DAVIDE CAMPARI-MILANO S.p.A.
ANNUAL REPORT
AT 31 DECEMBER 2018

CAMPARI
GROUP

Contents

Disclaimer
This document contains forward-looking statements relating to future events and the operating, economic and financial results of Campari Group. 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

	31 December 2018	31 December 2017(*)	change	
			total	organic change
	€ million	€ million	%	%
Net sales	**1,711.7**	**1,753.4**	**-2.4%**	**5.3%**
Contribution margin	738.9	732.4	0.9%	7.4%
EBITDA	434.5	451.4	-3.8%	
Adjusted EBITDA(1)	**432.6**	**437.6**	**-1.1%**	**6.8%**
EBIT	380.7	394.3	-3.5%	
EBIT adjusted(1)	**378.8**	**380.5**	**-0.4%**	**7.6%**
Group net profit	296.3	356.4	-16.8%	
Adjusted Group net profit(1)	**249.3**	**233.4**	**6.8%**	
ROS % (EBIT / net sales)	22.2%	22.5%		
ROS % (EBIT adjusted / net sales)	**22.1%**	**21.7%**		
ROI % (EBIT / fixed assets)	12.8%	13.7%		
ROI % (EBIT adjusted / fixed assets)	**12.8%**	**13.2%**		
Basic earning per share (€)	0.26	0.31		
Diluted earning per share (€)	0.25	0.30		
Basic earning per share (€) adjusted(1)	**0.22**	**0.20**		
Diluted earning per share (€) adjusted(1)	**0.21**	**0.20**		
Average number of employees	**3,**625	4,020		
Acquisition and sale of companies or business	15.7	123.6		
Free cash flow	235.6	226.9		
Recurring free cash flow	**267.7**	**249.7**		
Net debt	846.3	981.5		
Shareholders' equity - Group and non-controlling interests	2,162.8	1,942.6		
Invested capital	3,009.1	2,924.1		

(*) The values shown for 31 December 2017 have been restated following application of the new accounting standard IFRS 15-'Revenue from contracts with customers'. For more information on the impact of the new accounting standard, please refer to Note 50 to the annual financial statements for the year ending 31 December 2017.

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

Information on the figures presented

For ease of reference, all figures in this annual report 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 report on operations.

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
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 General Meeting of shareholders for the three-year term 2016-2018. At the same General 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 29 April 2016, 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 act;
- joint signature: powers of representation and management for specific types of act, within the values or time limits deemed to fall outside ordinary activities.

[(2)] The Board of Statutory Auditors was appointed on 29 April 2016 by the General Meeting of Shareholders for the three-year period 2016-2018.

[(3)] On 30 April 2010, the General Meeting of Shareholders appointed PricewaterhouseCoopers S.p.A. as its independent auditors for the nine-year period 2010-2018. On 19 December 2017, the Ordinary General Meeting of Shareholders of Davide Campari-Milano S.p.A. unanimously approved the appointment of Ernst&Young S.p.A. as audit firm for the fiscal years 2019-2027.

[(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 onto the Board by resolution of the Board of Directors on 29 April 2016 and ratified by the General Meeting of shareholder on 28 April 2017.

Report on operations

Significant events during the period

Acquisitions and commercial agreements

Acquisition of Bisquit

On 31 January 2018, the Group closed the agreement to acquire Bisquit Dubouché et Cie from South African group Distell. The company, which owns the Bisquit brand, is a cognac producer located in the French town of the same name. The total net cash outlay was €52.7 million (of which €59.4 million was paid on the closing date, as well as 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 brand is currently marketed in 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 transaction, the Group obtains full control of the cognac ageing process, creating innovation opportunities for relaunching the brand, as well as acquiring a significant stock of high-quality cognac. 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. In addition, the Group further improves its presence in the premium on-premise distribution channel in its key markets, and complements other high-end brands, such as Grand Marnier.

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, a group operating in the food & beverage sector. The aim of the joint venture is to promote and develop the Group’s products in this market. The Group has a call option on the remaining holding of 60% of the share capital.

Disposals

Sale of the Lemonsoda business

On 2 January 2018, the Group closed an agreement to sell the Lemonsoda range 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 at the closing date of €81.5 million and positive net financial resources sold of €1.3 million). The business sold includes the alcohol-free, fruit-flavoured carbonated variants Lemonsoda, Oransoda, Pelmosoda and Mojito Soda, grouped under the Freedea brand name, and the Crodo brand. The sale did not include the Crodino brand. Besides the brands, the perimeter of the sale included the manufacturing and bottling facility located in Crodo (Northern Italy), water springs and the inventory.

In the fiscal year ended 31 December 2017, the range of brands sold recorded net sales of €32.6 million and a contribution margin (gross margin after advertising and promotional costs) of €4.1 million. Italy was the core market for the brands. The total consideration for the deal corresponds to a multiple of approximately 13 times the contribution margin of the brands sold, before allocated costs and depreciation.

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 a number 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 consolidated accounts for the year ended 31 December 2017. The sale generated a total capital 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 demonstrates Campari Group’s commitment to streamlining its portfolio and increasing its focus on its core spirits business.

Termination of the agreement to distribute the portfolio of Brown Forman brands 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 carried out the following initiatives designed to improve the efficiency of its production facilities and the functioning of its sales organisations, which are increasingly focusing on brand building in the various markets.

Relocation of the Campari America office to New York City
In December 2017, the Group had announced that Campari America would be moving from San Francisco to New York City, the new head office for the United States and for the North America business unit. The move was 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 the Group increasing weight in the United States, the main sales area, and North America. Another advantage is its greater proximity to the Parent Company's headquarters, 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 relationships with the various counterparties.

Outsourcing of the accounting 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 centre, located in San Francisco, to an external provider. After a detailed evaluation, the Group concluded that this change could result in improved efficiency of its accounting and administrative procedures, including in terms of automation and technological innovation. Campari Services America LLC was therefore placed in liquidation. Subsequently, the accounting and administrative activities of the Group's companies in Argentina, Brazil, Peru and Jamaica were transferred to the same external provider.

Optimisation of production facilities in Brazil and Jamaica
The Group announced a reorganisation of its production facilities in Brazil and Jamaica.
Specifically, in June 2018, the closure of the Sorocaba plant in Brazil was finalised. The plant 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. As it has not been achieving the levels of operating efficiency required to ensure its long-term sustainability, production has been moved to the Suape plant, built in 2010, which 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 through economic subsidies, investment in local infrastructure and alternative farming solutions. At the same time, the Group remains committed to operate in the sugar-cane sector in Jamaica, partly in view of the importance this has in the heritage of the values of Appleton Estate Jamaican rum.

Other significant events

Hyperinflation in Argentina
Following a long period of monitoring inflation rates and other indicators in Argentina, a consensus was reached around the world that the conditions for hyperinflation, as laid down in the International Financial Reporting Standards (IFRS), were met. Consequently, from 1 July 2018, all companies operating in Argentina were required to apply international accounting standard IAS 29-'Financial reporting in hyperinflationary economies, when preparing their financial reports'.
The Group's consolidated financial results at 31 December 2018 include the effects of applying that accounting standard with effect from 1 January 2018.
As the Group presents its consolidated financial data in euro, it was not deemed necessary to restate any of the figures presented in 2017. With regard to the quarterly results for 2018, it should be noted that the Group's income statement reflects the effects of the aforementioned remeasurements, based on the additional financial information for the quarter ended 30 September 2018.
IAS 29 requires specific procedures and a valuation process to be undertaken when restating the figures in the financial statements as a whole; the Group started this work in the third quarter of 2018. Specifically:

- on the income statement, the cost and income items were revalued by applying the change in the general consumer price index to reflect the loss of purchasing power of the local currency at 31 December 2018. The restated income statement was converted into euro by applying the spot exchange rate at 31 December 2018 rather than the average exchange rate for the financial year. The effect of applying the standard on consolidated net sales for the period led to a decrease of €2.6 million in 2018.

- On the balance sheet, monetary items were not restated as they were already expressed in the measurement unit used on the closing date of the financial statements. Non-monetary assets and liabilities, however, were remeasured to reflect the loss in purchasing power of the local currency from the date on which those assets and liabilities were initially recognised until the end of the accounting period;
- the resulting effect on the net monetary position generated during 2018 (an overall asset of €0.1 million) was charged to the income statement under net financial charges, while the effects of the first-time adoption of the standard at 1 January 2018 were recognised directly in shareholders' equity.
- The indexes used to remeasure the values are as follows:
  - from 1 January 2017, the national Consumer Price Index ('nationwide CPI') was used;
  - up to 31 December 2016, the Wholesale Price Index ('nationwide WPI') was used, except for November and December 2015, when it was replaced by the Consumer Price Index of Buenos Aires ('City of Buenos Aires CPI').

The values of the indices used in the calculations that were valid at 31 December 2018 are as follows:

	31 December 2018	31 December 2017
Consumer Price Index	184.26	124.80

	Conversion factor 2018
January	1.451
February	1.417
March	1.384
April	1.347
May	1.320
June	1.272
July	1.234
August	1.188
September	1.115
October	1.058
November	1.026
December	1.000

In terms of alternative performance indicators, in order to strip out the underlying changes stemming from the effects of local inflation, it was prudently assumed that organic growth in Argentina is determined by the effect of the volumes component only; both the price component and the revaluation required by IAS 29, which are included in the exchange rate effect, were therefore excluded from the organic change figure. The Argentine market accounted for around 1.2% of the Group's sales at 31 December 2018 (2.8% in full year 2017)

Acquisition of 'Camparino'

Within the scope of its initiatives to create brand houses for its iconic brands, the 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 through its global priority brands, and in particular Campari, in the premium on-premise channel, while also acquiring expertise in managing a sales outlet.

Buy-back of own shares

Between 1 January and 31 December 2018, the Group bought back 10,007,486 own shares at an average price of €6.75, and sold 4,078,641 treasury shares after the exercise of stock options. At 31 December 2018, the Parent Company held 14,981,958 treasury shares, equivalent to 1.29% of the share capital.

Main brand-building activities

The brands 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 key to brand-building activities in the key phases of developing the brand, and on digital media, but without compromising its ongoing focus on traditional medias. The Group is pursuing long-term growth objectives for its brands, with strong and constant focus on a satisfactory consumer experience.

The main marketing initiatives carried out in 2018, which focused on global priority brands, are shown below.

Global priority brands

APEROL

Aperol Happy Together

In line with the target positioning of Aperol Spritz as a ritual of drinking in a lively atmosphere that is symbolic of sociability and sharing, marketing investment was carried out under the growth strategy in line with the three phases of brand development. These are: launching the brand through on-premise channel initiatives designed to attract new consumers and create brand awareness in the markets in which it has recently been introduced; ensuring sales become continuous rather than seasonal, by developing a consumption routine beyond the warm-weather season using the emotional attachment created in the previous phase; and introducing the brand as a drink for new occasions, not just at the traditional time for aperitifs, in the more developed markets, taking advantage of the brand's versatility in terms of both the time at which it can drunk and the gastronomic pairings.
Specifically, in 2018 numerous initiatives were launched in the various markets where the brand has been introduced recently; these include over 32 on-premise launches from New York to Los Angeles in the United States, designed to make Aperol Spritz the number 1 daytime cocktail in the two major US cities, and the 'Aperol Big Spritz Social' event held in May in Shoreditch, London, the location of the largest ever Aperol Spritz bar in the UK. In the markets where the brand has a more consolidated presence, such as Italy, the first 'Aperol Happy Together Party' is worthy of note: over 70,000 people attended this event, held in Naples in June, which generated some 8 million interactions on social media. In addition, the 'Happy Together Winter Tour', a programme of exclusive snow parties held on the slopes of the major ski resorts in the Alps, was launched in the winter months.

CAMPARI

Campari Red Diaries 2018

On 30 January 2018, the short movie of the Campari Red Diaries campaign, 'The Legend of Red Hand', was presented in Milan. This 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 been viewed more than 31 million times on YouTube, even more than the highly successful 2017 movie.

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 2017, was held in around 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 the festival, offering aperitifs in perfect Italian style.
Campari also launched two special awards: the Campari Passion for Film award, launched jointly with the *Biennale* to promote the contribution made by a director's 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.

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 restricted to the global travel retail channel exclusively for six months.

SKYY

SKYY Vodka Proudly American

In June 2018, SKYY Vodka launched Proudly American, an integrated marketing campaign that celebrates the spirit of today's bold, optimistic Americans. The campaign juxtaposes famous themes from American history, such as 'Home of the Brave', with powerful images featuring people who shine brightly in terms of diversity, and are proud to be American. The advertising campaign captures SKYY Vodka's progressive and innovative origins and will be rolled out in a series of phased programmes featuring powerful influencers, such as Olympian Gus Kenworthy, Trixie Mattel, Dusty Ray Bottoms, John Cena and Amara La Negra.

SKYY Infusion Pineapple
In November 2018, SKYY expanded the local franchise with the launch of SKYY Infusion Pineapple in Argentina. The campaign will be supported by a solid launch strategy that includes out-of-home advertising, digital influencers and commercial programming for the entire first half of 2019.

GRAND MARNIER
'Live Grand' Grand Marnier Campaign
The new 'Live Grand' campaign, aimed at relaunching the brand and inspired by the rich heritage of Grand Marnier and the brand's iconic design, was launched on the North American and European markets in 2018 and unveiled at two exclusive events held in New York in March and Paris in October 2018. Campari Group hosted the 'La Grande Maison' event at both evenings, during which the guests, including media and sector professionals and influencers from all over the world, joined in celebrating Grand Marnier and its quintessential core, which was recounted through a variety of experiences. Under the guidance of mixologists and master distillers, guests were taken on a voyage of discovery of the world of Grand Marnier, a blend of cognac and orange distillate, where tradition, elegance and style merge, enjoying iconic cocktails, immersing themselves in the art of perfumery and discovering the citrus essences that give Grand Marnier the flavour that makes it unique in the world.
In the second half of 2018, the new Grand Marnier 'Live Grand' strategy was launched in many markets through a multimedia, multi-channel programme, including TV, and digital and social media, in the United States and Canada. Initiatives to launch the brand in Europe were also carried out, with a focus on France and the UK.

WILD TURKEY PORTFOLIO
Wild Turkey Bourbon
In April 2018, Matthew McConaughey and Wild Turkey introduced Wild Turkey Longbranch, the result of 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.
In October 2018, Matthew McConaughey and Eddie Russell, in conjunction with Wild Turkey Bourbon, celebrated National First Responders Day by giving thanks to police officers, firefighters, emergency operators, and emergency room doctors and nurses, who were on the front lines following Hurricane Harvey in Texas. The media coverage of this event resulted in over 1.2 billion impressions across broadcast, digital and social platforms.

JAMAICAN RUMS PORTFOLIO
Appleton Estate 15-Year-Old Limited Edition
In October 2018, Appleton Estate 15-Year-Old Jamaican Rum was launched as a limited edition exclusively in Canada, the brand's main global market. Created by master blender Joy Spence, this rum is prepared with a blend of carefully selected rums and aged in oak barrels for 15-18 years.

Group operating and financial results

Preliminary remarks

Following the entry into effect, 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 promotional and other marketing activities. For more details, see Note 50 of the consolidated financial statements in the 2017 annual financial report.
The figures shown here for 2017 include the effects of the retrospective application of the new standard. Organic growth figures for 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 provisions. It should be noted, however, that the figures for the years before 2017 were not reclassified based on the new IFRS 15 accounting standard. Although calculated on a non-reclassified basis under the new IFRS 15, the organic changes in 2017, expressed as percentages and compared with 2016, are still considered to be uniform and consistent with the organic percentage changes in 2018, and are therefore representative for the purposes of analysing the periods under comparison.
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. Further details may be found in the 'Significant events during the period' section of this Report on operations.

Sales performance

Overall performance

The Group's net sales totalled €1,711.7 million in 2018, showing an overall decline of -2.4% compared with 2017. Sustained organic growth of +5.3% for the year was completely offset by negative effect of changes in the scope of consolidation and exchange rate variations of -3.4% and -4.2% respectively.

	2018		2017		total change	12 months change, of which				change % fourth quarter
	€ million	%	€ million	%	€ million	total	organic	perimeter	exchange	organic
Americas	744.7	43.5%	783.6	44.7%	-38.9	-5.0%	3.9%	-1.7%	-7.2%	2.1%
Southern Europe, Middle East and Africa	479.8	28.0%	501.2	28.6%	-21.5	-4.3%	4.9%	-9.1%	-0.1%	2.8%
North, Central and Eastern	358.9	21.0%	347.2	19.8%	11.7	3.4%	6.2%	-0.5%	-2.3%	-0.2%
Asia-Pacific	128.3	7.5%	121.3	6.9%	7.0	5.8%	12.9%	-	-7.2%	6.0%
Total	**1,711.7**	**100.0%**	**1,753.4**	**100.0%**	**-41.7**	**-2.4%**	**5.3%**	**-3.4%**	**-4.2%**	**2.1%**

Organic change

Organic growth in 2018 was +5.3%, thanks to a good performance in all four quarters (+2.1% in the fourth quarter) and broadly equal growth in the first (+5.4%) and second (+5.1%) half of the year. 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, 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, amounting to 30 basis points in the twelve months and 80 basis points in the fourth quarter alone. It should be noted that, for Argentina, the last quarter of the year is the most important for local net sales in value terms due to the seasonal nature of the business.

Overall, sales increased in all the main regions in the twelve months. Specifically, growth was driven by the good performance of high-margin developed markets in North America, 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 previous year.

Growth in brands during the twelve months was driven by the high-margin global priority brands segment (+8.9%). The regional priority brands recorded a positive result (+2.8%), while local priority brands fell by -1.5%.
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 high-margin key regional priority brands in the major developed markets.

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

❖ **Geographical regions**

- The Americas region recorded organic growth of +3.9% in the twelve-month period (+2.1% in the fourth quarter); this performance was entirely driven by North America, which grew by +6.7%, thanks to the United

States (+4.4%), the region's leading market in terms of sales and for the Group as a whole, by Jamaica (+14.4%), and by Mexico and Canada, which more than offset the fall recorded in South America (-11.3%) due to Brazil (-2.8%) and especially Argentina (-32.4%).
- The **Southern Europe, Middle East and Africa** region reported organic growth of +4.9% (+2.8% in the fourth quarter), driven by the performance of its main market, Italy, where organic sales increased by +3.6%. The region's other countries recorded very strong overall performance (+9.4%). The results were particularly positive in France and Spain, while in Africa, the excellent performance in Nigeria offset the slight fall recorded in South Africa, which suffered from an unfavourable basis of comparison with last year.
  The Global Travel Retail channel recorded double-digit growth in this period, a highly satisfactory performance.
- The **North, Central and Eastern Europe** region recorded a positive trend in all its markets, closing the period with organic growth of +6.2%, despite a slight fall of -0.2% in the fourth quarter. Germany, the region's main market, posted a positive performance of +6.5% in the twelve-month period. 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 partly due to an unfavourable comparison with last year.
- The **Asia-Pacific** region remained strong at +12.9% (+6.0% in the fourth quarter), thanks to double-digit growth in all the region's markets, especially Australia (+10.5%), Japan (+22%) and China (+23.4%).

❖ **Brands**
- The **Group's global priority brands** saw total organic growth of +8.9% (+5.0% in the fourth quarter), mainly due to the excellent performance of Aperol, which continues to record double-digit growth (+28.1%) and the highly positive results of Campari (+5.1%), the Wild Turkey portfolio (+7.0%), Jamaican rums portfolio (+8.3%) and Grand Marnier (+5.2%). The overall organic performance of the global priority brands segment is very positive and continues to outpace the Group's average (+5.3%), despite the fall in sales of SKYY (-8.1%).
- **Regional priority brands** recorded organic growth of +2.8% (-1.6% in the fourth quarter), due to the excellent performance of Espolòn (+26.1%) and healthy growth in sales of Riccadonna, Braulio, Forty Creek and Bulldog, which was partly offset by falls in other brands, such as Cinzano, Frangelico, Averna and GlenGrant. Cynar was broadly stable.
- The performance of **local priority brands** fell by -1.5% compared with the previous year (-0.6% in the fourth 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.

Changes in the scope of consolidation

The negative effect of changes in the scope of consolidation, amounting to -3.4%, is attributable to the sale of non-core businesses (notably, Carolans and the Lemonsoda range) and termination of the agreement to distribute the Brown Forman portfolio in Italy. This was partially offset by the acquisition of Bisquit.
The 2018 perimeter effect on sales of the previous fiscal year is analysed in the table below.

breakdown of the perimeter effect	€ million	% on 2017
acquisitions and sales of *business*		
acquisitions (Bisquit)	8.6	0.5%
disposals	-48.0	-2.7%
total acquisition and sales	**-39.4**	**-2.2%**
distribution contracts		
new agency brands distributed	0.8	-
discontinued agency brands	-21.6	-1.2%
total distribution contracts	**-20.9**	**-1.2%**
total perimeter effect	**-60.2**	**-3.4%**

- **Business acquisitions**

The acquisition of Bisquit Dubouché et Cie. S.A., owner of the brand of the same name, only affected sales from 1 February 2018, since the transaction was completed on 31 January 2018.
The value recorded in this period relates to both sales of the Bisquit brand and bulk sales.

- **Business sales**

The effect of changes in the scope of consolidation due to business sales in 2018 were as follows:
- sale of the Lemonsoda business, which was closed on 2 January 2018;
- sales of the Lapostolle Chilean wines 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

effect of changes in the scope of consolidation, 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 2018, effect of changes in the scope of consolidation relating to brands distributed by the Group were mainly due to the termination of the agreement to distribute the Brown Forman products portfolio in Italy, with effect from April 2018.

Exchange rate effects

The significant negative exchange rate effect in 2018 (-4.2%) was associated with the depreciation against the euro of nearly all the Group companies' currencies, especially the US dollar. In addition, as described in detail in the section 'Significant events during the period', the consolidated financial results at 31 December include the impact of applying IAS 29 – Financial reporting in hyperinflationary economies. 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, as set out above.

The table below shows the average exchange rates for 2018 and spot rates at 31 December 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	31 December 2018	change compared with 31 December 2017
	1 Euro	%	1 Euro	%
US Dollar	1,182	-4,4%	1,145	4,7%
Canadian Dollar	1,530	-4,3%	1,561	-3,6%
Jamaica Dollar	152,188	-5,1%	145,872	2,4%
Mexican Peso	22,714	-6,1%	22,492	5,2%
Brazilian Real	4,309	-16,4%	4,444	-10,6%
Argentine Peso(*)	43,159	-56,6%	43,159	-46,9%
Russia Rouble	74,055	-11,0%	79,715	-13,0%
Australian Dollar	1,580	-6,8%	1,622	-5,4%
Yuan Renminbi	7,808	-2,3%	7,875	-0,9%
Great Britain Pound	0,885	-1,0%	0,895	-0,8%
Switzerland Franc	1,155	-3,8%	1,127	3,8%

(*) The average exchange rate of Argentine Peso is equal to the spot exchange rates at 31 December 2018

Sales by region

Sales for 2018 are analysed by geographical region and key 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 +3.9%.

	% of Group total	2018		2017		total change	12 months change, of which				change % fourth quarter
		€ million	%	€ million	%	€ million	total	organic	perimeter	exchange	organic
US	26.0%	445.6	59.8%	456.9	58.3%	-11.3	-2.5%	4.4%	-2.3%	-4.5%	4.6%
Jamaica	5.3%	90.1	12.1%	83.0	10.6%	7.1	8.6%	14.4%	-	-5.8%	15.1%
Canada	3.2%	54.8	7.4%	57.6	7.4%	-2.8	-4.8%	4.1%	-4.6%	-4.3%	-0.5%
Brazil	3.0%	51.5	6.9%	63.4	8.1%	-11.9	-18.7%	-2.8%	-	-15.9%	-1.0%
Mexico	2.2%	37.8	5.1%	34.6	4.4%	3.2	9.3%	16.1%	0.3%	-7.1%	24.7%
Argentina	1.2%	20.1	2.7%	49.1	6.3%	-28.9	-58.9%	-32.4%	-	-26.6%	-47.1%
Other countries of the region	2.6%	44.6	6.0%	39.0	5.0%	5.6	14.4%	21.1%	-	-6.7%	25.6%
Americas	**43.5%**	**744.7**	**100.0%**	**783.6**	**100.0%**	**-38.9**	**-5.0%**	**3.9%**	**-1.7%**	**-7.2%**	**2.1%**

The **Americas** region recorded organic growth of +3.9%, entirely driven by North America (+6.7%), thanks to the positive performance of all the region's markets, which more than offset the fall recorded in South America (-11.3%).

