks and opportunities and unchanged since the previous announcement.

The Group estimates that the organic sales performance can be sustained due to the positive development of the business, despite the uncertain macroeconomic scenarios and continuous volatility of some emerging markets, while reflecting the different comparison bases throughout the year.

The main high-margin Global and Regional Priority brands in the Group’s key markets are expected to continue to drive improvements in the sales mix and the gross margin expansion, more than offsetting the negative effect of the price of agave, which will remain high due to the sustained trend in the tequila category.

The Group expects that the previous year’s organic margin expansion in EBIT adjusted is expected to continue, on an annual basis, supported by gross margin accretion, after the reinvestments made in the business, particularly the Group’s on-premise capabilities and brand houses development

Regarding the overall results, the exchange rate and perimeter effects, driven by the ongoing volatility of certain currencies and the tail-end effect of the transactions carried out in the previous year, are expected to have a less adverse effect than in 2018.

Moreover, in 2019, net profit is expected to benefit from positive net adjustments, totaling around €14 million, thanks to the combined total of the following: tax savings at an estimated amount of €26 million associated with the ‘Patent box’ tax regime, implemented in Italy for the fifth and last year, in line with the previous year, which will more than offset the provisions for completing reorganisation projects, corresponding to an estimated negative amount of approximately €16 million, and the related tax effects for an estimated amount of around €4 million.

Overall, the Group is confident in delivering a positive performance across all key underlying business indicators in 2019.

Events taking place after the end of the period

Significant events

Ordinary Shareholders' meeting of the Parent Company

On 16 April 2019, the Ordinary Shareholders' meeting of Davide Campari-Milano S.p.A. approved the 2018 separate financial statements and agreed the distribution of a dividend of €0.05 per share outstanding (unchanged from the dividend paid for 2017). The total dividend, calculated on the shares outstanding and excluding own shares in the portfolio (15,745,745 shares) at the date of the Shareholders' meeting, was €57,292,713. The dividend was paid from 25 April 2019 (with an ex-date for coupon n. 3 on 23 April 2019) in compliance with the Italian Stock Exchange calendar, and a record date on 24 April 2019.
The Shareholders' meeting also appointed the Board of Directors and the Board of Statutory Auditors for the three-year period 2019-2021. The composition of these boards is shown in the 'Corporate bodies' section.
Lastly, the Board of Directors appointed the members of the Control and Risks Committee and the Remuneration and Appointments Committee, as also shown in the 'Corporate officer' section.

Bond issue

On 23 April 2019, Davide Campari-Milano S.p.A. successfully placed an unrated bond issue, with a duration of five years, for €150 million, reserved for Italian and international institutional investors only. Banca IMI S.p.A. (Intesa Sanpaolo Group) acts as Sole Lead Manager for the issue of the new bond. This transaction enabled the company to optimise its debt structure by extending the average maturity of its liabilities benefitting from the low interest rates on the market.
The main features of the new bond loan are as follows:
- total nominal amount of €150 million;
- interest rate, fixed annual coupon of 1.655%;
- issue price of 100%;
- maturity 30 April 2024.

On 30 April 2019, the new bond was admitted to trading on the non-regulated market ('Third Market') of the Vienna Stock Exchange; payment for the bond was completed on the same day.
The issue proceeds will be used by the issuer for general business purposes, including but not limited to the refinancing of existing debt.

Main brand-building activities

Global priority brands

<u>Cinzano</u>

Cinzano vermouth 1757 di Torino

In April, the new Vermouth di Torino del 1757, available in Rosso and Extra Dry, was launched as a tribute to Casa Cinzano. The launch was accompanied by secret handcrafted recipes developed by Cinzano herbalist and master blender, and an event at Dante Café in New York, with multiple award-winning barman Erik Lorincz.

Other information

In accordance with Article 70(8) and Article 71(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 obligation 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), 7 May 2019

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

Davide Campari - Milano S.p.A.

Registered office: Via Franco Sacchetti 20, 20099 Sesto San Giovanni (MI)
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