With reference to North America, the **United States**, the Group's core market with 26.0% of total sales, closed 2018 with organic growth of +4.4% (+4.6% in the fourth quarter). This positive performance was achieved thanks to the excellent results obtained by Espolòn, Aperol and Campari, which again posted double-digit growth, as well as highly positive results from Wild Turkey, Grand Marnier and Jamaican rums. These results more than offset the decrease for SKYY. Although the gap with SKYY's more favourable consumption data is progressively reducing, sales of the brand are still trending below the sell-out data due to destocking.

Jamaica recorded an increase in sales of +14.4% in 2018 (+15.1% in the fourth quarter), thanks to the excellent results obtained in the period by Wray&Nephew Overproof, Campari and Appleton Estate, as well as the positive performance of other local brands, especially Magnum Tonic.

Canada posted a positive performance of +4.1% (-0.5% in the fourth quarter), thanks to the contribution of Forty Creek, Aperol, Appleton Estate, Espolòn, Campari and Wild Turkey.

In **Mexico**, positive growth of +16.1% (+24.7% in the fourth quarter) was seen, thanks to the performances of SKYY ready-to-drink, SKYY Vodka, Aperol, Riccadonna and Espolòn.

With reference to South America, in **Brazil**, which remained in a difficult macroeconomic situation with political instability and high unemployment rates throughout most of the year, sales fell by -2.8% in 2018 (-1.0% in the fourth quarter). This negative performance was mainly due to the local brands and SKYY. The result was only partly offset by the good results for Aperol, which continues to post double-digit growth, and for Cynar and Campari.

In **Argentina**, sales registered an organic performance of -32.4%. It should be noted that, as a prudent measure, the organic change in this market includes only that component attributable to volumes sold, stripping out price/mix effects due to the application of IAS 29.
The decline in volumes driven by Campari and Cinzano vermouth, was partly offset by Aperol and SKYY, which continued to grow.

Lastly, of the **other countries in the region**, a good performance was seen by **Peru** (+41.8%), which benefited from the recent start of direct route-to-market by 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 +4.9%.

	% of Group total	2018		2017		total change	12 months change, of which				change % fourth quarter
		€ million	%	€ million	%	€ million	total	organic	perimeter	exchange	organic
Italy	20.8%	356.1	74.2%	388.0	77.4%	-31.8	-8.2%	3.6%	-11.8%	-	3.4%
Other countries of the region (*)	7.2%	123.6	25.8%	113.2	22.6%	10.4	9.2%	9.4%	0.3%	-0.5%	0.6%
Southern Europe, Middle East and Africa	**28.0%**	**479.8**	**100.0%**	**501.2**	**100.0%**	**-21.5**	**-4.3%**	**4.9%**	**-9.1%**	**-0.1%**	**2.8%**

(*) Includes the Global Travel Retail channel.

In **Italy**, the healthy performance seen in the first nine months continued, and the market closed 2018 with organic growth of +3.6% (+3.4% in the fourth quarter). Growth was driven by the highly positive performance of Aperol, which continued to record double-digit growth (+15.3%), and Campari (+7.4%). However, it was partly offset by the negative performance of the Crodino and Campari Soda single-serve aperitifs and by Cinzano sparkling wines. Of the amaro brands, Braulio's sustained growth offset the decrease for Averna.

The **other countries in the region** grew by +9.4% (+0.6% in the fourth quarter), thanks to the good performance of almost all the markets, and especially **France,** which experienced double-digit growth (+10.0%) due to sales of Aperol, Riccadonna sparkling wine, Campari and Bulldog. In **Spain**, which grew by +6.7%, Aperol, Cinzano sparkling wines, Campari and SKYY made good progress. In the African markets, **Nigeria** was a highlight, recording a double-digit growth year-on-year thanks to Campari, despite conditions of socio-economic instability. This performance was partly mitigated by a slight decline in **South Africa**, which was affected by an unfavourable basis of comparison.

Lastly, the **Global Travel Retail** channel reported organic growth of +10.2%, thanks to Aperol, Wild Turkey bourbon, Grand Marnier, Braulio, Appleton Estate and Bulldog.

- **Northern, Central and Eastern Europe**

The region recorded overall organic growth of +6.2%, spread across its core markets.

	% of Group total	2018		2017		total change	12 months change, of which				change % fourth quarter
		€ million	%	€ million	%	€ million	total	organic	perimeter	exchange	organic
Germany	9.8%	167.2	46.6%	157.9	45.5%	9.3	5.9%	6.5%	-0.6%	-	1.4%
Russia	2.9%	48.9	13.6%	62.2	17.9%	-13.3	-21.3%	-11.4%	-0.2%	-9.7%	-5.6%
United Kingdom	1.9%	32.8	9.2%	27.9	8.0%	5.0	17.9%	19.1%	-	-1.2%	21.4%
Other countries of the region	6.4%	110.0	30.6%	99.3	28.6%	10.6	10.7%	13.0%	-0.6%	-1.7%	-3.5%
North, Central and	**21.0%**	**358.9**	**100.0%**	**347.2**	**100.0%**	**11.7**	**3.4%**	**6.2%**	**-0.5%**	**-2.3%**	**-0.2%**

In **Germany**, sales grew by +6.5% in 2018 (+1.4% in the fourth quarter). Of note were the significant growth figures of Aperol (+22.6%) and Campari (+13.9%), as well as the positive performances of Bulldog and Grand Marnier. Lastly, there were slightly negative trends for Ouzo12, SKYY and GlenGrant.

Russia recorded a fall in sales of -11.4% (-5.6% in the fourth quarter), mainly due to the unfavourable basis of comparison with the previous year (+40.6%). It was also penalised by the highly volatile economic environment. Specifically, the excellent double-digit growth in sales of Aperol and Campari was unable to offset the fall in sales of Cinzano. Mondoro recorded good growth (+7.6%), thanks to healthy performance during the seasonal sales peak.

The **United Kingdom** grew by +19.1% (+21.4% in the fourth quarter), thanks to good growth achieved during the period by Aperol (+56.0%), Campari (+39.3%), Bulldog (+24.8%), Appleton Estate (+25.4%) and Wray&Nephew Overproof (+12.6%).

The **other countries in the region** grew by +13.0% in the period (a slight fall of -3.5% in the fourth quarter), with positive performances in all the key markets, including solid growth in **Austria** (Aperol and Averna), **Benelux** (Aperol, Crodino and Cinzano), **Switzerland** (Aperol and Crodino) and the **Czech Republic** (Aperol, Crodino and Cinzano sparkling wines).

- **Asia-Pacific**

This region, which is broken down by core market in the table below, recorded organic growth of +12.9%.

	% of Group total	2018		2017		total change	12 months change, of which				change % fourth quarter
		€ million	%	€ million	%	€ million	total	organic	perimeter	exchange	organic
Australia	5.2%	88.3	68.8%	85.7	70.6%	2.5	3.0%	10.5%	-	-7.5%	5.7%
Other countries of the	2.3%	40.1	31.2%	35.6	29.4%	4.5	12.5%	18.8%	0.1%	-6.4%	7.0%
Asia-Pacific	**7.5%**	**128.3**	**100.0%**	**121.3**	**100.0%**	**7.0**	**5.8%**	**12.9%**	**-**	**-7.2%**	**6.0%**

In **Australia**, the region's largest market, organic growth in the period was +10.5% (+5.7% in the fourth quarter), thanks to the sustained positive trend for all the main brands, which recorded growth above the market average. Of particular note is the positive performance of Wild Turkey ready-to-drink and bourbon; the latter was driven by the good performance of the recently-introduced premium drink Longbranch, and of Espolòn, GlenGrant, SKYY, Campari and Frangelico, as well as the excellent growth in sales of Aperol (+38.8%).

The **other countries in the region** saw growth of +18.8% (+7.0% in the fourth quarter). This performance was driven by **Japan** (+22.0%) which, following distribution changes, recorded strong results for SKYY ready-to-drink, Wild Turkey bourbon and Cinzano. Of the other countries, sales in **China** grew strongly (+23.4%), thanks to Cinzano sparkling wine, SKYY, Campari, Grand Marnier and X-Rated. **New Zealand** showed a slight growth trend, thanks to the performances of Aperol and Wild Turkey.

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 twelve-month period, 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	12 months change, of which				change % fourth quarter
		total	organic	perimeter	exchange rate	organic
Aperol	16.3%	26.2%	28.1%	-	-1.9%	18.7%
Campari	10.2%	0.2%	5.1%	-	-4.9%	-4.7%
SKYY (1)	8.5%	-13.4%	-8.1%	-	-5.3%	-8.0%
Wild Turkey portfolio (1)(2)	7.9%	1.9%	7.0%	-	-5.1%	-2.5%
Grand Marnier	7.6%	1.1%	5.2%	-	-4.2%	20.6%
Jamaican rums portfolio (3)	5.4%	3.5%	8.3%	-	-4.9%	16.3%
global priority brands	**55.8%**	**4.7%**	**8.9%**	**-**	**-4.2%**	**5.0%**
Espolòn	3.0%	20.2%	26.1%	-	-5.9%	11.6%
Bulldog	0.8%	5.8%	7.2%	-	-1.4%	11.7%
GlenGrant	1.2%	-7.5%	-5.7%	-	-1.8%	-13.8%
Forty Creek	1.1%	3.8%	8.5%	-	-4.7%	18.5%
Italian Liquors(4)	4.0%	-4.2%	-1.2%	-	-3.0%	-6.2%
Cinzano	3.9%	-16.0%	-8.7%	-	-7.3%	-11.3%
other	2.7%	12.5%	9.2%	11.0%	-7.6%	9.6%
regional priority brands	**16.8%**	**-0.8%**	**2.8%**	**1.6%**	**-5.2%**	**-1.6%**
Campari Soda	3.4%	-1.1%	-1.0%	-	-	0.9%
Crodino	3.4%	-3.0%	-2.9%	-	-0.1%	-1.1%
Wild Turkey portfolio ready-to-drink (5)	2.0%	-1.6%	5.6%	-	-7.2%	-1.2%
Dreher and Sagatiba	1.5%	-21.1%	-6.2%	-	-14.9%	3.5%
other	1.8%	-4.9%	-3.0%	-	-1.9%	-6.8%
local priority brands	**12.2%**	**-5.2%**	**-1.5%**	**-**	**-3.7%**	**-0.6%**
rest of the portfolio	**15.2%**	**-21.3%**	**1.9%**	**-19.6%**	**-3.7%**	**0.4%**
total	**100.0%**	**-2.4%**	**5.3%**	**-3.4%**	**-4.2%**	**2.1%**

(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** (55.8% of sales) saw organic growth of +8.9% (+5.0% in the fourth quarter), equating to overall sales growth of +4.7% after stripping out negative exchange rate effects of -4.2%. The comments below relate to the organic performance of individual brands.

In 2018, **Aperol** continued the trend seen in previous periods, recording exceptional double-digit organic growth of +28.1% (+18.7% in the fourth quarter), thanks to highly positive results both in its core markets, such as Italy, Germany, Austria and Switzerland, and more generally in all the markets where the brand is being developed and consolidated. Of particular note is the strong growth in the United States, now the brand's third-largest market by value, but also in the UK, Spain, France, the Global Travel Retail channel, Australia, Eastern Europe, the Scandinavian markets, Canada, Brazil, Argentina and Chile.
Campari closed the year with organic growth of +5.1% (-4.7% in the fourth quarter), thanks to the good results recorded in Italy, the United States and Germany, the brand's top three markets by value, as well as in Jamaica, Nigeria, France, Spain, the United Kingdom and Russia. Organic growth can be considered particularly satisfactory, even in light of the markedly negative performance in the Argentine market.
SKYY closed the first half with a fall of -8.1% (-8.0% in the fourth quarter), attributable to the negative performance of the United States. In this market, although the gap with SKYY's more favourable consumption data is progressively reducing, 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 Argentina, Japan, Mexico and Jamaica. In contrast, performance was negative in Brazil, due to the difficult macroeconomic conditions that negatively impacted market performance, as well as in the Global Travel Retail channel and in Germany, while performance in South Africa was broadly in line with the previous year.
The **Wild Turkey** portfolio, which includes American Honey, reported growth of +7.0% (-2.5% in the fourth quarter). This was the result of higher sales both in the US market, which also benefited from improvements in the sales mix, as a result of the good performance of premium flavours (the newly released Wild Turkey Longbranch, Russell's Reserve and Master's Keep Revival), 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.
Grand Marnier recorded organic growth of +5.2%, thanks to the good performances posted in the United States, the brand's core market, and in the Global Travel Retail channel. The brand benefited during the year from the relaunch of the drinking strategy. Growth in the fourth quarter (+20.6%) reflects the particularly unfavourable basis of comparison with the previous year.
The **Jamaican rum portfolio** (Appleton Estate and Wray&Nephew Overproof) recorded organic growth of +8.3% during the period (+16.3% in the fourth quarter). Appleton Estate saw a positive trend, thanks to the good performance in its key markets (the US, Jamaica, Canada and the UK, as well as in the Global Travel Retail channel). Wray&Nephew Overproof had 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 (16.8% of Group sales) posted organic growth of +2.8%, due to the excellent performance of Espolòn and good sales growth for Riccadonna, Mondoro, Forty Creek, Braulio and Bulldog, which was partially offset by falls in other brands, such as Cinzano, Frangelico, Averna and GlenGrant.
Espolòn (+26.1%) continues to enjoy excellent growth in the United States, the brand's core market, and highly encouraging results – albeit with volumes that are still low – in the various international markets in which the brand was recently introduced, including Australia, Italy, Canada and Mexico.
Bulldog continued its growth trend (+7.2%), driven by the UK, Germany, Italy and Portugal.
GlenGrant posted a negative result of -5.7% in the period, due to the gradual strategic repositioning of the brand, intended to improve the sales mix, to be driven by premium versions of the product with longer ageing process and higher marginality. The brand recorded a negative performance in Italy, Germany, France and the Global Travel Retail channel, which was partly mitigated by positive results in the US, South Africa and Australia.
Forty Creek recorded a solid performance of +8.5%, thanks to the excellent result recorded in its core market of Canada, offsetting the temporary weakness in United States.
Sales of **Italian liqueurs** declined during the twelve-month period (-1.2%). The positive performance of **Braulio** in Italy, the United States and the Global Travel Retail channel was offset by a decline in **Averna** in Italy and **Frangelico** in Spain and Germany. **Cynar** sales remained stable, due to the performance in its core markets of Italy and Switzerland.
Cinzano recorded an overall performance of -8.7%; this is mainly attributable to the slowdown in Russia in both the sparkling wines and vermouths segments, as well as the decline seen in vermouth in Argentina and sparkling wines in Italy.
The **other brands** (including Riccadonna and Mondoro) posted a good result in the period, thanks to positive performances in France, Peru, Russia, Ukraine 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 (12.2% of the Group's portfolio) showed an organic decline in sales of -1.5%. This performance is the result of good growth in the **Wild Turkey ready-to-drink** portfolio (+5.6%), thanks to Australia, offset by the negative performance of the low-margin **Brazilian brands** (-6.2%). **Campari Soda** decreased by -1.0%, due to the weakness in the core Italian market, despite a more positive fourth quarter. **Crodino** registered a soft performance (-2.9%), impacted by a tough comparable base due to the previous year's innovation pipeline in the core Italian market. However, the international markets registered solid growth, albeit versus a small base.

The **rest of the portfolio** (15.2% of the Group's sales) reported growth of +1.9% 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

Highlights

In the income statement for 2018, 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 sales mix by product/market, in line with the Group's growth strategy.

Specifically, the gross margin, contribution margin and result from recurring activities showed organic growth of +7.5%, +7.4% and +7.6% respectively. These performances compare with organic sales growth of +5.3%, thus generating a healthy increase in the marginality on sales.

Overall, total changes in the profitability indicators reflect the negative exchange rate effect and the impact of deconsolidating the businesses that were sold.

Net profit fell by -16.8%. However, this was entirely due to the tax benefits of the Patent Box regime and other non recurring positive effects that had a particularly favourable impact on net profit for 2017. Excluding operating, financial and tax adjustments, net profit increased by +6.8%.

The table below shows the income statement for 2018 and a breakdown of the total change by organic growth, external growth and exchange rate effects.
It should be noted that the operating results for 2018 include the effects of applying accounting standard IAS 29 regarding hyperinflation (see the section 'Significant events during the period' for more details). The figures shown in 2017 were not recalculated and the income statement for 2018 includes the full effect of these restatements with effect from 1 January 2018.

P&L grow/margin	31 December 2018		31 December 2017[2]		total change		of which organic		of which external		of which due to exchange rates	
		%	€ million	%	€ million	%	€ million	%	€ million	%	€ million	%
Net sales	**1,711.7**	**100.0**	**1,753.4**	**100.0**	**(41.7)**	**-2.4%**	**92.1**	**5.3%**	**(60.2)**	**-3.4%**	**(73.5)**	**-4.2%**
Cost of goods sold	(683.6)	(39.9)	(741.1)	(42.3)	57.4	-7.7%	(16.3)	2.2%	43.8	-5.9%	29.9	-4.0%
Gross profit	**1,028.1**	**60.1**	**1,012.3**	**57.7**	**15.8**	**1.6%**	**75.8**	**7.5%**	**(16.4)**	**-1.6%**	**(43.6)**	**-4.3%**
Advertising and promotional costs	(289.2)	(16.9)	(279.9)	(16.0)	(9.3)	3.3%	(21.9)	7.8%	(0.6)	0.2%	13.2	-4.7%
Contribution margin	**738.9**	**43.2**	**732.4**	**41.8**	**6.4**	**0.9%**	**53.8**	**7.4%**	**(17.0)**	**-2.3%**	**(30.5)**	**-4.2%**
Overheads	(360.1)	(21.0)	(351.9)	(20.1)	(8.1)	2.3%	(24.9)	7.1%	(1.0)	0.3%	17.9	-5.1%
Result from recurring activities (EBIT adjusted)[1]	**378.8**	**22.1**	**380.5**	**21.7**	**(1.7)**	**-0.4%**	**28.9**	**7.6%**	**(18.0)**	**-4.7%**	**(12.6)**	**-3.3%**
Adjustments to operating income (charges)[1]	1.9	0.1	13.9	0.8	(12.0)	-86.6%						
Operating result[1]	**380.7**	**22.2**	**394.3**	**22.5**	**(13.7)**	**-3.5%**						
Financial income (charges)	(33.8)	(2.0)	(40.0)	(2.3)	6.3	-15.6%						
Adjustments to financial income (charges)[1]	1.8	0.1	(24.8)	(1.4)	26.6	-107.3%						
Profit (loss) related to companies valued at equity	(0.2)	-	-	-	(0.2)	-						
Put option income (charges)	2.3	0.1	(2.8)	(0.2)	5.1	-182.3%						
Profit before tax and non-controlling interests interest	**350.8**	**20.5**	**326.7**	**18.6**	**24.1**	**7.4%**						
Taxes	(54.5)	(3.2)	29.7	1.7	(84.1)	-283.6%						
Net profit	**296.3**	**17.3**	**356.4**	**20.3**	**(60.0)**	**-16.8%**						
Non-controlling interests	-	-	-	-	-	-						
Group net profit	**296.3**	**17.3**	**356.4**	**20.3**	**(60.0)**	**-16.8%**						
Group profit before tax adjusted[1]	**347.1**	**20.3**	**337.7**	**19.3**	**9.5**	**2.8%**						
Group net profit adjusted[1]	**249.3**	**14.6**	**233.4**	**13.3**	**15.9**	**6.8%**						
Total depreciation and amortisation	(53.8)	(3.1)	(57.1)	(3.3)	3.3	-5.8%	(1.1)	1.8%	1.4	-2.5%	2.9	-5.1%
Adjusted EBITDA[1]	**432.6**	**25.3**	**437.6**	**25.0**	**(5.0)**	**-1.1%**	**30.0**	**6.8%**	**(19.4)**	**-4.4%**	**(15.5)**	**-3.5%**
EBITDA	**434.5**	**25.4**	**451.4**	**25.7**	**(17.0)**	**-3.8%**						

[1] For information on the definition of alternative performance indicators, see the 'Alternative performance indicators' section in the next part of this Report on operations.
[2] Includes the effects of the reclassification arising from the application of the new accounting standard (IFRS 15). For more information, please see Section 50 – Application of IFRS 15-'Revenue from contracts with customers, of the annual financial statements for the year ending 31 December 2017'.

The increase in profitability shown by the operating profitability indicators, expressed as a percentage (basis points) of net sales at total and organic level is shown in the following table.

margin accretion (dilution) in basis point(*)	Total	Organic
Cost of goods sold	230	120
Gross margin	**230**	**120**
Advertising and promotional costs	(90)	(40)
Contribution margin	**140**	**80**
Overheads	(100)	(30)
Result from recurring activities(1)	**40**	**50**

(*) There may be rounding effects given that the basis points corresponding to the dilution have been rounded to the nearest ten.
(1) For information on the definition of alternative performance indicators, see the 'Alternative performance indicators' section in the next part of this Report on operations.

Income statement in detail

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 €1,028.1 million, an increase of +1.6% as compared with the previous financial year. The organic growth component of +7.5%, which was higher than organic sales growth (+5.3%), was more than offset by negative effect of changes in the scope of consolidation and exchange rate variations of -1.6% and -4.3% respectively. As a percentage of sales, profitability rose from 57.7% in 2017 to 60.1%, an increase of 230 basis points, of which 120 related to organic growth and 110 to the changes in the basis of consolidation and exchange rate effects. With regard to organic growth, the positive result was achieved thanks to the improvement in the product/market mix, driven by the continuous strengthening of the main high-margin global priority and regional priority brands in the key developed markets. As shown in the section on sales performance, this organic performance offset the negative impact of both the rise in the price of agave included in the cost of goods sold, which was progressively more impactful in the last part of the period, as expected, and of the sugar business.
The negative effect of changes in the scope of consolidation of -1.6% was mainly due to the sale of non-core brands Carolans and Irish Mist, and the Lemonsoda range of drinks, and 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 €289.2 million, up by +3.3% overall, and amounting to 16.9% as a percentage of sales, with an increase in profitability of 90 basis points. Organic marketing costs increased by +7.8%, compared with organic sales growth of +5.3%, thereby generating dilution of 40 basis points. In 2018, the Group continued its efforts to run significant marketing campaigns focusing on global priority brands, such as Aperol, Campari, SKYY, Wild Turkey and Grand Marnier, to support their development. The negative combined effect from exchange rate and perimeter totalled -4.5%, corresponding to an increase of 50 basis points on sales, mainly due to the deconsolidation of businesses with very low spending on promotional activity.
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 €738.9 million, a rise of +0.9% overall, with an increase in profitability of 140 basis points. The organic growth component of +7.4%, which was higher than organic sales growth (+5.3%), contributed to the improvement in the marginality on sales with an increase of 80 basis points. Changes in the scope of consolidation (sale of low-margin businesses) and exchange rate effects had a negative impact (-2.3% and -4.2% respectively), which nevertheless generated a 50-basis-point increase in overall profitability.

Overheads increased by +2.3% compared with the 2017. The organic component contributed to an increase of +7.1%, which was partly offset by a negative exchange rate effect (-5.1%), while the impact arising from the sold businesses was marginal (+0.3%). In the two periods under comparison, overheads as a percentage of sales increased overall from +20.1% in 2017 to +21.0% in 2018, with a total dilutive effect of 100 basis points, including 30 basis points at organic level. Spending on overheads at organic level reflects the selective strengthening of the Group's sales structures in the on-premise and Global Travel Retail channels. The decrease in profitability due to changes in the scope of consolidation and exchange rate effects, totalling 60 basis points, was mainly due to the dilutive effect of deconsolidating businesses that did not have an impact on the Group's structures.

The **result from recurring activities (adjusted EBIT)** was €378.8 million, a slight decrease overall on the previous year. Adjusted ROS (Return on Sales), which measures the percentage on sales in 2018, was 22.1%, showing an increase in profitability of 40 basis points compared with 2017, when the figure was 21.7%. At organic level, adjusted EBIT increased by +7.6%, which was higher than organic sales growth (+5.3%), generating an improvement of 50 basis points in the margin on sales.
The main factors that affected the organic results were:

- an improvement in gross margin, which boosted organic profitability by 120 basis points;
- an increase in advertising and promotional costs as a percentage of sales, generating dilution of 40 basis points;
- an increase in overheads as a percentage of sales, generating dilution of 30 basis points;

The impact of changes in perimeter on the result from recurring activities was -4.7%, attributable mainly to the effect of the sales of non-core businesses Carolans and Irish Mist and the Lemonsoda range. The exchange rate effect was -3.3%, mainly due to the strengthening of the euro against the US dollar.

Adjustments to operating income and charges showed an income balance of €1.9 million, generated by a capital gain of €38.5 million relating to the sale of the Lemonsoda range, net of provisions for restructuring operations in progress (for more information see 'Significant events during the period'). This compares with net income of €13.9 million from the adjustment of the operating result in 2017, which was attributable to a capital gain from the sale of the Carolans Irish Cream and Irish Mist brands, net of restructuring costs.

The **operating result** in 2018 was €380.7 million, equating to an overall decrease of -3.5% compared with 2017, mainly due to lower adjustments to operating income and charges than in 2017. The ROS (operating result as a percentage of net sales) came in at 22.2% (22.5% in 2017).

Depreciation and amortisation totalled €53.8 million, down -5.8% on 2017.

Adjusted EBITDA totalled €432.6 million, a fall of -1.1%, mainly due to exchange rate effects and changes in the scope of consolidation, which more than offset the sustained organic increase of +6.8%.

EBITDA came in at €434.5 million, a decrease of -3.8% compared with the previous year.

Net financial charges stood at €33.8 million, a decrease of €6.3 million on the figure of €40.0 million recorded in 2017. The fall in the level of average debt, from €1.144.0 million in 2017 to €925.4 million in 2018, contributed to the decrease in total interest. It should be noted that average debt in 2017 incorporated the effects of the 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 to financial income) was 3.3%, a slight increase on the figure for 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. Lastly, the exchange rate differences component, which is included in net financial charges, had a less significant negative impact than in 2017.

In 2018, **positive adjustments to operating income (charges)** of €1.8 million mainly relating to the sale of financial assets were recorded; this compares with significant costs incurred in the previous year (€24.8 million), which were mainly attributable to liability management transactions carried out in April 2017.

In 2018, the item **income (charges) relating to put options and earn-outs** showed a net income balance of €2.3 million; this was due to the revised estimates of earn-out payables, net of the non-cash effects of the discounting to present value of payables for future commitments to buy company shareholdings.

The Group's profit before tax and the net profit, reported and adjusted (the latter to take account of adjustments to operating and financial income and charges), together with the related tax effects and other tax adjustments, are shown below.

	31 December 2018			31 December 2017			changes	
€ million	reported	adjustments	adjusted	reported	adjustments	adjusted	reported	adjusted
Group profit before tax	**350.8**	3.7	**347.1**	**326.7**	(11.0)	**337.7**	7.4%	2.8%
Taxes	(54.5)	43.4	(97.8)	29.7	133.9	(104.3)	-283.6%	-6.2%
Group net profit	**296.3**	47.0	**249.3**	**356.4**	123.0	**233.4**	-16.8%	6.8%
Tax rate (nominal and adjusted)	**-15.5%**		**-28.2%**	**9.1%**		**-30.9%**		
Deferred taxes on goodwill and trademarks		(16.5)	(16.5)		(24.2)	(24.2)		
Cash tax rate			**-23.4%**			**-23.7%**		

Details of the adjustments to operating, financial and tax income and charges that were taken into account when adjusting the Group's financial results are provided below.

	31 December 2018 € million		31 December 2017 € million	
Total adjustments to operating income (charges), of which:		**1.9**		**13.9**
gain on sale of business	*38.5*		*49.7*	
other adjustments to operating income (charges)	*(36.7)*		*(35.8)*	
Total adjustments to financial income (charges), of which:		**1.8**		**(24.8)**
liability management transaction	*0.0*		*(23.2)*	
other adjustments to financial income (charges)	*1.8*		*(1.6)*	
Total tax adjustments, of which:		**43.4**		**133.9**
Patent Box	*26.0*		*44.8*	
US tax reform effect			*81.9*	
tax effects on operating and financial adjustments	*17.4*		*7.2*	
Total net adjustment		***47.0***		***123.0***

The Group's profit before tax was €350.8 million, an increase of +7.4% compared with 2017. Profit as a percentage of sales was 20.5% (18.6% in 2017).
Excluding the operating and financial adjustments, the Group's profit before tax amounted to €347.1 million, an increase of +2.8% on the figure for 2017, which was also adjusted in the same manner.

Income tax for 2018 totalled €54.5 million. The overall tax rate (inclusive of all operating, financial and tax adjustments) in 2018 was 15.5% compared with a positive tax rate in the previous year (-9.1%). It should be noted that 2017 included the effects of the first-time recognition of the benefit arising from the Patent Box tax regime for the tax years 2015, 2016 and 2017, totalling €44.8 million. In 2018, this benefit had an effect of €26.0 million on the tax liability.
The normalised tax rate, i.e. the ratio of normalised income tax to the Group's profit before tax excluding adjustments to operating, financial and tax income and charges for the period, was 28.2% in 2018, lower than the rate of 30.9% in 2017. The recent tax reform in the US generated both a reduction in the current tax rate and a decrease in the non-cash component of deferred taxes, recorded to cancel out the effects of amortisation relating to goodwill and brands, which totalled €16.5 million in 2018 (compared with €24.2 million in 2017). If the effects of this non-cash component are also excluded, the tax rate for the cash components only is 23.4%, almost aligned to the figure of 23.7% for 2017. The positive effects driven by the reduction of taxation in some geographical areas were compensated by the unfavourable trend of exchange rates.

The **Group's net profit** was €296.3 million in 2018, a decrease of -16.8% compared with 2017, with a sales margin of 17.3% (20.3% in 2017). After adjusting for operating, financial and tax components, net profit before tax was €249.3 million, a rise of +6.8% on 2017, which was also adjusted in the same manner.

Basic and diluted earnings per share, of €0.26 and €0.25 respectively, amounted to €0.22 and €0.21 once adjusted for the above-mentioned components. Adjusted basic and diluted earnings rose by +7.4% and +6.8% respectively compared with the previous year's figures.

Profitability by business area

A breakdown of the four geographical regions in which the Group operates is given below, showing each segment's percentage of sales and of the operating result in the two periods under review.

	2018				2017			
	Net sales	% of total	Result from recurring activities	% of total	Net sales	% of total	Result from recurring activities	% of total
	€ million	%	€ million	%	€ million	%	€ million	%
Americas	744.7	43.5%	161.5	42.6%	783.6	44.7%	171.1	45.0%
Southern Europe, Middle East and Africa	479.8	28.0%	83.6	22.1%	501.2	28.6%	86.2	22.7%
Northern, Central and Eastern Europe	358.9	21.0%	115.1	30.4%	347.2	19.8%	107.1	28.1%
Asia-Pacific	128.3	7.5%	18.7	4.9%	121.3	6.9%	16.2	4.2%
Total	**1,711.7**	**100.0%**	**378.8**	**100.0%**	**1,753.4**	**100.0%**	**380.5**	**100.0%**

- **Americas**

The Americas region makes the largest contribution to the Group in terms of both sales and the result from recurring activities, at 43.5% and 42.6% respectively.
The direct markets of the US, Jamaica, Canada, Brazil, Mexico, Argentina and Peru together represent nearly all of the region's sales. The results for 2018 are shown below.

	2018		2017		Total change		Organic change		Organic accretion/dilution of profitability
	€ million	%	€ million	%	€ million	%	€ million	%	Basis points
Net sales	**744.7**	**100.0**	**783.6**	**100.0**	**(38.9)**	**-5.0%**	**30.3**	**3.9%**	
Gross margin	**434.8**	**58.4**	**454.1**	**58.0**	**(19.3)**	**-4.3%**	**22.5**	**4.9%**	**60**
Advertising and promotional costs	(136.4)	(18.3)	(142.1)	(18.1)	5.8	-4.0%	(5.4)	3.8%	-
Overheads	(137.0)	(18.4)	(141.0)	(18.0)	4.0	-2.8%	(10.6)	7.5%	(60)
Result from recurring activities	**161.5**	**21.7**	**171.1**	**21.8**	**(9.6)**	**-5.6%**	**6.4**	**3.7%**	**-**

Sales in the region fell overall by -5.0% in 2018. Organic growth of +3.9% was driven by the strong performance of the North American markets, a high-margin region, which more than offset the fall recorded in Brazil and Argentina. However, the exchange rate variation, which includes the effects of applying the accounting standard on hyperinflation in Argentina, and the perimeter effect from the sale of the Carolans and Irish Mist brands, had a negative impact.
The result from recurring activities fell by -5.6% overall and recorded a sales margin of 21.7%, in line with the previous year. Organic growth was +3.7%, with a neutral impact on profitability. The main factors that affected these organic results were as follows:

- **gross margin** saw an organic increase of +4.9%, higher than that for sales (+3.9%). The 60-basis-point improvement in profitability was driven by a favourable product/market mix, thanks to the excellent results of global brands, such as Aperol, Campari, Grand Marnier and Wild Turkey, and regional brands, among which Espolòn and Forty Creek are notable examples, in North America, a highly profitable region. In addition, the marginality benefitted from the counter-dilutive effect of the decline in low-margin South American markets. These positive results offset the adverse impact stemming from the negative performance of SKYY sales, the increase in the price of agave, which was progressively more impactful in the last part of the period, and the negative result of the sugar business;
- **advertising and promotional costs** saw an organic increase of +3.8%, increasing in tandem with organic sales growth. Investment was mainly focused on supporting the main global and regional priority brands in the United States, such as Grand Marnier and Aperol, which are posting double-digit growth, Wild Turkey, SKYY and Espolòn;
- **overheads** increased by +7.5% at organic level, generating a dilution in profitability of 60 basis points, and are mainly associated with the strengthening of the on-premise channel distribution structures in some North American markets.

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

The Southern Europe, Middle East and Africa region represents the Group's second-largest region in terms of net sales, and the third-largest in terms of profitability, at 28.0% and 22.1% respectively. The markets of Italy, France, Spain and South Africa, together with the Global Travel Retail channel, represent nearly all the sales in this region.

The results for 2018 are shown below.

	2018		2017		Total change		Organic change		Organic accretion/dilution of profitability
	€ million	%	€ million	%	€ million	%	€ million	%	Basis points
Net sales	**479.8**	**100.0**	**501.2**	**100.0**	**(21.5)**	**-4.3%**	**24.7**	**4.9%**	
Gross margin	**312.8**	**65.2**	**295.0**	**58.9**	**17.8**	**6.0%**	**23.6**	**8.0%**	**170**
Advertising and promotional costs	(83.7)	(17.4)	(73.6)	(14.7)	(10.0)	13.6%	(9.3)	12.6%	(110)
Overheads	(145.6)	(30.3)	(135.1)	(27.0)	(10.5)	7.7%	(9.5)	7.1%	(50)
Result from recurring activities	**83.6**	**17.4**	**86.2**	**17.2**	**(2.6)**	**-3.0%**	**4.8**	**5.6%**	**10**

Sales fell by -4.3% overall. Organic growth was +4.9%, driven by Italy, the region's main market, and by sustained growth in the rest of the region, especially in France, Spain and the Global Travel Retail channel. The sale of the Lemonsoda range, together with the termination of the agreement to distribute the Brown Forman product portfolio in Italy, generated a negative perimeter effect on sales of -9.1%.
The result from recurring activities fell by -3.0% overall; with a marginality on sales was 17.4%, an increase of 20 basis points on the previous year. This comprised organic growth of +5.6%, which outpaced sales growth, driving a positive impact on profitability of 10 basis points. The effects that led to this improvement were as follows:

- the **gross margin** showed a solid increase of +8.0% at organic level, equivalent to 170 basis points, supported by the excellent performance of the high-margin aperitifs category, especially Aperol and Campari, in all markets in the region;
- **advertising and promotional costs** rose by +12.6% at organic level, with a dilutive effect of 110 basis points, due to sustained brand-building activity with a particular focus on the main high-potential markets, such as Italy, France and Spain, and on selected regional priority brands on the Global Travel Retail channel;
- **overheads** rose by +7.1% at organic level, with a dilution in profitability of 50 basis points, caused by the strengthening of the sales structures for the on-premise channel in some high-potential markets.

- **Northern, Central and Eastern Europe**

The Northern, Central and Eastern Europe region represents the Group's third-largest region in terms of net sales, and the second-largest in terms of profitability, at 21.0% and 30.4% respectively.
The region includes the direct markets of Germany, Austria, Switzerland, Benelux, the UK, Russia and Ukraine, which represent nearly all the sales in the region, and the markets served by third-party distributors. The results for 2018 are shown below.

	2018		2017		Total change		Organic change		Organic accretion/dilution of profitability
	€ million	%	€ million	%	€ million	%	€ million	%	Basis points
Net sales	**358.9**	**100.0**	**347.2**	**100.0**	**11.7**	**3.4%**	**21.4**	**6.2%**	
Gross margin	**220.7**	**61.5**	**205.7**	**59.2**	**15.0**	**7.3%**	**22.4**	**10.9%**	**260**
Advertising and promotional costs	(51.3)	(14.3)	(46.9)	(13.5)	(4.4)	9.3%	(5.3)	11.3%	(60)
Overheads	(54.4)	(15.2)	(51.7)	(14.9)	(2.7)	5.2%	(4.2)	8.1%	(30)
Result from recurring activities	**115.1**	**32.1**	**107.1**	**30.8**	**8.0**	**7.5%**	**13.0**	**12.1%**	**170**

Sales in the region grew overall by +3.4%; organic growth of +6.2% was driven by the excellent performance of the high-margin aperitifs portfolio, especially Aperol, in all areas in the region.
By contrast, the exchange rate effect and changes in the scope of consolidation both had a negative impact on the overall change.
The result from recurring activities rose by +7.5% overall, recording a sales margin of 32.1%, an overall increase of 120 basis points. Organic growth was +12.1%, generating an increase in profitability of 170 basis points, driven by the following effects:

- the **gross margin** showed solid organic growth of +10.9%; this boosted profitability by 260 basis points due to the improvement in the geographic/product mix, driven by the high-margin aperitifs segment, especially Aperol, which continues to post double-digit growth in highly profitable key markets, such as Germany, the UK and Austria;
- **advertising and promotional costs** increased by +11.3% at organic level, with a dilutive effect of 60 basis points, and reflect sustained spending on promotional activity, with a focus on the rapidly growing aperitifs segment;
- **overheads** rose by +8.1% at organic level, with a dilution in profitability of 30 basis points, caused by the strengthening of the sales structures for the on-premise channel in some high-potential markets.

- **Asia-Pacific**

The Asia-Pacific region includes the direct markets of Australia and New Zealand, as well as markets served by third-party distributors. The region's contribution to the Group's net sales and result from recurring activities in 2018 was 7.5% and 4.9% respectively. The results for 2018 are shown below.

	2018		2017		Total change		Organic change		Organic accretion/dilution of profitability
	€ million	%	€ million	%	€ million	%	€ million	%	Basis points
Net sales	**128.3**	**100.0**	**121.3**	**100.0**	**7.0**	**5.8%**	**15.7**	**12.9%**	
Gross margin	**59.6**	**46.5**	**57.4**	**47.3**	**2.2**	**3.8%**	**7.3**	**12.7%**	**(10)**
Advertising and promotional costs	(17.9)	(14.0)	(17.2)	(14.2)	(0.7)	4.2%	(2.0)	11.4%	20
Overheads	(23.1)	(18.0)	(24.1)	(19.9)	1.0	-4.3%	(0.6)	2.4%	190
Result from recurring activities	**18.7**	**14.5**	**16.2**	**13.3**	**2.5**	**15.5%**	**4.8**	**29.4%**	**190**

The region recorded an overall increase of +5.8% in sales. Excluding the negative exchange rate effect and changes in the basis of consolidation, it recorded double-digit growth (+12.9%), thanks to the good performance of the brands in the region, especially in Australia.

The result from recurring activities rose by +15.5% overall and recorded a sales margin of 14.5%, a total increase of 120 basis points. Organic growth was +29.4%, generating an increase in profitability of 190 basis points, driven by the following effects:

- the **gross margin** saw sustained organic growth (+12.7%), driven by the excellent performance of Wild Turkey bourbon and Aperol. The increase is only slightly lower than organic sales growth, with a resulting small dilutive effect on profitability of 10 basis points;
- **advertising and promotional costs** increased by +11.4% at organic level; as this was lower than organic sales growth, it had an accretive effect on profitability of 20 basis points;
- thanks to the solid containment of expenses, **overheads** increased by +2.4% organically, compared with double-digit organic sales growth, thereby generating an accretive effect on profitability of 190 basis points.

Reclassified statement of cash flows

The table below shows a simplified and reclassified version of the statement of cash flows in the financial statements.

The main restatement was the exclusion of cash flows relating to changes in short-term and long-term debt, and in investments in marketable securities. The total cash flow generated (or used) in the period thus corresponds to the change in net financial position.

	2018 € million	of which recurring € million	2017 € million	of which recurring € million
EBITDA Adjusted	**432.6**	**432.6**	**437.6**	**437.6**
effects from hyperinflation accounting standard adoption	3.0	3.0	-	-
accruals and other changes from operating activities	(34.1)	2.6	(26.5)	9.3
income taxes paid	(48.5)	(72.5)	(41.3)	(55.8)
cash flow from operating activities before changes in working capital	**353.0**	**365.7**	**369.9**	**391.1**
changes in net operating working capital	(25.5)	(25.5)	(58.6)	(58.6)
cash flow from operating activities	**327.5**	**340.2**	**311.3**	**332.5**
net interests paid	(22.8)	(22.8)	(27.0)	(27.0)
adjustments to financial income (charges)	1.8	-	(24.8)	-
capital expenditure	(70.9)	(49.7)	(32.5)	(55.9)
free cash flow	**235.6**	**267.7**	**227.0**	**249.7**
business acquisition and disposal(1)	22.2	-	147.0	-
dividend paid out by the Parent Company	(57.5)	-	(52.1)	-
other changes (net purchase of own shares included)	(62.0)	-	(53.8)	-
total cash flow used in other activities	**(97.3)**	**-**	**41.0**	**-**
exchange rate differences and other changes	**(4.0)**	**-**	**(26.6)**	**-**
change in net financial position due to operating activities	**134.3**	**-**	**241.4**	**-**
changes in payables for put option and earn out (2)	1.0	-	(23.5)	-
receivables arising from business disposals(3)	-	-	(7.2)	-
net cash flow of the period = change in net financial position	**135.3**	**-**	**210.8**	**-**
net financial position at the beginning of the period	**(981.5)**	**-**	**(1,192.4)**	**-**
net financial position at the end of the period	**(846.3)**	**-**	**(981.5)**	**-**

(1)These items include the full effects of the acquisitions and sales of companies or businesses during the period, which impacted the Group's net financial position and liquidity flows as detailed below.

	disposals € million	acquisitions € million	total € million
receipt/(payment) on closing date of transaction	81.4	(65.0)	16.4
net cash (debt) of acquired/sold companies	(1.3)	7.8	6.5
total	**80.1**	**(57.2)**	**22.9**
other payables - earn out included	0.1	(0.8)	(0.7)
net asset value of acquisition/sales	**80.2**	**(58.0)**	**22.2**

(2) This item, which is a non-cash item, was included purely to reconcile the change in the net financial position due to operating activities in the period with the overall change in the net financial position.

(3) For information on reclassifications of opening book values, see note 7-'Reclassifications of opening book values' of the Consolidated Financial Statements at 31 December 2017.

Summary

In 2018, **net cash flow** reflected cash generation of €135.3 million, corresponding to the reduction in financial debt from 31 December 2017, and compares with cash flow generated in the previous fiscal period of €210.8 million.

The overall free cash flow generated in 2018 was €235.6 million (increasing from €227.0 million in 2017); this was partially absorbed by cash flow used in other activities, exchange rate differences and put option and earn out changes, overall totalling €100,3 million, which includes net proceeds of sales of non-core businesses for €22.2 million, net of dividends for €57.5 million and the net purchase of own shares, exchange rate differences and other negative changes totalling €65.0 million.

Cash generation in terms of **recurring free cash flow** amounted to €267.7 million in 2018, an improvement on the figure of €249.7 million generated in 2017, both in absolute terms and as a percentage of adjusted EBITDA (61.9% in 2018 compared with 57.1% in 2017).

Reclassified statement of cash flows analysis

The following factors contributed to free cash flow generation in 2018:

- adjusted EBITDA fell slightly by €5.0 million compared with the previous year;
- in 2018, non-cash charges arising from the application of the accounting standard IAS 29-'Financial reporting in hyperinflationary economies', totalled €3.0 million;

- in 2018, accruals net of utilisations of reserves and other non-cash changes, and other miscellaneous operating changes, such as indirect taxation and excise duties, absorbed overall cash for €34.1 million. Considering the recurring changes only, the above-mentioned components generated cash of €2.6 million. The difference is mainly due to accruals for restructuring projects launched in 2018;
- the actual financial impact of tax payments made in 2018 was €48.5 million. Excluding the non-recurring tax components attributable to the tax relief obtained under the Patent Box scheme, the tax effects relating to the sale of non-core assets in 2017, and the settlement of some tax assessment in 2018, taxes paid came to €72.5 million.
- working capital recorded an organic use of cash of €25.5 million in 2018;
- net interest paid totalled €21.0 million in 2018, of which €22.8 million recurring;
- net investment totalled €70.9 million. The net recurring amount was €49.7 million.

Cash flow used in other activities was negative at €97.3 million, compared with €41.0 million in 2017. The change mainly incorporates the effect of extraordinary sales and acquisitions of businesses carried out by the Group in the two periods under comparison:
- in 2018, the sale of the Lemonsoda range more than offset the cash requirement for completing the acquisition of Bisquit Dubouché et Cie. S.A. and Camparino, generating overall net cash of €22.2 million
- in 2017, the sale of the businesses (Carolans, Irish Mist and Chilean wines), net of the acquisition of Bulldog, generated positive net cash flow of €147.0 million.

Lastly, cash flow used in other activities was further affected by dividend payments of €57.5 million (€52.1 million in 2017) and other decreases totalling €62.0 million (€53.8 million in 2017) arising mainly from the purchase of own shares to service stock option plans.

Exchange rate differences and **other changes** had a negative impact of €4.0 million on the 2018 net cash flow (decrease of €26.6 million in 2017); this reflects the effect of exchange rate differences on operating working capital, as well as the recognition of some non-cash items, which were included for the purposes of reconciling the changes in cash flow with the change in the net financial position.

The change in **payables relating to put options and earn out**, shown here purely for the purposes of reconciling the financial position for the period with the total net financial position, is attributable to the decrease in payables arising in connection with acquisitions (Société des Produits Marnier Lapostolle S.A.) and to the change in estimated future earn out payments (Bulldog).

Operating working capital

The breakdown of the total change in operating working capital compared with 31 December 2018 is as follows.

	31 December 2018	31 December 2017	change of which:			
			total	organic	exchange	external
	€ million	€ million	€ million	€ million	€ million	€ million
Trade receivables	285.9	317.5	(31.6)	(13.6)	(18.7)	0.7
Total inventories, of which:	566.1	491.7	74.3	32.3	4.9	*37.2*
- maturing inventory	*340.1*	*282.9*	*57.2*	*16.2*	*6.9*	*34.1*
- other inventory	*226.0*	*208.9*	*17.1*	*16.1*	*(2.0)*	*3.1*
Trade payables	(216.0)	(225.6)	9.6	6.7	4.0	*(1.1)*
Operating working capital	**636.0**	**583.6**	**52.4**	**25.5**	**(9.9)**	**36.7**
Sales in the previous 12 months rolling(*)	1,711.7	1,753.4				
Working capital as % of sales in the previous 12	37.2	33.3				

(*) Net sales after the effects of IFRS 15 application following application of the new accounting standard IFRS 15-Revenue from contracts with customers

Operating working capital was €636.0 million at 31 December 2018, an increase of €52.4 million, due to organic growth of €25.5 million, a negative exchange rate effect of €9.9 million and a perimeter effect of €36.7 million.

The organic growth of €25.5 million in working capital was mainly driven by an increase in inventories (€32.3 million) and a decrease in payables to suppliers (€6.7 million), which more than offset the decrease in receivables (€13.6 million), driven by a more efficient management of payment terms generally.
With particular reference to the inventories, the organic growth was driven by an increase of finished goods (€16.1 million) and an ageing liquid (€16.2 million). It should be noted, however, that, due to its nature, working capital represented by ageing liquid is similar to invested capital.

The negative exchange rate component, of €9.9 million, was due to the effect on year-end receivables, whose value decreased by €18.7 million, while the value of inventories increased by €4.9 million, since maturing inventories are located in America (as well as in Scotland) and the value of payables decreased by €4.0 million.

Lastly, with reference to the effect of changes in the scope of consolidation of €36.7 million, it should be noted that the stocks of cognac obtained through the acquisition of Bisquit, made a significant contribution (€34.1 million) to the maturing inventories.

At 31 December 2018, operating working capital as a percentage of net sales in the last 12 months was 37.2%, higher than the figure of 33.3% reported at 31 December 2017. The overall increase as percentage on net sales of +3.9%, is largely attributable to the perimeter effect (+3.3%), driven by the acquisition of a business with high level of aged liquid (Bisquit). The organic change triggered a slightly reduction of percentage on net sales by -0.3%, more than offset by the exchange rate effect of +0.8%.

Breakdown of net debt

At 31 December 2018, the consolidated net financial position was negative at €846.3 million, a decrease of €135.3 million on the amount of €981.5 million reported at 31 December 2017.
The table below shows how the debt structure changed during the two periods under comparison.

	31 December 2018	31 December 2017	change
	€ million	€ million	€ million
cash and cash equivalents	613.9	514.5	99.5
payables to banks	(9.3)	(17.6)	8.3
payables for leasing	(0.5)	(0.1)	(0.4)
bond	(219.1)	-	(219.1)
other financial receivables and (payables)	19.0	0.2	18.8
short-term net financial position	**404.1**	**496.9**	**(92.9)**
payables to banks	(300.0)	(300.4)	0.4
payables for leasing	(1.0)	(1.3)	0.3
bonds(*)	(790.8)	(996.3)	205.5
other financial receivables and (payables)	15.8	37.8	(22.0)
medium-/long-term net financial position	**(1,076.0)**	**(1,260.3)**	**184.3**
debt relating to operating activities	**(672.0)**	**(763.4)**	**91.4**
liabilities for put option and earn-out payments	(174.3)	(218.2)	43.9
net financial position	**(846.3)**	**(981.5)**	**135.3**

(*) Including the related derivatives.

In terms of structure, the net financial position at 31 December 2018 continued to comprise a larger medium/long-term debt component compared with the short-term portion.
The short-term net financial position was €404.1 million, a decrease of €92.9 million on the figure at 31 December 2017, and consists mainly of cash and cash equivalents (€613.9 million). The change on the previous year is mainly due to the recognition of the bond with a nominal value of €219.1 million, maturing in October 2019, under current items, which more than offset the increase of €99.5 million in cash and cash equivalents.
Current payables to banks, totalling €9.3 million, were offset by other financial receivables and payables of various types, totalling €19.0 million. This item mainly includes cash investments of €27.0 million by the Parent Company, maturing by the end of 2019 (previously classified under the long-term components), net of payables of €8.9 million for interest accrued on existing bonds.
The medium/long-term items include bond loans of €790.8 million (including a liability of €12.1 million for hedging derivatives), bank payables of €300.0 million and other net financial receivables, totalling €15.8 million, relating to other financial assets and restricted deposits for the settlement of put options associated with business acquisitions.
Separately, the Group's net financial position includes a liability of €174.3 million, comprising a liability for future commitments to purchase non controlling interests in acquired companies and payables for future earn-outs.
The effects of the main purchases and sales of businesses carried out in 2018 on the net financial position are summarised below:
- the acquisition of Bisquit Dubouché et Cie. S.A. involved a total net cash outlay of €52.7 million (total price paid by the Group at the closing date of €59.4 million, net of 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, net of positive net financial resources sold of €1.3 million).

The Group pursues objectives of maintaining a sound capital 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 constantly monitors the trend of net debt/EBITDA ratio. Net debt is the Group's net financial position calculated at average exchange rates for the previous 12 months; the Group's EBITDA is pro-rated to take account of the annual effect of disposals and acquisitions in the past 12 months. From this result, non-monetary components of operative activities are excluded. At 31 December 2018, this multiple was 1.9 (2.0 at 31 December 2017).

Investments

Net investment in 2018 was €70.9 million, of which €49.7 million recurring and €25.6 million non recurring, excluding the gain from real estate disposals of €4.4 million.

The recurring investments include ongoing improvements to the productive efficiency of the industrial sites, the Group's offices and infrastructures.
Specifically, they relate to the following projects:

- maintenance operations at the Group's structures, plants and offices, which are not material individually, but amounted to €18.3 million in total;
- the purchase of barrels for maturing bourbon whisky and rum totalling €14.8 million;
- intangible assets with definite useful live for €16.5 million, mainly related to projects aimed at constant enhancement and integration of Group's IT systems.

Non-recurring investments, totalling €25.6 million, include initiatives such as the opening of new offices, and activities aimed at creating brand houses. The real estate disposals of non-core assets were €4.4 million.

With reference to the nature of investments, €54.4 million were investments in tangible assets and €16.5 million were investments in intangible assets.

Reclassified statement of financial position

The Group's summary balance sheet is shown in the table below in reclassified format, to highlight the structure of invested capital and financing sources.

	31 December 2018	31 December 2017	change
	€ million	€ million	€ million
Fixed assets	2,962.5	2,888.4	74.2
Other non-current assets and (liabilities)	(484.8)	(492.3)	7.5
Operating working capital	636.1	583.6	52.4
Other current assets and (liabilities)	(104.7)	(55.5)	(49.2)
Total invested capital	**3,009.1**	**2,924.1**	**84.9**
Shareholders' equity	2,162.8	1,942.6	220.2
Net financial position	846.3	981.5	(135.3)
Total financing sources	**3,009.1**	**2,924.1**	**84.9**

Invested capital at 31 December 2018 was €3,009.1 million, €84.9 million higher than at 31 December 2017.
The most significant change in invested capital relates to the increase of €52.4 million in operating working capital (of which €25.5 million relates to organic growth), and the increase of €49.2 million in other net current liabilities, which include the effects attributable to the acquisition of Bisquit Dubouché et Cie. S.A., and to the sale of the Lemonsoda range in the first half of 2018.
Regarding financing sources, the increase of €220.2 million in shareholders' equity was mainly due to profit for the period, the dividend paid by the Parent Company and translation differences on assets held in currencies other than the euro. For details of the changes in the net financial position, totalling €135.3 million, please see the comments in the note 'Breakdown of net debt' above.
Please see the section above entitled 'Operating working capital' for further details of changes in net working capital.
As a result of the changes mentioned above, the Group's financial structure showed a ratio of debt to equity at the end of the period of 39.1%, a decrease on the figure of 50.5% recorded at 31 December 2017.

Alternative performance indicators (non-GAAP measures)

This report on operations 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 'Report on operations' 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 financial report to gain a better understanding of the Group's economic, financial and capital position. Moreover, the alternative performance indicators should be used to facilitate the comparison with other companies in the same industry, even if in some cases 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 previous financial year;
- 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) are 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;
- capital gains/(losses) on the sale of businesses;
- 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, result before tax for the period, net result and diluted earnings per share. For a detailed reconciliation of the items that had an impact on the above-mentioned alternative performance indicators in the current and comparison years, 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 net result 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/sales of businesses or companies;
- other non-recurring financial income (charges).

Tax adjustments: include the tax effects of transactions or events identified by the Group as components adjusting the net tax liability related to events covering a single period or financial year, such as:
- positive/(negative) tax effects associated with the operating and financial adjustments described above;
- non-recurring positive/(negative) tax effects.

Group's adjusted result before tax: profit for the period before tax, the adjustments to operating income (charges) and the adjustments to financial income (charges) described above, and the related tax effect.

Group's adjusted net result: the result for the period, before the above-mentioned adjustments to operating income (charges) and adjustments to financial income (charges), the related tax effect and other positive/negative tax adjustments for the period.

Adjusted basic and diluted earnings per share (Adjusted basic/diluted EPS): basic/diluted earnings per share, before the above-mentioned adjustments to operating income (charges) and adjustments to financial income (charges), the related tax effect and other positive/negative tax adjustments for the period.

ROS (return on sales): the ratio of the operating result to net sales for the period.

ROS adjusted: the ratio of the result from recurring activities (adjusted EBIT) to net sales for the period.

ROI (return on investment): the ratio of the operating result for the period to fixed assets at the end of the period (see the definition of fixed assets below).

ROI adjusted: the ratio of the result from recurring activities for the period (adjusted EBIT) to fixed assets at the end of the period (see the definition of fixed assets below).

- **Reclassified statement of financial position**

The items included in the reclassified statement of financial position are defined below as the algebraic sum of specific items contained in the financial statements:

Fixed assets calculated as the algebraic sum of:
- net tangible fixed assets;
- biological assets;
- investment property;
- goodwill and brands;
- intangible assets with a finite life;
- non-current assets held for sale;
- investments in affiliates and joint ventures.

Other non-current assets and liabilities calculated as the algebraic sum of:
- deferred tax assets;
- other non-current assets, net of financial assets (classified under net debt);
- deferred tax liabilities;
- defined benefit plans;
- provisions for risks and charges;
- other non-current liabilities, net of financial liabilities (classified under net debt).

Operating working capital calculated as the algebraic sum of:
- inventories;
- trade receivables;
- trade payables.

Other current assets and liabilities calculated as the algebraic sum of:
- current tax receivables;

- other current receivables, net of financial assets (classified under net debt);
- current tax payables;
- other current payables, net of financial liabilities (classified under net financial position).

- **Reclassified statement of cash flows**

The main restatement was the exclusion of cash flows relating to changes in short-term and long-term debt, and in investments in marketable securities. The total cash flow generated (or used) in the period thus corresponds to the change in net financial position.
Free cash flow: cash flow that measures the Group's self-financing capacity calculated on the basis of cash flow from operations, adjusted for net interest paid, direct taxes paid and cash flow used in investments, excluding income from realising fixed assets.
Recurring free cash flow: cash flow that measures the Group's self-financing capacity, calculated on the basis of cash flow from operations, before the above-mentioned adjustments to operating income and charges, and adjusted for interest and net direct taxes paid, and cash flow used in investments attributable to the ordinary business, before the income from realising fixed assets.

- **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.

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 constantly monitors the trend of net debt/EBITDA ratio. Net debt is the Group's net financial position calculated at average exchange rates for the previous 12 months; the Group's EBITDA is pro-rated to take account of the annual effect of disposals and acquisitions in the past 12 months. From this result, non-monetary components of operative activities are excluded.

- **Appendix of alternative performance indicators**

In 2018, EBITDA, the result from recurring activities (EBIT), Group net profit before tax, Group net profit and basic/diluted earnings per share were adjusted for the items reported in the table below.

2018	EBITDA		EBIT		Group net profit before taxes		Group net profit		basic earing per share	diluted earning per share
	€ million	% on sales	€ million	% on sales	€ million	% on sales	€ million	% on sales	€	€
alternative performance indicator reported	**434.5**	**25.4%**	**380.7**	**22.2%**	**350.8**	**20.5%**	**296.3**	**17.3%**	**0.26**	**0.25**
capital gains/(losses) from business disposals	38.5	2.3%	38.5	2.3%	38.5	2.3%	38.5	2.3%	0.03	0.03
other gains/(losses) from disposals of tangible and intangible fixed assets.	(2.1)	-0.1%	(2.1)	-0.1%	(2.1)	-0.1%	(2.1)	-0.1%	-	-
fees from acquisition/disposals of business or companies	(0.3)	-	(0.3)	-	(0.3)	-	(0.3)	-	-	-
restructuring and reorganization costs	(34.6)	-2.0%	(34.6)	-2.0%	(34.6)	-2.0%	(34.6)	-2.0%	(0.03)	(0.03)
other adjustments of operating income (charges)	0.3	-	0.3	-	0.3	-	0.3	-	-	-
other adjustments to financial income (charges)	-	-	-	-	1.8	0.1%	1.8	0.1%	-	-
fiscal effects of patent box	-	-	-	-	-	-	26.0	1.5%	0.02	0.02
fiscal effects on operating and financial adjustments and other fiscal adjustments	-	-	-	-	-	-	17.4	1.0%	0.02	0.01
total adjustments	**1.9**	**0.1%**	**1.9**	**0.1%**	**3.7**	**0.2%**	**47.0**	**2.7%**	**0.04**	**0.04**
alternative performance indicator adjusted	**432.6**	**25.3%**	**378.8**	**22.1%**	**347.1**	**20.3%**	**249.3**	**14.6%**	**0.22**	**0.21**

2017	EBITDA		EBIT		Group net profit before taxes		Group net profit		basic earing per share	diluted earning per share
	€ million	% on sales	€ million	% on sales	€ million	% on sales	€ million	% on sales	€	€
alternative performance indicator reported	**451.4**	**25.7%**	**394.3**	**22.5%**	**326.7**	**18.6%**	**356.4**	**20.3%**	**0.31**	**0.30**
capital gains/(losses) from business disposals	49.7	2.8%	49.7	2.8%	49.7	2.8%	49.7	2.8%	0.04	0.04
other gains/(losses) from disposals of tangible and intangible fixed assets.	(2.7)	-0.2%	(2.7)	-0.2%	(2.7)	-0.2%	(2.7)	-0.2%	-	-
fees from acquisition/disposals of business or companies	(6.0)	-0.3%	(6.0)	-0.3%	(6.0)	-0.3%	(6.0)	-0.3%	(0.01)	(0.01)
restructuring and reorganization costs	(13.6)	-0.8%	(13.6)	-0.8%	(13.6)	-0.8%	(13.6)	-0.8%	(0.01)	(0.01)
other adjustments of operating income (charges)	(13.7)	-0.8%	(13.7)	-0.8%	(13.7)	-0.8%	(13.7)	-0.8%	(0.01)	(0.01)
liability management transaction costs and other adjustments to financial income (charges)	-	-	-	-	(24.8)	-1.4%	(24.8)	-1.4%	(0.02)	(0.02)
fiscal effects of patent box	-	-	-	-	-	-	44.8	2.6%	0.04	0.04
US tax reform effect	-	-	-	-	-		81.9	4.7%	0.07	0.07
fiscal effects on operating and financial adjustments and other fiscal adjustments	-	-	-	-	-	-	7.2	0.4%	0.01	0.01
total adjustments	**13.9**	**0.8%**	**13.9**	**0.8%**	**(11.0)**	**-0.6%**	**123.0**	**7.0%**	**0.11**	**0.10**
alternative performance indicator adjusted	**437.6**	**25.0%**	**380.5**	**21.7%**	**337.7**	**19.3%**	**233.4**	**13.3%**	**0.20**	**0.20**

Full year 2018 conclusion and outlook

Campari Group achieved solid results across all organic performance indicators in fiscal year 2018, with consistent delivery on strategy thanks to focused and disciplined operational execution. Overall, on a reported basis, the changes in sales and operating profitability reflect negative effects from the exchange rates, mainly driven by the strengthening of the Euro against the US dollar, as well as perimeter due to the disposal of non-strategic businesses.

Regarding the organic performance of the Group, the positive evolution of sales mix by brand-market combinations continued throughout the year, thanks to the sustained growth and outperformance of the Global Priorities as well as the main high-margin Regional Priorities in the Group's key markets, in line with the Group's strategic objectives. This generated a significant gross margin improvement, despite the negative impacts from the agave purchase price as well as losses from the sugar business. The gross margin expansion has fuelled reinvestments into brand building activities as well as initiatives into strengthening the Group's commercial structure, generating positive operating profit growth in the year.

In terms of net profit, the Group registered good growth on an adjusted basis, i.e. excluding non-recurring operation and financial effects, financial and fiscal adjustments during the year, while on a reported basis the negative change in net profit reflects a tough comparison base from the previous year which was mainly impacted by very positive one-off tax adjustments.

Regarding the balance sheet, Campari Group achieved very strong and sustained cash flow generation during 2018, fuelling investments into the operational infrastructures of the Group. Moreover, thanks to the proceeds from the streamlining of the brand portfolio, in line with the Group's objective to increase focus on its core business, combined with strong cash flow generation, the Group continued to reduce the net financial debt level.

Looking into 2019, the outlook for the Group remains fairly balanced in terms of both risks and opportunities: in particular, underlying business performance is expected to keep current moment despite uncertain macroeconomic scenarios and volatility for some emerging markets.

The Group expects that the key high-margin Global and Regional brands in its core markets will continue to support sales mix improvement and organic gross margin expansion, more than offsetting the negative impact from the agave purchase price, which will remain at an elevated level due to the strong trend of the tequila category.

Underlying trend in organic operating margin (EBIT) expansion is expected to continue in 2019, supported by gross margin accretion, after reinvestments into the business, particularly the Group's on-premise capabilities and the brand houses development.

Regarding the Group's overall results, it is expected that the forex and perimeter effects, driven by the continued volatility in some currencies and the tail-end effect of the previous year's transactions, will have a less adverse impact vs 2018.

Moreover, Net profit reported in 2019 is expected to benefit from net positive adjustments of approximately €14 million overall, derived from the 'Patent box' tax relief in Italy, in what will be its fifth and final year, assumed in line with previous year at approximately €26 million, which will more than offset provisions for the completion of certain reorganisational projects for an estimated amount of -€16 million and corresponding fiscal effects of approx. €4 million.

Events taking place after the end of the year

Main brand-building activities

Campari Red Diaries 2019

On 5 February 2019, the short movie of the Campari Red Diaries 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 iconic city of Milan through the exciting lens of Campari.

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 master blender of Grand Marnier, Patrick Raguenaud, chairman of the Professional National Cognac Bureau, Cuvée Louis Alexandre uses cognac from the finest growing areas of the Cognac region, which is carefully aged in oak barrels in Bourg-Charente. The Cuvée Louis Alexandre is the result of a careful selection of cognac, which adds a lively and intense profile, enriched with the highly aromatic essence of bitter oranges.

Investor information

The international economy
The global economy continued to grow in 2018, despite increasing economic tensions in certain developed and emerging economies, particularly during the second half of the year. The ever-increasing risks associated with the implementation of protectionist trade policies have had repercussions in the financial markets, with a consequent fall across stock markets.

Regarding the economic performance in Campari Group's key geographies: in the Eurozone, growth was weaker in the second half of the year, particularly from November onwards, given the significant decline of industrial output in Germany, France and Italy.
The cause of this decline was also reflected in the fall in foreign demand and weaker business forecasts. Inflation averaged 1.7% over the year (compared with 1.5% in 2017), largely due to the drop in energy prices during the year, particularly during the second half of 2018. The ECB ended its quantitative easing programme in the last quarter of the year. Nevertheless, the Governing Council has repeatedly asserted the need to keep an ample degree of monetary accommodation, for as long as may be necessary. To this end, it announced its intention to reinvest, in full, the principal payments from maturing securities purchased under the quantitative easing programme. Likewise, the Governing Council has confirmed that key interest rates will be kept on hold until end-summer 2019 at least. Lastly, household and business borrowings increased throughout the year, while borrowing costs remained essentially unchanged.

In Italy, the growth in GDP recorded in the first half of the year declined in the last two quarters, given a fall in household and business confidence, and a sharp decline in investment (-1.1%), particularly in capital goods. Nevertheless, exports made a positive contribution. Estimated GDP growth for the combined component segments in 2018 is +1.0%[1]. The forecasts for the next two years (2019 and 2020), however, reflect the uncertainty that has developed over the year, standing at +0.6% and +0.9%, respectively.[2]
There was a general decline in industrial output in the last part of the year, mainly due to the difficulties in the automobile sector. Household consumption fell for spending on consumer staples and, to a lesser extent, for consumer durables. Household expenditure choices would have been impacted by uncertainty concerning future income conditions. After two years of stagnation, salaries in the private sector increased, driven mainly by modest growth in domestic demand during the first part of the year. This increased growth has been confirmed by the Bank of Italy's forecast for the three-year period 2019-2021. Finally, a fall in employment figures is noted, which was particularly acute over the summer months[3].

Growth in Germany and France for 2018 is forecast at +1,5%[2]. The forecasts were revised downward for the second part of the year, mainly due to the effect of the protectionist trade policies implemented by various countries, with Germany among those hit hardest (-0.2% in the third quarter[1]) given the fall in exports.
Overall, the Eurozone is expected to grow by +1.8%[2] in 2018, supported by the continuation of accommodative monetary policy, improved labour markets and private consumer spending momentum.

GDP growth in the UK, for 2018, is forecast at around +1.4%[2], having slowed from +1.8%[2] in 2017. There is still significant uncertainty about the economic repercussions of the United Kingdom's exit from the European Union, with the ever-increasing risk of a hard Brexit.

In the United States, following implantation of tax reform and the budget agreement, which sets out a further increase in public spending in 2018-2019, the 2018 growth estimates stand at +2.9%. In view of the increase in interest rates and trade tensions, the IMF growth forecasts for 2019 and 2020 are +2.5% and +1.8%[2], respectively.

With regard to the Asia-Pacific region, it is estimated that GDP growth will be driven by China (+6.6%), but will decline relative to previous years, in view of the restrictive trade measures introduced to counter those of the United States in the second half of the year. Growth in Australia is expected to grow by +3.1%[4], sustained by public investment and foreign trade. With regard to Japan, growth in 2018 is estimated at +1.4%[4], indicating a slowdown in comparison with 2017 (+2.2%) but reflecting an improvement in labour market conditions and business confidence, with the latter accompanied, however, by low private consumer spending.

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[1] OECD.
[2] International Monetary Fund
[3] Bank of Italy.

Lastly, regarding the key emerging economies for the Group's activities, Russia's economic prospects, although still weak and uncertain, are improving slightly. Specifically, the recessionary phase has eased, inflation is improving, and the Russian Rouble is continuing to appreciate. For 2018, GDP is forecast to grow +1.7% in Russia[4]. The estimate for Brazilian GDP growth in 2018 has been revised down substantially to +1.3%[4], as a result of the strikes and sharp fall in industrial output in May. Following the presidential elections in October, the country seems to have restored a degree of political stability, but the macroeconomic environment remains fragile and growth expectations are dependent on completion of the announced reforms. Argentina continues to suffer the economic tensions felt in the second part of the year which, compounded by volatility in the national financial markets, led to an estimated -2.8% contraction in GDP[5].

Overall, according to the latest IMF estimates, global GDP growth is projected to be +3.7%[4] in 2018, a slightly slower rate of growth relative to 2017 (+3.8%[4]) on account of the risks to global growth resulting from worsening trade sanctions, and the brighter outlook for advanced economies due, in turn, to the expected expansionary effects of the US tax reform. The forecasts for the next two years, 2019 and 2020, have been calculated at +3.5% and +3.6%[4], respectively,

Spirits sector

Regarding the main trends driving growth in demand for spirits, the increasing demand for premium products and brand extensions into high-end product innovation continue to be the main drivers, accompanied by a renewed interest in classic cocktails driven by the ‘mixology’ phenomenon and the continuing development of the premium-on-premise channel with the emergence of cocktail bars and speakeasy-style bars. These trends feed into each other, generating greater interest and demand for premium brands. The development of craft and artisan spirit products has also become an established trend over recent years. This phenomenon, which originated in the United States in the beer segment, has undergone a period of expansion in the spirits sector as well. It is especially notable in the whisky, vodka and gin categories, which are seeing an increase in the launch of limited editions and new top-of-the-range craft brands, which further fuels the trend for premium products. The trend represents an opportunity for premium spirits producers, given the growing interest shown by millennials in concepts such as product quality, traditional recipes and the provenance of ingredients. Among the emerging trends, the increasing sales through e-commerce, in various countries and particularly in China and the United Kingdom, is noteworthy. At present, this phenomenon is having a particular impact on sales in the wine segment (especially sparkling wines and Champagne), but growth in the spirits segment is expected in the near future.[6].

From a geographical perspective, in the US market, the most important for the industry in terms of profitability and growth momentum, brown spirits continue to grow at rates above the market average, due to the trend for premium products, renewed interest in premium cocktails, and increasing demand for product tasting. Growth categories include American, Canadian and Irish whiskeys, Scotch whisky, as well as tequila and cognac. The vodka segment, despite a marginal increase in total sales, remains under high competitive pressure, which is partly due to the launch of new products perceived by consumers as craft products.
In other developed markets, such as the UK and continental Europe, there is a positive trend in the consumption of brown spirits, bitter aperitifs and specialities; this is being driven by mixology and classic cocktails, and by the development of new, non-traditional occasions for the consumption of spirits.
Lastly, in the main emerging markets, China registered a recovery in the consumption of imported premium products in 2017, after a period of contraction from 2013-2016 due to the introduction of austerity measures.
The medium to long-term outlook for companies in the consumer segment, and especially spirits, is positive, with the main drivers being the increase in premium products, a favourable consumption trend, supportive macroeconomic and demographic factors and expectations of further consolidation in the sector.

Financial markets

Following the increase noted at the beginning of October, the long-term interest rates of the main advanced economies have declined again due to increased uncertainty about global economic growth prospects.
Interest rates on the German 10-year Bund declined by 23 basis points in the fourth quarter of 2018, standing at 0.24%. The yield spreads between 10-year government bonds and the corresponding German Bund widened by around 20 basis points in Ireland and Spain and by around 10 basis points in Belgium, France and Portugal. In Italy the spread narrowed by 65 basis points relative to the mid-November high, due to the agreement between the Italian government and the European Commission, although by mid-January 2019 it had returned to the level observed at the end of September (262 basis points)[7].

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[4] International Monetary Fund
[5] OECD.
[6] International Wine and Spirit Research (IWSR)
[7] Bank of Italy

2018 also registered a generalised reduction of global equity prices, in an environment featuring intense volatility. In the Eurozone all risk premiums increased slightly.
By the end of the third quarter, in all the main advanced economies, equity prices had fallen on average by around 11%[7].

During 2018, the FTSE MIB and FTSE Italia All Shares indices fell by -16.1% and -16.7% respectively. In Europe, the MSCI Europe closed 2018 with a fall of -12.5%, while in the US, the S&P500 index fell by -6.0%.

With regard to exchange rates, during 2018 all of the Group's main currencies depreciated against the euro. The gradual depreciation of the US dollar against the euro is particularly noteworthy, sustaining a -4.4% fall relative to 2017. Net positions in euro against the US dollar, not including those of currency traders, indicate that the markets expect further weakening of the European currency[8]. Other currencies which depreciated against the euro included the Argentine peso (-43.1%), the Brazilian teal (-16.4%), the Russian rouble (-11.0%), the Jamaican dollar (-5.1%), the Australian dollar (-6.8%) and Sterling (-1.0%).

Performance of the Campari stock
In the economic, industry and financial market environment described above, the Campari stock price benefited in 2018 from the announcement of positive financial results for 2017, for all the main performance indicators, and for the three quarters thereafter. In the global markets, over the year, investors reallocated their portfolios in favour of securities of consumer goods companies, to the detriment of other industries perceived as being more closely tied to macroeconomic trends and, therefore, more volatile.

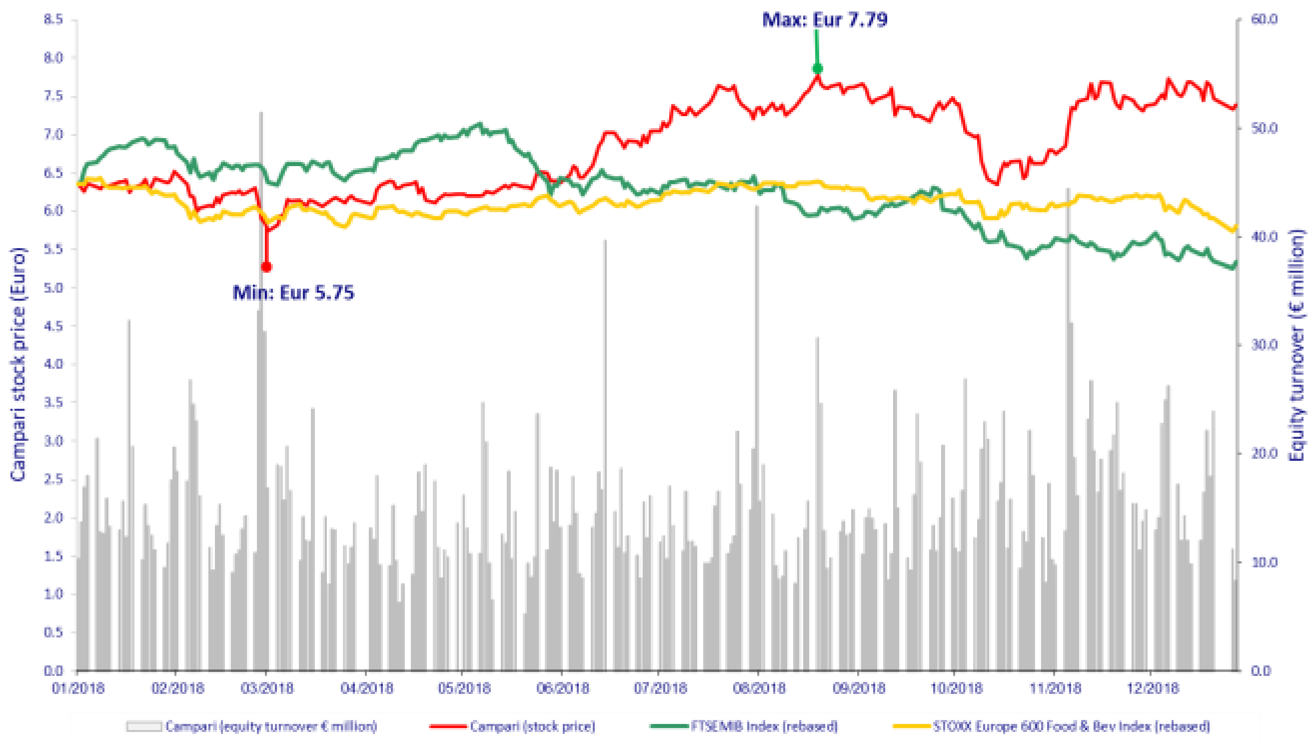
During 2018, the Campari stock price increased by +14.6% in absolute terms, with total shareholder return (TSR) up +15.5%. The Campari stock price outperformed the FTSE MIB by +30.7%. The stock outperformed the STOXX Europe 600 Food&Beverage index by +23.4% in the period from 1 January to 31 December 2018. It also outperformed the MSCI World index, which includes the Campari stock, by +25.0%. Additionally, in 2018 the Campari stock posted the second-best performance among all the FTSE MIB index stocks[8].

For 2018, the minimum and maximum closing prices of €5.745 and €7.785 were recorded on 2 March 2018 and 20 August 2018 respectively. An average of 2.3 million Campari shares was traded daily on the market managed by Borsa Italiana S.p.A. in 2018, with an average daily value of €15.4 million. At 31 December 2018, Campari's market capitalisation was €8.6 billion.

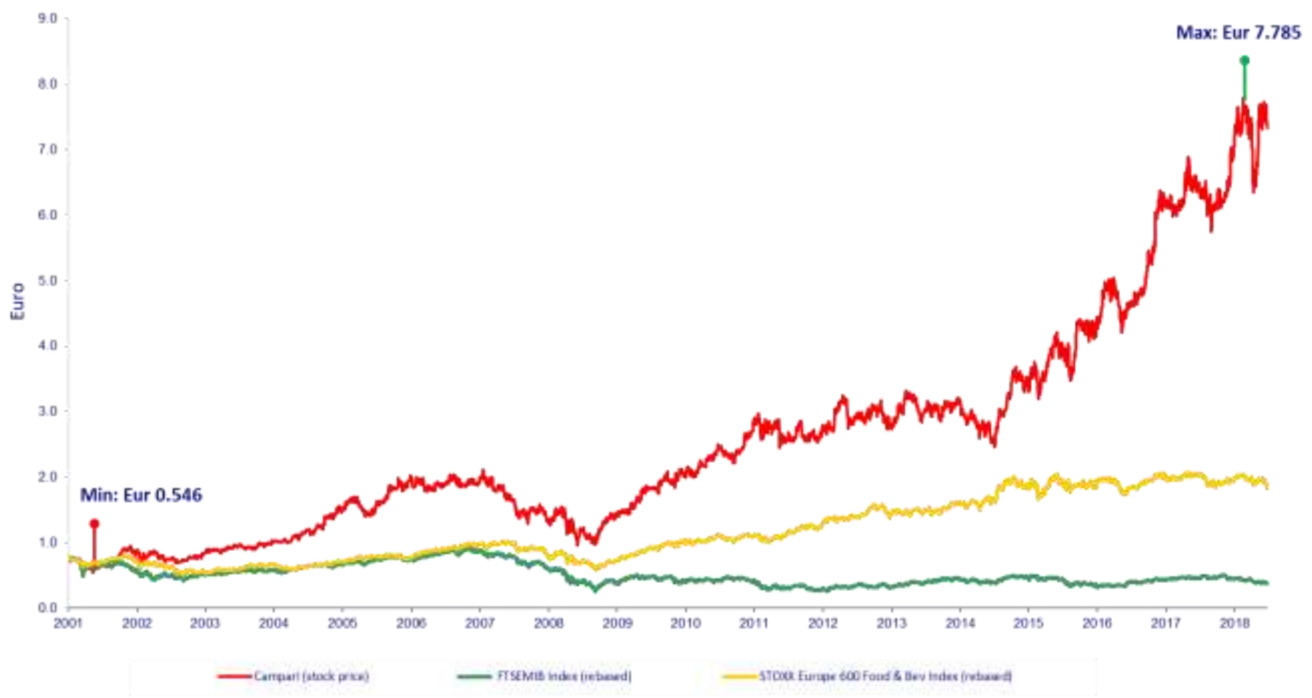
From the date of the initial public offering (IPO) to 31 December 2018, the Campari stock price increased in absolute terms by +852.9% (an average of +13.7% per year), with total shareholder return (TSR)[9] up +1137.6% (an average of +15.5% per year). The Campari stock price outperformed the FTSE MIB by +904.2%. The stock outperformed the STOXX Europe 600 Food&Beverage index by +713.4% in the period from the IPO to 31 December 2018 and outperformed the MSCI World index by +215.9% in the same period.

[8] Bloomberg
[9] Dividend reinvested

Performance of the Campari stock and the main benchmark indexes from 1 January 2018 to 31 December 2018



Performance of the Campari stock and the main benchmark indexes from the IPO (2001) to 31 December 2018



N.B.:
The figures have been adjusted to reflect the changes in share capital in 2005, 2009 and 2017.
The STOXX Europe 600 Food &Beverage Price Index is a capitalisation-weighted index which includes European companies operating in the food and beverage industry.

Davide Campari-Milano S.p.A. stock
Shares
At 31 December 2018, the share capital of Davide Campari-Milano S.p.A. was €58,080,000, comprising 1,161,600,000 ordinary shares with a nominal value of €0.05 each.

Shareholder base, voting rights and loyalty shares
The table below shows the major shareholders at 31 December 2018[10].

On 28 January 2015, loyalty shares were introduced. The table below shows the updated position, at 31 December 2018, of key shareholders recorded in the special register for entitlement to increased voting rights ('special list'). Specifically, it shows: (i) the shares that have achieved double voting rights after the elapse of 24 months from the registration date (ii) the number of shares recorded on the special list but that have not yet achieved double voting rights, and (iii) the number of shares that are not recorded on the special register.

	Date of registration	Number of shares	% of share capital	Voting rights	% of voting rights
Alicros S.p.A., *of which:*		**592,416,000**	**51.0%**	**1,184,832,000**	**64.35%**
(i) Shares with double voting rights	9 April 2015	*592,416,000*		*1,184,832,000*	
Cedar Rock Capital Ltd, *of which:*		**114,208,315**	**9.8%**	**187,009,955**	**10.16%**
(i) Shares with double voting rights	9 April 2015	*68,379,072*		*136,758,144*	
	7 April 2016	*4,422,568*		*8,845,136*	
(ii) Shares with pending double voting rights	7 April 2017	*6,505,954*		*6,505,954*	
	9 April 2018	*19,026,285*		*19,026,285*	
(iii) Shares not registered in the special list		*15,874,436*		*15,874,436*	

[(1)] Disclosure made to Consob by Andrew Brown, Chief Executive and portfolio manager of Cedar Rock Capital Ltd, pursuant to Art. 120 of the Legislative Decree no. 58 of 24 February 1998 (Consolidated Law on Financial Intermediation).

The table below shows the updated position, as at 31 December 2018, of outstanding shares and the number of voting rights that may be exercised at shareholders' meetings.

	Number of shares	% of share capital	Voting rights	% of voting rights
Total, *of which:*	**1,161,600,000**	**100.0%**	**1,841,285,950**	**100.0%**
Shares with double voting rights (ISIN IT0005252215)	*679,685,950*		*1,359,371,900*	
Ordinary shares (ISIN IT0005252207)	*481,914,050*		*481,914,050*	

Article 6 of the articles of association and the related Regulation on the special register for double voting rights, approved by the Board of Directors, define the terms and conditions for registration on the special register and for requesting removal from it.
For more detailed information on this subject, see the report prepared by the Board of Directors, and the Regulation on the special register for double voting rights, which is published on the Company's website (www.camparigroup.com/it/governance/loyalty-shares).

Merger by incorporation of Alicros S.p.A. into Lagfin S.C.A, Société en Commandite par Actions
With reference to the shareholder base, it should be noted that, with effect from 12 February 2019, Alicros S.p.A. was merged by incorporation into Lagfin S.C.A., Société en Commandite par Actions, a holding company subject to Luxembourg law, which therefore became the direct holder of the investment in Davide Campari-Milano S.p.A., previously held by Alicros S.p.A., totalling 51% of the company's share capital.

[10] Shareholders who have notified Consob (the Italian Companies and Exchange Commission) and Davide Campari-Milano S.p.A. that they have shareholdings greater than 3% pursuant to Article 117 of Consob Regulation 11971/99 on notification of significant holdings.

Pursuant to the Articles of Association of Davide Campari-Milano S.p.A. (Article 5(10)), under which Lagfin S.C.A., Société en Commandite par Actions, maintains the same seniority of entry into the register of shareholders entitled to double voting rights as Alicros S.p.A., with the controlling interest of 64.35% remaining completely unchanged.

Dividend

The Board of Directors voted to propose, at the General Meeting, a full year dividend per share of €0.05 for 2018.

The dividend will be paid on 25 April 2019 (with an ex-date for coupon no. 3 of 23 April 2019) in accordance with the Italian Stock Exchange calendar, and a record date of 24 April 2019. The Board of Directors passed a resolution to convene the ordinary General Meeting on 16 April 2019, to approve the financial statements for the year ended 31 December 2018.

Information on the Campari stock and valuation indicators

The tables below show the performance of the Campari stock and the main valuation indicators used by Campari Group since the IPO.

Year	Minimum price	Maximum price	Average price	Price at 31 December	Change in the Campari stock	Change in FTSE MIB	Campari performance vs. FTSE MIB	Average daily trading volume	Average daily trading value	Stock market capitalization at 31 December
	€	€	€	€	%	%	%	millions of shares	€ million	€ million
2018	5.75	7.79	6.82	7.39	14.6%	-16.1%	30.7%	2.3	15.4	8,578
2017	4.61	6.88	5.83	6.45	38.8%	13.6%	25.2%	2.2	13.2	7,487
2016	3.47	5.05	4.38	4.65	+16.1%	-10.2%	+26.3%	2.8	12.0	5,396
2015	2.47	4.21	3.48	4.00	+55.0%	+12.7%	+42.3%	3.8	12.9	4,646
2014	2.52	3.21	2.95	2.58	-15.1%	+0.2%	-15.3%	2.8	8.0	2,997
2013	2.73	3.32	3.00	3.04	+4.8%	+16.6%	-11.8%	2.6	7.9	3,531
2012	2.54	3.25	2.78	2.90	+12.7%	+7.8%	+4.9%	3.4	9.6	3,369
2011	2.22	2.97	2.59	2.58	+5.6%	-25.2%	+30.8%	4.0	10.6	2,988
2010	1.76	2.50	2.08	2.44	+33.5%	-13.2%	+46.7%	3.8	7.6	2,828
2009	0.97	1.86	1.41	1.83	+52.1%	+19.5%	+32.6%	3.2	4.5	2,118
2008	0.97	1.65	1.39	1.20	-26.8%	-49.5%	+22.7%	2.6	3.7	1,394
2007	1.63	2.11	1.89	1.64	-12.8%	-7.0%	-5.8%	3.0	5.8	1,904
2006	1.57	2.03	1.83	1.88	+20.5%	+16.0%	+4.5%	2.4	4.4	2,183
2005	1.12	1.70	1.43	1.56	+32.0%	+15.5%	+16.5%	2.0	2.8	1,812
2004	0.90	1.20	1.01	1.19	+22.9%	+14.9%	+8.0%	1.8	1.7	1,374
2003	0.69	0.97	0.83	0.97	+28.2%	+14.4%	+13.8%	1.6	1.3	1,118
2002	0.64	0.95	0.79	0.75	+13.8%	-27.3%	+41.1%	2.2	1.7	871
2001(1)	0.55	0.78	0.68	0.66	-14.9%	-14.1%	-0.8%	2.8	2.1	767

(1) Listing on the Italian Stock exchange (MTA) took place on 6 July 2001. Average daily trading volume and average daily trading value excluding first week of trading.

The table below shows information on dividends paid on the Campari stock since the IPO.

Year	Number of shares at 31 December not adjusted	Number of shares at 31 December adjusted(1)	Number of shares with dividend rights(2)	Gross dividend per share (€)(3)	Total dividend (€ million) (4)
2018	1,161,600,000	1,161,600,000	1,146,618,042	0.050	57.3
2017	1,161,600.000	1,161,600.000	1,150,205,686	0.050	57.5
2016	580,800,000	1,161,600,000	1,158,752,164	0.045	52.1
2015	580,800,000	1,161,600,000	1,158,508,124	0.045	52.1
2014	580,800,000	1,161,600,000	1,142,500,000	0.040	45.7
2013	580,800,000	1,161,600,000	1,152,019,724	0.040	46.1
2012	580,800,000	1,161,600,000	1,138,514,448	0.035	39.8
2011	580,800,000	1,161,600,000	1,157,273,960	0.035	40.5
2010	580,800,000	1,161,600,000	1,153,344,568	0.030	34.6
2009	290,400,000	1,161,600,000	1,152,761,012	0.030	34.6
2008	290,400,000	1,161,600,000	1,152,761,012	0.028	31.7
2007	290,400,000	1,161,600,000	1,157,422,184	0.028	31.8
2006	290,400,000	1,161,600,000	1,161,597,812	0.025	29.0
2005	290,400,000	1,161,600,000	1,125,424,052	0.025	28.1
2004	29,040,000	1,161,600,000	1,124,192,360	0.025	28.1
2003	29,040,000	1,161,600,000	1,121,600,000	0.022	24.7
2002	29,040,000	1,161,600,000	1,121,600,000	0.022	24.7
2001	29,040,000	1,161,600,000	1,121,600,000	0.022	24.7

(1) Share information prior to the dates on which changes were made to the amount of share capital has been adjusted to take into account the new composition of share capital as described below:

- two-for-one share split coming into effect on 8 May 2017;
- bonus share issue through the issue of 290,400,000 new shares with a nominal value of €0.10 each to be provided free of charge to shareholders in the ratio of one new share for each share held, which came into effect on 10 May 2010;
- ten-for-one share split that came into effect on 9 May 2005.

(2) Excluding own shares held by Davide Campari-Milano S.p.A as at the dividend ex-date. For 2018, for information purposes, number of shares at 31 December 2018 is to be recalculated on the basis of the total number of shares outstanding as at the dividend ex-date.

(3) Dividend for the period. For 2018, proposed dividend for the period.

(4) Total proposed dividend for the period excluding own shares. For 2018, for information purposes, the total dividend was calculated on the basis of shares outstanding as at 31 December 2018; this figure is to be recalculated based on the total number of shares outstanding as at the dividend ex-date (23 April 2019).

The table below shows information on the main valuation indicators for the Campari stock since the IPO.

Year	Basic earning per share[1][2]	price/shareholders' equity per share	price/net profit per share[1]	dividend/net profit per share[1][2][3]	dividend/price per share[3]
2018	0.26	3.97	28.9	19.3%	0.7%
2017	0.31	3.85	21.0	16.1%	0.8%
2016	0.14	2.84	32.4	31.4%	1.0%
2015	0.15	2.66	26.5	29.7%	1.1%
2014	0.11	1.90	23.2	35.4%	1.6%
2013	0.13	2.53	23.6	30.8%	1.3%
2012	0.13	2.36	21.5	25.4%	1.2%
2011	0.14	2.19	18.8	25.4%	1.4%
2010	0.13	2.26	18.1	22.1%	1.2%
2009	0.12	2.03	15.5	25.2%	1.6%
2008	0.11	1.46	11.0	25.1%	2.3%
2007	0.11	2.17	15.2	25.4%	1.7%
2006	0.10	2.74	18.6	24.8%	1.3%
2005	0.10	2.61	15.4	23.8%	1.6%
2004	0.08	2.20	14.2	29.0%	2.1%
2003	0.07	2.04	14.0	30.9%	2.3%
2002	0.07	1.82	10.1	28.5%	2.9%
2001	0.05	1.78	12.1	38.9%	3.3%

[1] Net profit (not adjusted for non-recurring components).
[2] Up to 2004, Italian Accounting Standards; IAS/IFRS standards from 2005.
[3] Dividend for the period. For 2018, proposed dividend for the period.

Investor relations

The Company communicates regularly with investors, shareholders and financial market operators in general, in order to provide complete, accurate and timely information on its operations, while complying with the relevant confidentiality requirements for certain types of information.

Information is disseminated through the publication of documents such as the financial statements, the interim reports on operations, press releases and investor presentations.
These documents are made available using the 1Info network information system, managed by Computershare S.p.A., through publication on the website www.1info.it.

As a result of using this publication platform, the Company is able to make all information promptly available on its website (www.camparigroup.com), in the 'Investors' and 'Governance' sections. Information about the Company that is of interest to shareholders and equity and bond investors is also available in these sections to enable them to exercise their rights in an informed manner.

The Company communicates and interacts regularly with the financial markets through analyst calls, investor meetings, roadshows and investor conferences, which are also attended by representatives of senior management. With reference to activities aimed at the analyst and institutional investor category, in 2018 the Company continued to communicate information through numerous meetings organised in Milan and at the main stock exchanges in Europe and outside Europe, including those in North America, Asia and Australia.
The Investor Relations department is responsible for managing relations with shareholders and investors, and has been operational since the Company's listing in 2001.

Information of interest to shareholders and investors is available on the website, 'Investors' section, and may also be requested by sending an email to the dedicated email address investor.relations@campari.com.

Risk management

Campari Group has implemented a tool to identify, assess and monitor Group risks. This tool is based on the Self Risk Assessment (SRA) framework, which provides self-assessment and direct participation by operational management and/or other operators responsible for risk assessment. The tool has multiple objectives: to help the business identify risks and consequently make strategic and operational decisions; and to strengthen understanding of the Group's risk profile to ensure transparency of information and that traceability of assessments.

Main risks for the Group:
Risks related to potential instability in the countries in which the Group operates
Campari Group operates and is present, through manufacturing and/or commercial structures, in numerous markets. Any significant changes in the macroeconomic, political, tax or legal environment in any of those countries could have a negative impact on the Group's activities and on its financial position. Consequently, the Group constantly monitors developments in the global geopolitical environment that could give rise to a need for review of the defined corporate strategies and/or the introduction of measures to safeguard its competitive positioning and performance.
Through its activities in certain developing countries (in eastern Europe, Asia, Latin America and Africa) the Group is exposed to a series of risks related to: the local regulatory and legal environment, the imposition of tariffs and taxes, limits on exports and imports, exchange rate risk, political and economic instability which may impact the ability of local trade and financial counterparts to meet their obligations, restrictions and constraints on investment and promotional activity, or limits on dividend repatriation.
With specific reference to the UK, in 2016, the country voted in a referendum to leave the European Union ('Brexit') and until the UK's exit from the EU and any outcome of the Brexit negotiations are finalised, there could be a period of economic and political uncertainty associated with the negotiation of any subsequent trade agreement with other countries. Vulnerabilities could become evident in exchange rate volatility, restrictions in the movement of people and goods, and the propensity to spend. The full implications of Brexit will not be understood until any future tariffs, trade exchanges, regulations, taxes, and other free-trade agreements have been established by the United Kingdom, which could adversely affect our operations. Moreover, the country could experiment with changes to laws and regulations, post-Brexit, in areas such as intellectual property rights, employment, environment, supply chain logistics, data protection, and health and safety.
However, we consider that the direct financial impact on the Group will not be significant, both in the event of an exit scenario or if "no deal" is reached; political developments will be continuously monitored to identify and minimise any vulnerabilities in all the main functions affected and to adopt prudent measures to mitigate the risks, where possible.

Risks relating to the Company's dependence on consumer preference and propensity to spend
An important success factor in the beverage industry is the ability to interpret consumer preferences and tastes – particularly those of young people – and to continually adapt sales strategies to anticipate market trends and strengthen and consolidate the products images. If the Group's ability to understand and anticipate consumer tastes and expectations and to manage its own brands were to cease or decline significantly, this could considerably affect its activities and operating results. Moreover, the unfavourable economic situation in certain markets is dampening the confidence of consumers, making them less likely to buy drinks.

Risks relating to the Company's dependence on key customers
In some markets where the Group operates, sales are concentrated on a limited number of key customers: therefore, a possible change in the priorities or deterioration of the financial conditions of these customers could have significant adverse effects on the Group's business and outlook. Furthermore, if such key customers see the terms and conditions set forth in contracts as no longer acceptable, they may require them to be renegotiated, resulting in less favourable terms and conditions.

Risks relating to market competition
The Group is part of the alcoholic and non-alcoholic beverage sector, where there is a high level of competition and a huge number of operators. The main competitors are large international groups involved in the current wave of mergers and acquisitions, which are operating aggressive competitive strategies at global level. The Group's competitive position vis-à-vis the major global players, which often have greater financial resources and benefit from a more highly diversified portfolio of brands and geographic locations, means that its exposure to market competition risks is particularly significant.

Risks relating to the Company's dependence on licences for the use of third-party brands and licences granted to third parties for use of the Group's brands

At 31 December 2018, 5.8% of the Group's consolidated net sales came from production and/or distribution under licence of third-party products. Should any of these licensing agreements be terminated or not renewed for any reason, this could have a negative effect on the Group's activities and operating results.

Risk of failure to comply with laws and regulations

As the Group is exposed and subject to numerous different regulations, there is a risk that failure to comply with laws and regulations, as well as with the Group's policies, could harm its reputation and/or result in potentially substantial fines. To mitigate this risk, the Group has created a Code of Ethics and defined Business Conduct Guidelines. It also provides its employees with regular training on its global policies.

Internal assurance activities are continuously monitored and assessed with local management in order to improve the internal control system. Present in multiple regions across the globe, the Group has also adopted a specific policy on human rights intended to mitigate any legislative shortcomings existing locally in that regard.
During the year, the Group also launched a global training programme on antitrust compliance, aimed at mitigating the risk of any breach of antitrust laws.

Furthermore, in 2018, through its Group Privacy and Data Protection (GPDP) department, Campari Group has managed a project to achieve alignment with the new European regulations on personal data protection (the 'GDPR' or 'Regulations'). As part of this project, Campari Group interviewed more than 100 employees to better understand the areas of personal data processing carried out within Group companies to which the GPDR is applicable. With regard to the new Regulations, a Data Protection Officer (DPO) was appointed and an organisational model for personal data protection was defined, identifying roles and responsibilities within the corporate governance departments and also in the business departments, where personal data is actually used. In terms of human resource development in this area, various training & awareness activities were carried out, both through e-learning platforms for more than 900 employees and through specific, dedicated training sessions for more than 100 employees who were identified as playing an active role in personal data management. At the same time, Campari Group has defined a series of policies to manage GDPR requirements and has also introduced a tool to enable management and tracking of the main activities required pursuant to GDPR, in order to effectively demonstrate compliance with these Regulations.

Risks relating to legislation in the beverage industry

Activities relating to the alcoholic beverages and soft drinks industry – production, distribution, export, import, sales and marketing – are governed by complex national and international legislation, often drafted with somewhat restrictive aims.
The requirement to make the legislation governing the health of consumers, particularly young people, ever more stringent could, in the future, lead to the adoption of new laws and regulations aimed at discouraging or reducing the consumption of alcoholic drinks. Such measures could include restrictions on advertising or tax increases for certain product categories. Any further tightening of regulations in the main countries in which the Group operates could lead to a fall in demand for its products.

Risks relating to product compliance and safety

The Group is exposed to risks relating to its responsibility to ensure that its products are safe for consumption.
It has therefore put in place procedures to ensure that products manufactured in Group plants are compliant and safe in terms of quality and hygiene, in accordance with the laws and regulations in force, and voluntary certification standards. In addition, the Group has defined guidelines to be implemented if quality is accidentally compromised, such as withdrawing and recalling products from the market.

Environmental risk

Production activities and the implementation of the Group's strategies are subject to the effects of natural events. Environmental changes, some of which could have a significant impact, could interfere with the local supply chain, as well as harm some customers. These events are generally unpredictable and may affect the seasonality of sales, just as natural disasters (such as hurricanes) may damage products and disrupt production at some plants. Some weather conditions might also have a positive effect on some geographical regions, but a negative effect in other segments.
The Group monitors environmental risks, has emergency plans in place and continuously develops plans to deal with such crises. The Group counts compliance with regulations and with local and international standards among its priorities, together with business continuity assessment, back-up scenarios and global insurance policies.

Risks relating to environmental policy

With regard to the risks associated with environmental policy, the Group's industrial management has implemented dedicated procedures relating to safety and qualitative controls in the area of environmental pollution and the disposal of solid waste and wastewater. The objective of this structure is to continuously monitor and update the Group's business activities based on the legislation in force in the individual countries in which it operates.

Tax risks

The Group operates in many countries with different tax regulations. In many jurisdictions, distillates and wines are subject to import and excise duties, some of which could rise and negatively affect demand for Campari Group products. Such changes could have a negative impact on profit margins or sales, reducing overall consumption or encouraging consumers to move to categories of alcoholic beverages that are less heavily taxed. Moreover, significant changes in the international tax environment, such as, for example, the effect of Brexit on trade between Europe and the United Kingdom, could suddenly increase overall business costs if there is a rise in the Group's effective tax rate and could lead to uncertain and/or unexpected tax exposure.
The Group regularly reviews its business strategy and tax policy in light of regulatory changes and assesses the likelihood of any negative results of potential inspections in order to determine the adequacy of its tax provisions.

Risks relating to employees

In the various countries where the Group has subsidiaries, its dealings with employees are regulated and protected by collective labour agreements and the regulations in force locally.
Any reorganisation or restructuring undertaken, where this becomes essential for strategic reasons, is defined on the basis of plans agreed with employee representatives. Moreover, the Group has implemented specific procedures to monitor safety in the workplace, and it is worth noting that the accident rate at Group plants is very low and that any accidents that do occur tend to be mild.

Cyber-security risks

Cyber-security risks have a potential global impact for Campari Group, due to both the strong interconnectedness within the Group and the ever-increasing pervasiveness of technology (and internet) on the performance of company activities. The major risks associated with cyber-security include reputational damage caused by breaches/theft of sensitive data, the malfunctioning or disruption of IT systems, the unavailability of online services due to a cyber attack and the increased cost of resolving these problems.

Exchange rate and other financial risks

Around 61.5% of the Group's consolidated net sales in 2018 came from outside the Eurozone. With the growth in the Group's international operations in areas outside the Eurozone, a significant fluctuation in exchange rates, that might be caused by macroeconomic or political instability or, in the specific case of the United Kingdom, by uncertainty about Brexit, could have a negative impact on the Group's activities and operating results.
However, the establishment of Group entities in countries such as the United States, United Kingdom, Australia, Jamaica, Brazil, Canada, Russia and Argentina allows this risk to be partially covered, given that both costs and income are denominated in the same currency. Therefore, exposure to foreign exchange transactions generated by sales and purchases in currencies other than the Group's functional currencies represented an insignificant proportion of consolidated sales and consolidated margins in 2018.
For a more detailed analysis of the Group's risks, see note 38-'Provisions for risks', and for financial risks, note 44-'Nature and extent of risks arising from financial instruments' in this report.

Operating and financial results of the Parent Company Davide Campari-Milano S.p.A.

Income statements

	31 December 2018		31 December 2017(*)	
	€ million	%	€ million	%
Net sales	**630.5**	**100.0**	**650.6**	**100.0**
Cost of goods sold	(250.8)	-39.8	(291.9)	-44.9
Gross margin after distribution costs	**379.7**	**60.2**	**358.6**	**55.1**
Advertising and promotional costs	(62.5)	-9.9	(52.6)	-8.1
Contribution margin	**317.2**	**50.3**	**306.0**	**47.0**
Structure costs	(62.1)	-9.8	(75.4)	-12.0
Operating result	**255.1**	**40.5**	**230.6**	**35.5**
Financial income (charges)	(41.9)	-6.6	(70.3)	-10.8
Dividends	16.2	2.6	41.1	6.3
Put option costs	(3.0)	-0.5	(3.3)	-0.5
Profit before tax	**226.4**	**35.9**	**198.1**	**30.5**
Tax	(26.8)	-4.3	10.7	1.7
Net profit	**199.6**	**31.7**	**208.9**	**32.1**

(*) The values shown for 31 December 2017 have been restated following application of the new accounting standard IFRS 15-'Revenue from contracts with customers'. For more information on the impact of the new accounting standard, please refer to note 4 of the separate financial statements of Davide-Campari Milano S.p.A. at 31 December 2018.

The year ended 31 December 2018 closed with net sales, totalling €630.5 million, which decreased compared with 2017, mainly due to the impact generated by the sale of the Lemonsoda business. Total sales, which include both sales to third-party customers on the Italian market and sales to Group companies that operate on the international markets which amounted to €273.2 million, increasing by +4.7% on the previous year.

Gross margin was higher than in 2017 and benefited from the effect of selling low-margin businesses; consequently, it recorded a decrease in terms of the cost of goods sold as a proportion of sales.
The contribution margin increased as a percentage of sales, despite the slight increase in spending on advertising and promotions to support the main brands.

Overheads decrease compared with the previous year, mainly driven by business disposals.

The operating result was €255.1 million, an increase on the previous year, benefitting from adjustments to operating income totalling €48.0 million, mainly deriving from capital gains on the sale of investments, net of restructuring costs.

Financial charges decreased compared with the previous year, as mentioned above.

Income tax for the period was €26.8 million. The item includes a positive component of €26.0 million, attributable to reduced IRES (corporate income tax) and IRAP (regional production tax) under the Patent Box regime. The 2017 figure includes the same tax relief for the years 2015, 2016 and 2017, totalling €44.8 million.

Net profit for the year, totalling €199.6 million, was lower than in 2017, due to the combined effect of various components, and specifically:
- lower dividend income (€25.0 million);
- lower financial charges (€28.5 million), largely due to the significant liability management costs incurred in 2017;
- less tax relief recorded in 2018 (in 2017, tax income relating to the first-time recognition of the tax relief associated with the Patent Box regime, including the two previous years, was recorded).

Statement of financial position

	31 December 2018	31 December 2017	change
	€ million	€ million	€ million
Fixed assets	2,745.9	2,751.5	(5.5)
Other non-current assets and (liabilities)	(46.3)	(30.6)	(15.7)
Operating working capital	100.2	98.0	2.2
Other current assets and (liabilities)	(15.7)	(3.1)	(12.6)
Total invested capital	**2,784.1**	**2,815.8**	**(31.7)**
Shareholders' Equity	1,355.2	1,274.0	81.3
Net financial position	1,428.8	1,541.8	(113.0)
Total financing sources	**2,784.1**	**2,815.8**	**(31.7)**

Invested capital (and the financing sources) decreased slightly at 31 December 2018.

Fixed assets were almost unchanged on the previous year.

Operating working capital was virtually unchanged on the previous year; a reduction in trade payables to third parties was partly offset by a decrease in trade receivables and a considerable reduction in inventories.

The largest significant change can be seen in the other current and non-current liabilities, which posted an overall increase of €28.4 million; this was essentially due to the effects arising from the merger of Fratelli Averna S.p.A. and Sorfinn Ltd, net of the sale of the Lemonsoda business belonging to Nettuno S.r.l..

The Company's financial position showed a decrease in total net debt compared with the previous year, due to the Company's strong cash-generating capacity. For more detailed information on the financial position, please refer to the notes to the Separate Financial Statements of Davide Campari-Milano S.p.A on cash and cash equivalents and the reconciliation with the net financial position.

The increase in shareholders' equity was mainly associated with the financial results achieved during the year, net of the portion that was distributed.

Reconciliation of the Parent Company and Group net profit and shareholders' equity

Pursuant to the Consob communication of 28 July 2006, the table below shows a reconciliation between the result for the period and shareholders' equity for the Group with the same items of the Parent Company Davide Campari-Milano S.p.A..

	31 December 2018		31 December 2017	
	Shareholders' equity	Profit	Shareholders' equity	Profit
	€ million	€ million	€ million	€ million
Figures from the annual financial statements of Davide	**1,355.2**	**199.6**	**1,274.0**	**208.9**
Difference between carrying value and pro-rata value of shareholders' equity of equity investments	827.8	-	691.0	-
Pro-rata results of subsidiaries	-	163.8	-	215.1
Elimination of intra-group dividends	-	(69.2)	-	(67.6)
Elimination of intra-group profits and capital gains	(20.2)	2.2	(22.4)	(0.1)
Figures from the consolidated financial statements (figures attributable to the Group)	**2,162.8**	**296.3**	**1,942.6**	**356.4**
Shareholders' equity and net profit attributable to non-controlling	-	-	-	-
Group's equity and net profit	**2,162.8**	**296.3**	**1,942.6**	**356.4**

Other information

Campari Group and the non-financial declaration

The Board of Directors of Davide Campari-Milano S.p.A., which approves this report, also approves the non-financial declaration at 31 December 2018 pursuant to Legislative Decree 254 of 30 December 2016, implementing EU Directive 2014/95. The non-financial declaration contains non-financial information about environmental, social and employment matters, as well as respect for human rights, anti-corruption and bribery issues, to the extent necessary to ensure understanding of the Group's business, performance, results and impact. Campari Group's non-financial declaration was prepared as a separate report from the Report on operations in the Consolidated Financial Statements and according to the guidelines of the GRI Sustainability Reporting Standards, the sustainability reporting framework that is most widely used worldwide. In light of the evidence that emerged from the materiality analysis, and to incorporate the aspects of sustainability whose reporting is subject to specific legal obligations, the non-financial declaration also reports on specific issues regarded as particularly relevant for a multinational operating in the spirits sector (for example responsible marketing and communication practices). The reporting scope is the same as that used for the Consolidated Financial Statements.

The Campari Group sustainability report is available on the Group's website at: www.camparigroup.com, in the 'Sustainability' section, and will be published in the Milan Companies' Register along with the Annual Financial Statements.

Report on corporate governance and ownership structure

In accordance with legal obligations, the Board of Directors annually approves the report on corporate governance and ownership structure (the 'Report').

As well as the information pursuant to article 123-*ter* of Legislative Decree 58 of 24 February 1998, the Report contains a general description of the corporate governance system adopted by the Group, featuring information on compliance with the principles and recommendations of the Code of Conduct for Listed Companies, including specific reasons why certain recommendations have not been applied.

The Report also contains a description of the features of the Group's internal control and risk management system, including in relation to the financial reporting process.

The report is available at www.camparigroup.com, in the 'Governance' section.

Organisation, Management and Control Model pursuant to Legislative Decree 231 of 8 June 2001

From 1 January 2009, Davide Campari-Milano S.p.A. decided to adopt an Organisation, Management and Control Model pursuant to Legislative Decree 231 of 8 June 2001 on the administrative responsibility of legal entities, for the purposes of ensuring ethical and transparent conduct as a way to reduce the risk of the offences specified in the legislative decree being committed. It also established a Supervisory Body responsible for monitoring compliance with the Model and proposing any changes that might be necessary following amendments to the relevant legislation.

The Board of Directors decided that it is appropriate, in order to streamline the control system, to allocate the functions of the Supervisory Body, pursuant to Law 183 of 12 November 2011, to the members of the Board of Statutory Auditors.

For a more detailed description of the Model and the activities undertaken in 2018, please see the Report on corporate governance and ownership structure published on www.camparigroup.com, in the 'Governance' section.

Transactions with related parties

The procedures for transactions with related parties approved by the Parent Company's Board of Directors on 11 November 2010, which came into force on 1 January 2011, can be viewed at www.camparigroup.com, in the 'Governance' section. An overview of these procedures is provided in the Report on corporate governance and ownership structure.

Structure of the Group

For information on changes to the Group's structure in 2018, see note 2-'Basis of consolidation of the consolidated financial statements'.

Holding and purchase of own shares and shares of the parent company

At 31 December 2018, the Parent Company held 14,981,958 own shares, equivalent to 1.29% of the share capital. During the year, the Company purchased 10,007,486 own shares, at an average price of €6.75, and sold 4,078,641 own shares.
These own shares are to be used to serve stock option plans, as described in detail in later sections of these Annual Financial Statements.
However, during the period, Group companies did not hold, and do not currently hold, either directly or indirectly, any shares of the Parent Company.

Adaptation plan pursuant to Articles 36 and 39 of the Market Regulations

In accordance with Articles 36 and 39 of Consob Regulation 16191 of 29 October 2007 and subsequent amendments concerning 'conditions for listing shares of companies that control companies established and governed by laws of non-EU countries', the Parent Company has identified its significant subsidiaries as defined Article 36(2) of the above-mentioned Regulation, and verified that the conditions set out in paragraphs a), b) and c) of Article 36 have been met.

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 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.

Research and development activities

Group companies carried out research and development activities solely in relation to ordinary manufacturing and trading activities; costs were therefore fully expensed during the period.

Campari Group
Consolidated financial statements for the year ending 31 December 2018

Financial statements

Consolidated income statement

	Notes	2018 € million	of which: related parties € million	2017(*) € million	of which: related parties € million
Net sales	9	**1,711.7**	**-**	**1,753.4**	**-**
Cost of goods sold	10	(683.6)	-	(741.1)	-
Gross profit		**1,028.1**	**-**	**1,012.3**	**-**
Advertising and promotional costs		(289.2)	-	(279.9)	-
Contribution margin		**738.9**	**-**	**732.4**	**-**
Overheads	11	(358.2)	*0.1*	(338.1)	*0.1*
Operating result(1)		**380.7**	**-**	**394.3**	**-**
Financial income (expenses)	16	(32.0)	-	(64.8)	-
Share of net profit of associates and joint ventures accounted for using the equity method		(0.2)	-	-	-
Put option income (charges)	17	2.3	-	(2.8)	-
Profit before tax		**350.8**	**-**	**326.7**	**-**
Income tax expense	18	(54.5)	-	29.7	-
Profit for the period		**296.3**	**-**	**356.4**	**-**
Profit attributable to:			-		
Parent Company shareholders		296.3	-	356.4	-
Non-controlling interests		-	-	-	-
Basic earnings per share (€)	19	0.26	-	0.31	-
Diluted earnings per share (€)	19	0.25	-	0.30	-
Basic earnings per share (€) adjusted(1)		0.22	-	0.20	-
Diluted earnings per share (€) adjusted(1)		0.21	-	0.20	-

(1)For information on the definition of alternative performance indicators, see the section in the report on operations 'Alternative performance indicators'.
(*)The 2017 figures has been restated according to the first time adoption of IFRS 15-'Revenue from Contracts with Customers'. For more information please see note 4-'Change in accounting standards'.

Consolidated statements of comprehensive income

	Notes	2018 € million	2017 € million
Profit for the period (A)		**296.3**	**356.4**
B1) Items that may be subsequently reclassified to profit or loss			
Cash flow hedge:		-	-
Profit (loss) for the period	34	(1.4)	0.3
Profit (losses) classified to other comprehensive income	34	(10.3)	1.8
Net gains (losses) from cash flow hedge		(11.7)	2.1
Tax effect	18	2.7	(0.4)
Total cash flow hedge		**(9.0)**	**1.7**
Conversion difference:			
Profit (loss) for the period		-	1.7
Profit (losses) classified to other comprehensive income	34	25.0	(211.3)
Total conversion difference		**25.0**	**(209.6)**
Total: items that may be subsequently reclassified to profit or loss (B1)		**36.6**	**(208.0)**
B2) Items that may not be subsequently reclassified to profit or loss			
Remeasurements of post-employment benefit obligations:			
Profit(loss) for the period	34	2.4	0.3
Tax effect	34	(0.6)	(0.1)
Remeasurements of post-employment benefit obligations		**1.8**	**0.2**
Total: items that may not be subsequently reclassified to profit or loss (B2)	35	**1.8**	**0.2**
Other comprehensive income (expenses) (B=B1+B2)		**38.4**	**(207.8)**
Total comprehensive income (A+B)		**314.1**	**148.6**
Attributable to:			
Parent Company shareholders		**314.1**	**148.6**
Non-controlling interests		-	-

Consolidated statements of financial position

	Notes	31 December 2018 € million	*of which: related parties € million*	31 December 2017 € million	*of which: related parties € million*
ASSETS					
Non-current assets					
Net tangible fixed assets	20	454.4	-	430.9	-
Biological assets	21	1.0	-	1.0	-
Investment properties	22	122.8	-	120.9	-
Goodwill and brands	23	2,341.0	-	2,302.7	-
Intangible assets with a finite life	25	42.9	-	32.8	-
Investments in associates and joint ventures	26	0.4	-	-	-
Deferred tax assets	18	38.4	-	43.1	-
Other non-current assets	27	23.9	*2.2*	46.5	*2.2*
Total non-current assets		**3,024.9**	**-**	**2,978.0**	**-**
Current assets					
Inventories	28	565.3	-	491.4	-
Current biological assets	28	0.8	-	0.4	-
Trade receivables	29	285.9	-	317.5	-
Short-term financial receivables	30	29.1	-	9.3	-
Cash and cash equivalents	32	613.9	-	514.5	-
Income tax receivables	31	22.4	*3.1*	28.6	*15.5*
Other receivables	29	32.3	*0.5*	31.8	-
Total current assets		**1,549.8**	**-**	**1,393.4**	**-**
Assets held for sale	33	7.8	-	47.7	-
Total assets		**4,582.5**	**-**	**4,419.1**	**-**
LIABILITIES AND SHAREHOLDERS' EQUITY					
Shareholders' equity					
- Share capital		58.1	-	58.1	-
- Reserves		2,104.7	-	1,884.5	-
Capital and reserves attributable to Parent Company		2,162.8	-	1,942.6	-
Non-controlling interests		-	-	-	-
Total shareholders' equity		**2,162.8**	**-**	**1,942.6**	**-**
Non-current liabilities					
Bonds	35	778.7	-	995.6	-
Other non-current liabilities	35	463.7	-	493.6	-
Post-employment benefit obligations	37	31.6	-	34.4	-
Provisions for risks and charges	38	118.7	-	123.7	-
Deferred tax liabilities	18	368.2	-	364.0	-
Total non-current liabilities		**1,760.9**	**-**	**2,011.3**	**-**
Current liabilities					
Payables to banks	36	4.5	-	13.8	-
Bonds	36	218.6	-	-	-
Other financial liabilities	36	52.5	-	62.1	-
Trade payables	39	216.0	-	225.6	-
Income tax payables	40	13.9	*1.0*	21.8	*1.1*
Other current liabilities	39	153.4	-	141.7	*4.3*
Total current liabilities		**658.9**	**-**	**465.1**	**-**
Liabilities held for sale		-	-	0.1	-
Total liabilities		**2,419.7**	**-**	**2,476.5**	**-**
Total liabilities and shareholders' equity		**4,582.5**	**-**	**4,419.1**	**-**

Consolidated statements of cash flows

	Note	2018 € million	2017 € million
Operating profit		**380.7**	**394.3**
Joint Venture profit		0.2	-
Effects from hyperinflation accounting standard adoption		3.0	-
Depreciation and amortisation	12	53.8	57.1
Gains and losses on sales of fixed assets		(3.0)	(5.1)
Gains on sales of business		(38.5)	(49.7)
Write-downs of tangible fixed assets, goodwill, trademark and business	11	2.2	6.0
Utilizations of provisions		2.0	(5.3)
Change in long-term payables to staff		5.3	13.2
Change in net operating working capital		(25.5)	(58.6)
Income tax paid		(48.5)	(41.3)
Other non-cash items		(2.0)	0.4
Cash flow generated from (used in) operating activities		**329.5**	**311.2**
Purchase of tangible and intangible fixed assets	20-21-25	(82.8)	(85.8)
Disposal of tangible assets	11	11.9	53.1
Changes in receivables and payables from investments in fixed assets		15.7	123.8
Cash and cash equivalents at acquired companies	7	6.5	-
Purchase and sale of trademarks and distribution rights		-	(0.2)
Put options and earn out payments		(42.9)	(2.3)
Interests received		7.1	6.5
Net changes in securities	27-30	8.2	(0.9)
Dividends received		0.1	0.4
Other changes		(0.4)	-
Cash flow generated from (used in) investing activities		**(76.6)**	**94.7**
Liability management effect		-	(23.2)
Utilization of revolving facility loan		28.0	180.0
Repayment of revolving facility loan		(28.0)	(227.7)
Repayment of medium-/long -term financing		-	0.9
Other repayments of other medium- and long -term debts		(0.5)	(0.4)
Net change in short-term financial payables and bank loans		(10.4)	(18.8)
Interests paid		(29.9)	(35.1)
Change in other financial payables and receivables		(5.7)	19.4
Purchase and sale of own shares	41	(55.5)	(53.6)
Dividend paid by the Parent Company	34	(57.5)	(52.1)
Cash flow generated from (used in) financing activities		**(159.5)**	**(210.7)**
Other differences including exchange rate differences		**6.1**	**(34.8)**
Net change in cash and cash equivalents: increase (decrease)		**99.5**	**160.4**
Cash and cash equivalents at the beginning of period	32	514.5	354.1
Cash and cash equivalents at end of period	32	613.9	514.5

Statement of changes in shareholders' equity

	Notes	Attributable to Parent Company shareholders					Shareholders' equity	
		Share capital	Legal reserve	Retained earnings	Other reserves	Total	Non controlling interests	Total
		€ million	€ million	€ million	€ million	€ million	€ million	€ million
Balance at 31 December 2017		**58.1**	**11.6**	**1,995.6**	**(122.7)**	**1,942.6**	**-**	**1,942.6**
Dividend payout to Parent Company shareholders	34	-	-	(57.5)	-	(57.5)	-	(57.5)
Own shares acquired	41	-	-	(67.5)	-	(67.5)	-	(67.5)
Own shares sold	41	-	-	12.0	-	12.0	-	12.0
Stock options	41	-	-	-	6.9	6.9	-	6.9
Stock options utilization	41	-	-	3.3	(3.3)	-	-	-
Measurement on financial instruments		-	-	1.5	-	1.5	-	1.5
Hyperinflation efffects		-	-	-	11.3	11.3	-	11.3
Other changes		-	-	(0.6)	0.1	(0.6)	-	(0.6)
Profit for the period		-	-	296.3	-	296.3	-	296.3
Other comprehensive income (expense)		-	-	-	17.8	17.8	-	17.8
Total comprehensive income		**-**	**-**	**296.3**	**17.8**	**314.1**	**-**	**314.1**
Balance at 31 December 2018		**58.1**	**11.6**	**2,183.1**	**(89.9)**	**2,162.8**	**-**	**2,162.8**

	Notes	Attributable to Parent Company shareholders					Shareholders' equity	
		Share capital	Legal reserve	Retained earnings	Other reserves	Total	Non controlling interests	Total
		€ million	€ million	€ million	€ million	€ million	€ million	€ million
Balance at 31 December 2016		**58.1**	**11.6**	**1,750.9**	**79.4**	**1,900.0**	**-**	**1,900.0**
Dividend payout to Parent Company shareholders		-	-	(52.1)	-	(52.1)	-	(52.1)
Own shares acquired		-	-	(63.8)	-	(63.8)	-	(63.8)
Own shares sold		-	-	10.2	-	10.2	-	10.2
Stock options		-	-	-	6.9	6.9	-	6.9
Stock options utilization		-	-	3.1	(3.1)	-	-	-
Other changes		-	-	(9.4)	2.0	(7.3)	-	(7.3)
Profit for the period		-	-	356.4	-	356.4	-	356.4
Other comprehensive income (expense)		-	-	-	(207.8)	(207.8)	-	(207.8)
Total comprehensive income		**-**	**-**	**356.4**	**(207.8)**	**148.6**	**-**	**148.6**
Balance at 31 December 2017		**58.1**	**11.6**	**1,995.6**	**(122.7)**	**1,942.6**	**-**	**1,942.6**

Notes to the consolidated financial statements

1. General information

Davide Campari-Milano S.p.A. is a listed company on the Italian stock exchange, with registered office at Via Franco Sacchetti 20, 20099 Sesto San Giovanni (MI), Italy.
The Company is recorded in the Milan companies register and REA (business administration register) under no. 1112227.
As at 31 December 2018, Davide Campari-Milano S.p.A. was controlled by Alicros S.p.A., which has a 51% holding and is, in turn, 53.71%-controlled by Lagfin S.C.A., Société en Commandite par Actions, with registered office in Luxembourg. With effect from 12 February 2019, Alicros S.p.A. was merged by incorporation into Lagfin S.C.A., Société en Commandite par Actions, a holding company subject to Luxembourg law, which therefore became the direct holder of the investment in Davide Campari-Milano S.p.A., previously held by Alicros S.p.A., totalling 51% of the company's share capital. Pursuant to the Articles of Association of Davide Campari-Milano S.p.A. (Article 6(10)), under which Lagfin S.C.A., Société en Commandite par Actions, maintains the same seniority of entry in the special list of shareholders entitled to double voting rights as Alicros S.p.A., the controlling interest of 64.35% remains completely unchanged.
Founded in 1860, the Group is the sixth-largest in the branded spirits industry, with an extensive, varied product portfolio. Internationally recognised brands include Aperol, Appleton Estate, Campari, Grand Marnier, SKYY Vodka and Wild Turkey.
The Group operates in around 190 countries with prime positions in Europe and the Americas. It has 18 production plants and its own distribution network in 20 countries, and employs around 4,000 people.
The consolidated financial statements of Campari Group for the year ending 31 December 2018 were approved on 5 March 2019 by the Board of Directors of the Parent Company, Davide Campari-Milano S.p.A., which has authorised their publication.
The Board of Directors reserves the right to amend the financial statements should any significant events occur that require changes to be made, up to the date of the Shareholders' Meeting of the Parent Company.
The financial statements are presented in euro, the reference currency of the Parent Company and many of its subsidiaries.

2. Preparation criteria

The consolidated financial statements for the year ending 31 December 2018 were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and ratified by the European Union. These include all the international accounting standards (IAS) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor, the Standing Interpretations Committee (SIC).
The accounts were prepared on a cost basis, taking into account, where appropriate, any value adjustments, except for balance sheet items that, according to the IFRS, must be recognised at fair value, such as financial derivatives, biological assets and new acquisitions, and except in cases where the IFRS allow a different valuation criterion to be used.
The carrying amount of assets and liabilities subject to fair value hedging transactions, which would otherwise be recorded at cost, has been adjusted to take account of the changes in fair value attributable to the risk being hedged.
Unless otherwise indicated, the figures reported in these notes are expressed in million Euro.

Consolidation principles

The consolidated financial statements include the financial statements of the Parent Company and the Italian and foreign subsidiaries.
These accounting statements, based on the same financial year as the Parent Company and drawn up for the purposes of consolidation, have been prepared in accordance with the international accounting standards adopted by the Group.
Joint ventures are consolidated according to the equity method.

Form and content

In accordance with the format selected by the Group, the income statement has been classified by function, and the statement of financial position based on the division between current and non-current assets and liabilities.
This format is considered to provide a more meaningful representation of the items that have contributed to the Group's results and its assets and financial position.

In 2018, the Group did not carry out any atypical and/or unusual transactions, defined in the Consob communication as transactions which, due to their materiality or size, type of counterparties to the transaction, or method of determining the price and timing of the event (proximity to year end), could give rise to concerns over the accuracy or completeness of the information in the financial statements, conflicts of interest, the safeguarding of company assets or the protection of non controlling interests.
The cash flow statement was prepared using the indirect method.
Lastly, with reference to the requirements of Consob resolution 15519 of 27 July 2006 in relation to financial statements, the income statement and statement of financial position contain columns providing information on any significant transactions with related parties.

Basis of consolidation

The following changes occurred in the basis of consolidation, resulting from the creation, acquisition and sale of companies, described in the Report on operations in the section 'Significant events during the period':

- on 2 January 2018, the Group completed the closing of the agreement to sell Nettuno S.r.l., the company to which Davide Campari Milano S.p.A. had transferred the net assets of the Lemonsoda range during 2017. Therefore, at 31 December 2018, Nettuno S.r.l. was no longer included in the perimeter of consolidation;
- on 2 January 2018, the Group closed the acquisition of Camparino S.r.l., which was therefore included in the perimeter of consolidation;
- on 31 January 2018, the Group closed the agreement to acquire Bisquit Dubouché et Cie. from the South African Distell Group. On 28 September 2018, the company changed its name to Marnier - Lapostolle Bisquit SASU. The company, which is fully controlled by Société des Produits Marnier Lapostolle S.A., was therefore included in the perimeter of consolidation;
- in March 2018, the Group signed an agreement to create a joint venture in South Korea with BNC F&B Co. Ltd. The Group has a 40% holding with a call option on the remaining shares, which represent 60% of the share capital;
- on 17 August 2018, Gregson's S.A. was liquidated and was therefore not included in the perimeter of consolidation;
- on 21 September 2018, the Group set up two companies that provide services to Mexican company Campari Mexico S.A. de C.V.: the administrative services company Campari Mexico Corporativo, S.A. de C.V. and the production company Campari Mexico Destiladora, S.A. de C.V., both operating since December 2018;
- on 1 December 2018, Fratelli Averna S.p.A. and Sorfinn Ltd. were merged with Davide Campari-Milano S.p.A, with the aim of optimising and streamlining the Group's structure.

The tables below list the companies included in the basis of consolidation as at 31 December 2018.

Name, activity	Registered office	Share capital at 31 December 2018 Currency	Amount	% owned by Parent Company Direct	Indirect	Direct shareholder
Parent Company						
Davide Campari-Milano S.p.A., holding and manufacturing company	Via Franco Sacchetti 20, Sesto San Giovanni	€	58.080.000			
Fully consolidated companies						
Italy						
Campari International S.r.l., trading company	Via Franco Sacchetti 20, Sesto San Giovanni	€	700.000	100,00		
Camparino S.r.l., trading company	Piazza Duomo 21, Milano	€	48.880	100,00		
Campari Services S.r.l., services company	Via Franco Sacchetti 20, Sesto San Giovanni	€	160.000	100,00		
Europe						
Campari Austria GmbH, trading company	Naglergasse 1/Top 13,1010 Wien	€	500.000		100,00	DI.CI.E. Holding B.V.
Campari Benelux S.A., finance and trading company	Avenue de la Méterologie, 10, Bruxelles	€	1.000.000	61,00	39,00	Glen Grant Ltd.
Campari Deutschland GmbH, trading company	Bajuwarenring 1, Oberhaching	€	5.200.000		100,00	DI.CI.E. Holding B.V.
Campari España S.L., *holding* and trading company	Calle de la Marina 16-18, planta 28, Barcellona	€	3.272.600	100,00		
Campari RUS OOO, trading company	2nd Yuzhnoportoviy proezd 14/22, Moscow	RUB	2.010.000.000		100,00	DI.CI.E. Holding B.V.
Campari Schweiz A.G., trading company	Lindenstrasse 8, Baar	CHF	500.000		100,00	DI.CI.E. Holding B.V.
Campari Ukraine LLC, trading company	8, Illinska Street, 5 Floor, block 8 and 9, Kiev	UAH	87.396.209		100,00	DI.CI.E Holding B.V. (99%), Campari RUS OOO (1%)
DI.CI.E. Holding B.V., holding company	Luna Arena, Herikerbergweg 114, Zuidoost, Amsterdam	€	15.015.000	100,00		
Glen Grant Ltd manufacturing and trading company	Glen Grant Distillery, Rothes, Morayshire	GBP	24.949.000	100,00		
Grand Marques Nederland B.V., financial and trading company	11, Nieuwe Gracht, Haarlem	€	189.000		65,65	Marnier - Lapostolle Bisquit SASU
Kaloyiannis-Koutsikos Distilleries S.A., manufacturing and trading company	6 & E Street, A' Industrial Area, Volos	€	6.811.220		100,00	DI.CI.E. Holding B.V.
Société Civile Immobilière DU VAL, property company	32 rue de Monceau, 75008 Paris	€	16.769.392		76,59	Marnier - Lapostolle Bisquit SASU
Société des Produits Marnier Lapostolle S.A., holding and manufacturing company	32 rue de Monceau, 75008 Paris	€	27.157.500 (3)	76,59		
Marnier-Lapostolle Bisquit SASU, manufacturing and trading company	32 rue de Monceau, 75008 Paris	€	22.759.856		76,59	Société des Produits Marnier Lapostolle S.A.
Campari Distribution Ireland Ltd., trading company	Lower Mont Street, Dublin	€	245 (1)	100,00		
Americas						
Campari America LLC, manufacturing and trading company	1114 Avenue of the Americas, 19th Floor New York	USD	566.321.274 (2)	100,00		
Campari Services America LLC services company	1114 Avenue of the Americas, 19th Floor New York	USD	381.625 (4)		100,00	Campari Services S.r.l.
Campari Argentina S.A., manufacturing and trading company	Olga Cossettini, 243 Piso 3, Puerto Madeo, CABA	ARS	2.463.850.709		100,00	DI.CI.E. Holding B.V. (98,81%), Campari do Brasil Ltda. (1,19%)
Campari do Brasil Ltda., manufacturing and trading company	Alameda Rio Negro 585, Edificio Demini, Conjunto 62, Alphaville-Barueri-SP	BRL	239.778.071	99,999		Campari Schweiz AG (0,001%)
Campari Mexico S.A. de C.V., trading company	Avenida Americas 1500 Piso G-A Colonia Country Club, Guadalajara, Jalisco	MXN	820.187.150		100,00	DI.CI.E. Holding B.V.
Campari Mexico Corporativo S.A. de C.V. services company	Avenida Americas 1500 Piso G-A Colonia Country Club, Guadalajara, Jalisco	MXN	50.000		100,00	Campari Mexico, S.A. de C.V. (99%) Campari America, LLC (1%)
Campari Mexico Destiladora S.A. de C.V. manufacturing company	Camino Real a Atotonilco No. 1081, La Trinidad, San Ignacio Cerro Gordo, Jalisco, Z.C. 47195	MXN	50.000		100,00	Campari Mexico, S.A. de C.V. (99%) Campari America, LLC (1%)
Campari Peru SAC, trading company	Av. Jorge Basadre No.607, oficina 702, distrito de San Isidro, Lima	PEN	34.733.588 (2)		100,00	Campari Espãna S.L. (99,92%), Campari do Brasil Ltda. (0,08%)
Forty Creek Distillery Ltd., manufacturing and trading company	297 South Service Road West, Grimsby	CAD	105.500.100 (2)		100,00	DI.CI.E. Holding B.V.
J. Wray&Nephew Ltd., manufacturing and trading company	23 Dominica Drive, Kingstone 5	JMD	750.000		100,00	Campari Espãna S.L.

Name, activity	Registered office	Share capital at 31 December 2018		% owned by Parent Company		
		Currency	Amount	Direct	Indirect	Direct shareholder
Others						
Campari (Beijing) Trading Co. Ltd., trading company	Room 66, Floor 5, Block 1, No.16, Chaoyangmenwai Street, Chaoyang District, Beijing, China	CNY	104.200.430		100,00	DI.CI.E. Holding B.V.
Campari Australia Pty Ltd., manufacturing and trading company	Level 10, Tower B, 207 Pacific Hwy, St Leonards, NSW, 2065, Australia	AUD	56.500.000		100,00	DI.CI.E. Holding B.V.
Campari India Private Ltd., services company	Level 4, Rectangle 1, D-4, Commercial Complex, Saket, New Delhi, 110017, INDIA	INR	100.000		100,00	Di.Ci.E Holding BV 99%; Campari Australia Pty Ltd 1%
Campari Japan Ltd., trading company	6-17-15, Jingumae Shibuya-ku, Tokyo 150-0001 Japan	JPY	153.000.000		100,00	DI.CI.E.Holding B.V.
Campari New Zealand Ltd., trading company	C/o KPMG 18, Viaduct Harbour Av., Maritime Square, Auckland New Zealand	NZD	10.000		100,00	Campari Australia Pty Ltd.
Campari Singapore Pte Ltd., trading company	152 Beach Road, #24-06, 1Gateway East, Singapore 189721	SGD	100.000		100,00	DI.CI.E Holding B.V.
Campari South Africa Pty Ltd., trading company	12th Floor, Cliffe Deker Hofmeyr 11 Buitengracht street, Cape Town	ZAR	290.247.750		100,00	DI.CI.E. Holding B.V.

Investments accounted for using equity method

Name, activity	Registered office	Share capital at 31 December 2018		% owned by Parent Company		
		Currency	Amount	Direct	Indirect	Direct shareholder
Trans Beverages Company Limited, trading company	Nr 1702,c-dong (GL Metrocity Munjung SK V1) 642-3 Munjung-dong, Songpa-gu, Seoul, Korea	KWD	2.000.000.000		40,00	Glen Grant Ltd.

(1)Company in liquidation
(2)Includes capital contribution
(3)This figure does not include the portion of capital with right of usufruct, of 2.24%, and the portion of capital held by shareholders of SPML, which is covered by agreements to make repurchases by 2021.
(4)Company no longer active under local law with liquidation process under way.

Definition of control

Control is determined when the Group is exposed to or has a right to variable returns resulting from its involvement with the investee, and, at the same time, has the ability to use its power over the investee to affect these returns. Specifically, the Group controls a subsidiary if, and only if, it has:
- power over the investee (or holds valid rights that give it the current ability to manage significant activities of the investee);
- exposure or rights to variable returns resulting from its involvement with the investee;
- the ability to use its power over the investee to affect the size of its returns.

Generally, control is assumed to exist when the Group possesses a majority of the voting rights. In support of this assumption and when the Group holds less than the majority of the voting rights (or similar rights), the Group considers all relevant facts and circumstances in assessing whether it controls the investee, including contractual arrangements with other holders of voting rights, rights arising from contractual arrangements, and the Group's voting rights and potential voting rights.
The Group reassesses whether or not it controls a subsidiary if facts and circumstances indicate that one or more of the three significant elements defining control have changed. Consolidation of a subsidiary begins when the Group obtains direct or indirect control of that subsidiary (or via one or more other subsidiaries) and ceases when the Group loses control thereof. The assets, liabilities, revenues and costs of the subsidiary acquired or disposed of over the year are included in the consolidated financial statements from the date on which the Group obtains control until the date on which the Group no longer exercises control over the company.
The profit (loss) for the year and all other components of the statement of comprehensive income are attributed to the shareholders of the Parent Company and to non-controlling interests, even if this results in non-controlling interests having a negative value. When necessary, appropriate adjustments are made to subsidiaries' financial statements to bring them into line with the Group's accounting policies. All intra-group assets and liabilities, shareholders' equity, revenues, costs and cash flow relating to transactions between Group entities are fully derecognised on consolidation.

Subsidiaries
All subsidiaries are consolidated on a line-by-line basis.
Under this method, all assets and liabilities, and expenses and revenues for consolidated companies, are fully reflected in the consolidated financial statements. The carrying amount of the equity investments is derecognised against the corresponding portion of the shareholders' equity of the subsidiaries. Individual assets and liabilities are assigned the value attributed to them on the date control was acquired.
Any positive difference is recorded under the asset item Goodwill, and any negative amount is recognised on the income statement (see also note 7-'Business combinations' below).
Non-controlling interests in shareholders' equity and profit are reported under the appropriate items in the financial statements; the portion of shareholders' equity relating to non-controlling interests is determined on the basis of the present values assigned to assets and liabilities on the date control was assumed, whether or not the components of non-controlling interests entitle holders to receive a proportional share of the subsidiary's net assets in the event of liquidation.
Changes in investments in subsidiaries that do not result in the acquisition or loss of control are recorded as changes in shareholders' equity.
If the Group loses control of a subsidiary, the related assets (including goodwill), liabilities, non-controlling interests and other components of shareholders' equity are derecognised, while any gain or loss is recognised in the income statement. Any ownership interest maintained is recorded at fair value.

Associates and joint ventures
An associate is a company over which the Group exercises significant influence. Significant influence means the power to contribute to determining a subsidiary's financial and management policies, without having control or joint control over it.
A joint venture is a joint-control agreement in which the parties that hold joint control have rights to the net assets covered by the agreement. Joint control is the contractually agreed sharing of control of an agreement, which solely exists when decisions on relevant activities require unanimous consensus from all parties sharing control.
The factors considered to determine significant influence or joint control are similar to those necessary to determine control over subsidiaries.
These companies are reported in the consolidated financial statements using the equity method, starting on the date when significant influence or joint control begins and ending when such influence or control ceases.
If there is a significant loss of influence or joint control, the holding and/or investment is valued at fair value with the difference between fair value and carrying amount being recorded in the income statement.
If the Group's interest in any losses of associates exceeds the carrying amount of the equity investment in the financial statements, the value of the equity investment is derecognised, and the Group's portion of further losses is not reported, unless, and to the extent to which, the Group has a legal or implicit obligation to cover such losses.
The Group assesses the existence of any impairment indicators on an annual basis by comparing the value of the investment measured at equity with the recoverable value; any impairment value is allocated to the investment as a whole with an offsetting entry in the income statement.

Transactions derecognised during the consolidation process
When preparing the consolidated financial statements, unrealised gains and losses resulting from intra-group transactions are derecognised, as are the entries giving rise to payables and receivables, and costs and revenues between the companies included in the basis of consolidation.
Unrealised gains and losses generated on transactions with associated companies or joint ventures are derecognised to the extent of the Group's percentage interest in those companies.
Dividends collected from consolidated companies are derecognised.

Currency conversion criteria and exchange rates applied to the financial statements
Figures expressed in currencies other than the accounting currency (Euro) are converted as follows:
- income statement items are converted at the average exchange rate for the year, while statement of financial position items are converted at year-end exchange rates; exchange rate differences resulting from the application of the different methods for conversion to Euro of income statement and statement of financial position items are recorded under the currency translation reserve in shareholders' equity, until the investment in question is sold;
- any conversion differences between the value of shareholders' equity at the start of the year, as converted at end-of-year exchange rates, and the value of shareholders' equity for the previous year converted at current exchange rates are also recorded under the currency translation reserve.

When preparing the consolidated statement of cash flows, average exchange rates were used to convert the cash flows of subsidiaries outside the Eurozone.

If a subsidiary operates in a hyperinflationary economy, the related economic and financial results are adjusted in accordance with the method established by IAS 29-'Financial Reporting in Hyperinflationary Economies', before being translated into the functional currency of the Group (euro). The economic and financial data must be restated in local currency, taking into account the current purchasing power of the currency at the balance sheet date. This process requires a number of complex procedural steps, which must be consistent over time.
The restatement procedures used by the Group are as follows:
a) selection of a general price index;
b) segregation of monetary and non-monetary items;
c) restatement of non-monetary items, including deferred taxes;
d) restatement of the income statement;
e) calculation of monetary profit or loss;
g) restatement of adjusted balance sheet and income statement values.
The effect of restating non-monetary items is recognised in the income statement as net financial income (charge).
The restated income statement was converted into euro by applying the spot exchange rate at the end of the financial year instead of the average exchange rate for the period.
No restatement of the values presented in the comparative period prior to the official declaration of the subsidiary's adoption of hyperinflationary accounting is required in the Group's consolidated figures.

The exchange rates used for conversion transactions are shown below.

	31 December 2018		31 December 2017	
	average rate	end-of-period rate	average rate	end-of-period rate
US Dollar	1.182	1.145	1.129	1.199
Canadian Dollar	1.530	1.561	1.464	1.504
Jamaica Dollars	152.188	145.872	144.494	149.403
Argentine Peso(*)	43.159	43.159	18.728	22.931
Australian Dollar	1.580	1.622	1.472	1.535
Brazilian Real	4.309	4.444	3.604	3.973
Switzerland Francs	1.155	1.127	1.111	1.170
Chile Pesos	757.019	794.370	731.945	737.290
Yuan Renminbi	7.808	7.875	7.626	7.804
Euro	1.000	1.000	1.000	1.000
Great Britain Pounds	0.885	0.895	0.876	0.887
India Rupees	80.728	79.730	73.495	76.606
Japanese Yen	130.415	125.850	126.632	135.010
South Korea Won	1,299.256	1,277.930	1,275.721	1,279.610
Mexican peso	22.714	22.492	21.325	23.661
New Zealand Dollars	1.706	1.706	1.589	1.685
Peruvian sol	3.881	3.863	3.681	3.885
Russia Rubles	74.055	79.715	65.891	69.392
Singapore Dollars	1.593	1.559	1.558	1.602
Ukraine Hryvnia	32.119	31.736	30.030	33.732
Uruguay Pesos	36.226	37.094	32.395	34.552
South African Rand	15.611	16.459	15.042	14.805

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

3. Summary of accounting principles

Intangible assets

Intangible assets include all assets without any physical form that are identifiable, controlled by the company and capable of producing future economic benefits, as well as goodwill when purchased for consideration.
Intangible assets acquired are recorded under assets, in accordance with IAS 38-'Intangible Assets', when it is likely that the use of the assets will generate future economic benefits, and when the cost can be reliably determined.
If acquired separately, these assets are reported at acquisition cost including all allocable ancillary costs on the acquisition date.
Intangible assets acquired through business combinations are reported separately from goodwill at fair value, where this can reliably be measured, on the acquisition date.
Subsequently, intangible assets are recorded at cost net of accumulated amortisation and any impairment losses.
Assets produced internally, excluding development costs, are not capitalised and are reported in the income statement for the financial year in which they are incurred.
Intangible assets with a finite life are amortised on a straight-line basis in relation to their remaining useful life, generally three years, taking into account previously recorded impairment.
The period of amortisation of intangible assets with a finite life is reviewed at least at the end of every financial year in order to ascertain any changes in their useful life, which if identified will be considered as changes in estimates.

The costs of development projects and studies are recorded in the income statement in full in the year in which they are incurred.
Advertising and promotional costs are recorded in the income statement when the Company has received the goods or services in question.
Costs relating to industrial patents, concessions, licences and other intangible fixed assets are recorded on the assets side of the statement of financial position only if they are able to produce future economic benefits for the Company. These costs are amortised according to the period of use, if this can be defined, or according to contract duration.
Software licences represent the cost of purchasing licences and, if incurred, external consultancy fees or internal personnel costs necessary for development. These costs are recorded in the year in which the internal or external costs are incurred for training personnel and other related costs.
Goodwill and brands which result from acquisitions and qualify as intangible assets with an indefinite life are not amortised. The possibility of recovering their carrying amount is ascertained at least annually, and in any case when events occur leading to the assumption of a reduction in value using the criteria indicated in the section entitled Impairment.
For goodwill, a test is performed on the smallest cash-generating unit to which the goodwill relates. On the basis of this, management directly or indirectly assesses the return on investment including goodwill. See also 'Business combinations' paragraph below.
Impairment in goodwill can no longer be recovered in future years. When control of a previously acquired company is transferred, the capital gain or loss on the transfer takes into account the corresponding residual value of the previously recorded goodwill.

Business combinations
Business combinations are recorded in accordance with IFRS 3-'Business Combinations', by applying the acquisition method.
The cost of an acquisition is determined by the sum of the payments transferred as part of a business combination, measured at fair value, on the date of acquisition and the value of the portion of shareholders' equity relating to non-controlling interests, measured at fair value or as a pro-rata share of the net assets recognised for the acquired entity.
In the case of business combinations made in stages, the interest previously held by the Group in the acquired business is revalued at fair value on the date control is acquired, and any resulting gains or losses are recognised in the income statement.
Conditional payments are measured at fair value at the acquisition date and are included among the transferred payments for the purposes of calculating goodwill. Subsequent changes to the fair value of the conditional payment, i.e. where the amount and future disbursement are dependent on future events that are classified as a financial instrument, are reported on the income statement or separately in equity under the other components of comprehensive income. Conditional payments that do not represent financial instruments regulated by IFRS 9-'Financial instruments' are valued on the basis of the specific applicable IFRS/IAS. Conditional payments that are classified as capital instruments are not revalued; they are therefore recorded under equity when settled.
Ancillary costs relating to the transaction are recognised in the income statement at the time they are incurred.
Any changes in fair value occurring once more information becomes available during the measurement period (12 months from the date of acquisition) are included retrospectively in goodwill.
Goodwill acquired in business combinations is initially measured at cost, as the excess of the sum of payments transferred as part of a business combination, the value of the portion of shareholders' equity relating to non-controlling interests and the fair value of any interest previously held in the acquired business over the Group's portion of the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired company.
If the value of the net assets acquired and liabilities assumed on the acquisition date exceeds the sum of the transferred payments, the value of the non-controlling interests' portion of shareholders' equity and the fair value of any interest previously held in the acquired business, this excess value is recorded in the income statement as income from the transaction.
After initial recognition, goodwill is measured at cost less cumulative impairment.
To establish whether impairment has occurred, the goodwill acquired in a business combination is allocated from the date of the acquisition to the individual cash-generating units or to the groups of cash-generating units likely to benefit from merger synergies, whether or not other assets or liabilities from the acquisition are assigned to these units or groups of units.
When the goodwill is part of a cash-generating unit (or group of cash-generating units) and some of the internal assets of the unit are sold, the goodwill associated with the assets sold is included in the carrying amount of the assets in order to establish the gain or loss generated by the sale.

Goodwill sold in this way is measured according to the value of the assets sold and the value of the remaining portion of the unit.

Tangible fixed assets

Property, plant and equipment are recorded at acquisition or production cost, gross of capital grants (if received) and directly charged expenses, and are not revalued.

Subsequently, tangible fixed assets are recorded at cost net of accumulated depreciation and any impairment losses.

Any costs incurred after purchase are only capitalised if they increase the future financial benefits generated by using the asset.

The replacement costs of identifiable components of complex assets are allocated to assets on the statement of financial position and depreciated over their useful life. The residual value recorded for the component being replaced is allocated to the income statement; other costs are charged to profit and loss when the expense is incurred.

Financial expenses incurred in respect of investments in assets which normally take a substantial period of time to be prepared for use or sale (qualifying assets as defined in IAS 23-'Borrowing Costs') are capitalised and depreciated over the useful life of the asset class to which they belong.

All other financial expenses are posted to the income statement when incurred.

Ordinary maintenance and repair expenses are charged to profit and loss in the period in which they are incurred.

If there are current obligations for dismantling or removing assets and cleaning up the related sites, the carrying amount of the assets includes the estimated costs (discounted to present value) to be incurred when the structures are abandoned, which are reported as an offsetting entry to a specific provision.

Assets held under finance lease contracts, which essentially assign to the Group all the risks and benefits tied to ownership, are recognised as Group assets at their current value, or the present value of the minimum lease payments, whichever is lower.

The corresponding liability to the lessor is reported in the financial statements under financial payables.

These assets are depreciated using the policies and rates indicated below.

Leasing arrangements in which the lessor retains substantially all the risks and benefits relating to the ownership of the assets are classified as operating leases, and the related costs are recognised in the income statement over the term of the contract.

Depreciation is applied using the straight-line method, based on each asset's estimated useful life as established in accordance with the Company's plans for use of such assets, taking into account wear and tear and technological obsolescence, and the likely estimated realisable value net of disposal costs.

When the tangible asset consists of several significant components with different useful lives, depreciation is applied to each component individually.

The amount to be depreciated is represented by the carrying amount less the estimated net market value at the end of its useful life, if this value is significant and can be reasonably determined.

Land, even if acquired in conjunction with a building, is not depreciated, and nor are available-for-sale tangible assets, which are reported at the lower of their carrying amount and fair value less disposal costs.

Rates are as follows:

- major real estate assets and light construction:	3%-10%
- plant and machinery:	10%
- furniture, and office and electronic equipment:	10%-20%
- motor vehicles:	20%-25%
- miscellaneous equipment:	20%-30%

Depreciation ceases on the date on which the asset is classified as available for sale or on which the asset is derecognised for accounting purposes, whichever occurs first.

A tangible asset is derecognised from the statement of financial position at the time of sale or when there are no future economic benefits associated with its use or disposal.

Any profits or losses are included in the income statement in the year of this derecognition.

Capital grants

Capital grants are recorded when there is a reasonable certainty that all requirements necessary for access to such grants have been met and that the grant will be disbursed.

This generally occurs at the time the decree acknowledging the benefit is issued.

Capital grants that relate to tangible fixed assets are recorded as deferred income and credited to the income statement over the whole period corresponding to the useful life of the asset in question.

Impairment

The Group ascertains, at least annually, whether there are indicators of potential impairment of intangible and tangible assets. If the Group finds that such indications exist, it estimates the recoverable value of the relevant asset.

Moreover, intangible assets with an indefinite useful life or not yet available for use, and goodwill are subject to impairment tests every year or more frequently, whenever there is an indication that the asset may be impaired.

The ability to recover the assets is ascertained by comparing the carrying amount to the related recoverable value, which is represented by the greater of the fair value less disposal costs, and the value in use.

In the absence of a binding sale agreement, the fair value is estimated on the basis of recent transaction values in an active market, or based on the best information available to determine the amount that could be obtained from selling the asset.

The value in use is determined by discounting expected cash flows resulting from the use of the asset, and if significant and reasonably determinable, the cash flows resulting from its sale at the end of its useful life.

Cash flows are determined on the basis of reasonable, documentable assumptions representing the best estimate of the future economic conditions that will occur during the remaining useful life of the asset, with greater weight given to external information.

The discount rate applied takes into account the implicit risk of the business segment.

When it is not possible to determine the recoverable value of an individual asset, the Group estimates the recoverable value of the unit that incorporates the asset and generates cash flows.

Impairment is recorded if the recoverable value of an asset is lower than its carrying amount.

This loss is posted to the income statement unless the asset was previously written up through a shareholders' equity reserve.

In this case, the reduction in value is first allocated to the revaluation reserve.

If, in a future period, a loss on assets, other than goodwill, does not materialise or is reduced, the carrying amount of the asset or cash-generating unit is increased up to the new estimate of recoverable value, and may not exceed the value that would have been calculated if no impairment had been recorded.

The recovery of impairment is posted to the income statement, unless the asset was previously reported at its revalued amount. In this case, the recovery in value is first allocated to the revaluation reserve.

Investment property

Property and buildings held to generate lease income (investment property) are valued at cost less accumulated depreciation and impairment losses.

The depreciation rate for buildings is 3%, while land is not depreciated.

Investment property is derecognised from the statement of financial position when sold or when it becomes permanently unusable and no future economic benefits are expected from its disposal.

Biological assets

Biological assets are valued, at initial recognition and at each subsequent reporting date, at their fair value less estimated point-of-sale costs.

Agricultural produce is valued at fair value less estimated point-of-sale costs at harvest.

Financial instruments

Financial instruments held by the Group are categorised as follows.

i). Financial assets

Financial assets include investments, short-term securities and financial receivables, which in turn include the positive fair value of financial derivatives, trade and other receivables and cash and cash equivalents.

Specifically, cash and cash equivalents include cash, bank deposits and highly liquid securities that are readily convertible into cash and are subject to an insignificant risk of a change in value. Deposits and securities included in this category mature in less than three months from the closing date of the period.

Current securities include short-term securities or marketable securities that represent a temporary investment of cash and do not meet the requirements for classification as cash and cash equivalents.

Financial assets represented by debt securities are classified and valued on the statement of financial position based on the business model that the Group has adopted to manage these financial assets, and based on the financial flows associated with each financial asset.

Financial assets also include investments in companies that are not held for trading. These assets are strategic investments, and the Group has decided to recognise changes in the related fair values through profit and loss (FVTPL). Changes in value that clearly represent a recovery of part of the cost of the investment are not recorded in the income statement, but are deducted directly from the asset.

Financial assets are classified and measured on the basis of a business model developed by the Group on the first-time adoption of IFRS 9. The business model has been defined at a level that reflects the way in which groups of financial assets are managed to achieve a particular business objective. The model's measurement process requires an assessment based in part on quantitative and qualitative factors relating to, for example, the way in which the performance of the financial assets in question is communicated to management with strategic responsibilities and the way in which the risks connected with these financial assets are managed.
The Group measures a financial asset at amortised cost if it meets both of the following conditions:
- it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- its contractual conditions are such that the cash flows generated by the asset are attributable exclusively to payments of principal and related interest.

Financial assets measured at amortised cost are measured at fair value at the time of initial recognition; subsequent measurements reflect the repayments made, the effects of applying the effective interest method and any write-downs. Any gain or loss made on derecognition is recognised in profit or loss, together with foreign exchange gains and losses.

A financial asset represented by debt securities is measured at fair value through other comprehensive income (FVOCI) if it meets both of the following conditions:
- it is held within a business model whose objective is to collect both the contractual cash flows and the cash flows arising from the sale of the asset; and
- its contractual conditions are such that the cash flows generated by the asset are attributable exclusively to payments of principal and related interest. After initial recognition, these assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment losses are recognised in the income statement. Net gains and losses deriving from other changes in fair value are recognised with a balancing entry in the statement of comprehensive income. Upon derecognition, the accumulated gains and losses in the statement of comprehensive income are recorded to the income statement.

Impairment of a financial asset

Financial assets are tested for recoverability by applying an impairment model based on 'expected credit loss' (ECL).
The Group applies the simplified method for trade receivables, which considers the probabilities of defaults over the financial instrument's life ('lifetime expected credit losses'). Impaired loans are analysed based on the debtor's creditworthiness and ability to pay the sums due, as well as the degree of effective coverage of any collateral and personal guarantees in existence. With regard to all other trade receivables, two approaches are applied to estimate impairment, based on the specific characteristics of the individual countries in which the Group operates and its constant growth at a global level: one is matrix-based and the other applies the probability of default ('PD') obtained from external sources specialising in the country in which each subsidiary is located.
A financial asset is considered impaired when internal or external information indicates that it is unlikely that the Group will receive the full contractual amount.
Lastly, with regard to other financial assets measured at amortised cost, and, specifically, cash and cash equivalents, the impact in terms of expected loss is not considered material and for this reason no adjustment is made to the book values.

ii). Financial liabilities

Financial liabilities include financial payables, which, in turn, include the negative fair value of financial derivatives, trade payables and other payables.
Financial liabilities are classified and measured at amortised cost, except for financial liabilities that are initially measured at fair value, for example financial liabilities relating to earn-outs linked to business combinations and derivative instruments and financial liabilities for put options on non-controlling interests.

iii). Derecognition of financial assets and liabilities

A financial asset or liability (or, if applicable, part of a financial asset/liability or part of a group of similar financial assets/liabilities) is derecognised from the financial statements if the Group has unconditionally transferred the right to receive financial flows from the asset or the obligation to make payments or fulfil other obligations related to the liability.
In cases where an existing financial liability is replaced by another to the same lender under substantially different conditions, or where the conditions of an existing liability have changed substantially, the replacement or change is treated in the financial statements as a derecognition of the original liability, and a new liability is therefore reported, with any difference in the carrying amounts recognised in the income statement.

iv). Financial derivatives and hedging transactions

Financial derivatives embedded in contracts where the primary element is a financial asset that falls within the scope of IFRS 9 are not separated. The hybrid instrument is instead examined as a whole for classification in the balance sheet and subsequent measurement.

Financial derivatives are used solely for hedging purposes to reduce exchange and interest rate risk. Financial derivatives are only accounted for according to the methods established for hedge accounting (fair value hedge or cash flow hedge) if, at the start of the hedging period, the hedging relationship has been designated. It is assumed that the hedge is highly effective: it must be possible for this effectiveness to be reliably measured during the accounting periods for which it is designated. All financial derivatives are measured at fair value.

Where financial instruments meet the requirements for being reported using hedge accounting procedures, the following accounting treatment is applied:

i. fair value hedge: if a financial derivative is designated as a hedge against exposure to changes in the fair value of an asset or liability attributable to a particular risk that could have an impact in the income statement, the gains or losses resulting from subsequent measurements of the fair value of the hedging instrument are reported in the income statement. The gain or loss on the hedged item, which is attributable to the hedged risk, is reported as a portion of the carrying amount of this item and as an offsetting entry in the income statement;

ii. cash flow hedge: if a financial instrument is designated as a hedge of exposure to fluctuations in the future cash flow of an asset or liability recorded in the financial statements, or of a transaction that is considered to be highly probable and that could have an impact on the income statement, the effective portion of the gains or losses on the financial instrument is recognised in the statement of comprehensive income. Cumulative gains or losses are reversed from shareholders' equity and recorded in the income statement in the same period in which the transaction being hedged has an impact on the income statement. The gain or loss associated with a hedge or the portion of a hedge that has become ineffective is posted to the income statement when the ineffectiveness is reported.

If a hedge instrument or hedge relationship is closed out, but the transaction being hedged has not been carried out, the cumulative gains and losses, which, until that time had been posted to shareholders' equity, are recognised in the income statement at the time the related transaction is carried out.

If the transaction being hedged is no longer considered likely to take place, the pending unrealised profits or losses in shareholders' equity are recorded in the income statement.

If hedge accounting cannot be applied, any gains or losses resulting from measuring the financial derivative at its present value are posted to the income statement.

A highly probable intra-group transaction qualifies as a hedged item in a cash flow hedge of exchange rate risk, provided that the transaction is denominated in a currency other than the functional currency of the company entering into the transaction and that the consolidated financial statements are exposed to exchange rate risk.

In addition, if the hedge of a forecast intra-group transaction qualifies for hedge accounting, any gain or loss that is recognised directly in the statement of comprehensive income must be reclassified in the income statement in the same period in which the currency risk of the hedged transaction affects the consolidated income statement.

Own shares

Own shares are reported as a reduction to shareholders' equity.

The original cost of the own shares and the economic effects of any subsequent sales are reported as movements in shareholders' equity.

Inventories

Inventories of raw materials and semi-finished and finished products are valued at the lower between the purchase or production cost, determined using the weighted average method, and the market value.

Work in progress is recorded at the acquisition cost of the raw materials used including the actual production costs incurred up to the point of production reached.

Inventories of raw materials and semi-finished products that are no longer of use in the production cycle and inventories of unsaleable finished products are fully written down.

Low-value replacement parts and maintenance equipment that cannot be used in connection with one part of the asset are reported as inventories and recognised in the income statement when used.

Non-current assets held for sale

Non-current assets held for sale include non-current assets (or disposal groups) whose carrying amount will be recovered primarily from their sale rather than their ongoing use, and whose sale is highly probable in the short term (within one year) and in the assets' current condition.

Non-current assets held for sale are valued at the lower of their net carrying amount and present value, less sale costs, and are not amortised.

Employee benefits

Post-employment benefit plans

Group companies provide post-employment benefits for staff, both directly and by contributing to external funds. The procedures for providing these benefits vary according to the legal, fiscal and economic conditions in each country in which the Group operates.

Group companies provide post-employment benefits through defined contribution and/or defined benefit plans.

i. Defined benefit plans

The Group's obligations and the annual cost reported in the income statement are determined by independent actuaries using the projected unit credit method.

The net cumulative value of actuarial gains and losses is recorded directly on the statement of comprehensive income and is not subsequently recognised in the income statement.

The costs associated with an increase in the present value of the obligation, as the time of payment of the benefits draws nearer, are included under financial expenses. Service costs are posted to the income statement. The liability recognised represents the present value of the defined benefit obligation, less the present value of plan assets. If an amendment to the plan changes the benefits accruing from past service, the costs arising from past service are recognised in the income statement at the time the change to the plan is made. The same treatment is applied if there is a change to the plan that reduces the number of employees or that varies the terms and conditions of the plan (treatment is the same regardless of whether the final result is a profit or a loss).

ii. Defined contribution plans

Since the Group fulfils its obligations by paying contributions to a separate entity (a fund), with no further obligations, the Company records its contributions to the fund in respect of employees' service, without making any actuarial calculation.

Where these contributions have already been paid at the reporting date, no liabilities are recorded in the financial statements.

Compensation plans in the form of stock options

The Group pays additional benefits in the form of stock option plans to employees, directors and individuals who regularly carry out work for one or more Group companies.

Pursuant to IFRS 2-'Share-Based Payment', the total fair value of the stock options on the allocation date is to be reported as a cost in the income statement, with an increase in the respective shareholders' equity reserve, in the period beginning at the time of allocation and ending on the date on which the employees, directors and individuals who regularly carry out work for one or more Group companies become fully entitled to receive the stock options.

Changes in the present value after the grant date have no effect on the initial valuation, while in the event of changes to the terms and conditions of the plan, additional costs are recorded for each change that determines an increase in the present value of the recognised option. The cost is recognised as a portion, for each period in which the vesting conditions have been met, while in the event of the cancellation of an option, the cost recorded until that date is released to income on the income statement.

The fair value of stock options is represented by the value of the option calculated by applying the Black-Scholes model, which takes into account the conditions for exercising the option, the current share price, expected volatility and the risk-free rate, as well as the non-vesting conditions.

The stock options are recorded at fair value with an offsetting entry in the stock option reserve.

The dilutive effect of options not yet exercised is included in the calculation of diluted earnings per share.

Provision for risks and charges

Accruals for the provision for risks and charges are recognised when:

- there is a current legal or implicit obligation resulting from a past event;
- it is likely that the fulfilment of the obligation will require some form of payment;
- the amount of the obligation can be reliably estimated.

Accruals are recorded at a value representing the best estimate of the amount the Company would reasonably pay to discharge the obligation or transfer it to third parties on the reporting date.

Where the financial impact of the timing is significant, and the payment dates of the obligations can be reliably estimated, the accrual is discounted to present value. The change in the related provision over time is allocated to the income statement under Financial income (charges).

Provisions are periodically updated to reflect changes in estimates of cost, timescales and discount rates. Revisions to estimates of provisions are booked to the same item that contains the accrual or, if the liability relates to tangible assets (e.g. dismantling and restoration), these revisions are reported as an offsetting entry to the related asset.
When the Group expects that all or part of the provisions will be repaid by third parties, the payment is recorded under assets only if it is virtually certain, and the accrual and related repayment are posted to the income statement.

Restructuring provisions
The Group reports restructuring provisions only if there is an implicit restructuring obligation and a detailed formal restructuring programme that has led to the reasonable expectation by the third parties concerned that the Company will carry out the restructuring, either because it has already started the process or because it has already communicated the main aspects of the restructuring to the third parties concerned.

Revenues from sales and services
Revenues are recognised when the customer gains control of the goods. Transfer of control is determined using a five-step analytical model that is applied to all revenues from contracts with customers.
This occurs when the goods are delivered to the customer, who has full discretion over the sales channel and price of the products themselves, and there is no unfulfilled obligation that could affect acceptance by the customer. Delivery takes place when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer and the customer has accepted the products in accordance with the sales contract, the terms and conditions of acceptance have expired or the Group has objective evidence that all criteria for acceptance have been met. The Group's revenues mainly include sales of spirits on the market and, to a marginal extent, revenues from co-packing services in some way linked to the Group's core business. In view of the significance of the core business to total Group sales, a breakdown of sales has not been prepared.
Revenues are recognised at the price shown in the contract, net of any estimates of deferred discounts or incentives granted in line with market practice, for example:
1) volume/value discounts based on cumulative sales above a threshold at the end of a given period;
2) discounts (such as discounts, rebates, performance bonuses, logistical discounts) based on promotional activities carried out by the customer and agreed upon in advance;
3) customer incentives, such as discount vouchers, free products, price protection, market development allowances and price reduction allowances (to compensate low sales);
4) product placement allowances (such as contributions for placement and range).
Historical experience is used to estimate deferred discounts/incentives, and revenues are recognised only to the extent that it is highly probable that there will be no need for subsequent significant adjustments.
No element of financing is deemed to be present as sales are made with only a brief delay before payment: normally, there are no contracts with more than one year between the transfer of the goods and payment by the customer.
Discounts relating to specific payment terms that lower the Group entity's collection risk or reduce administrative costs and/or improve liquidity (such as payments at the time of sale) are recognised as a reduction in revenue.
A liability reducing the related trade receivable is recognised for deferred discounts due to customers in relation to sales made up to the end of the period. Such liabilities can then be offset against the amounts payable by the customer.
A credit is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.
The Group incurs consumption taxes all over the world. In most of the jurisdictions, excise duties are a production tax that becomes payable when the product is removed from the tied estate and is not directly correlated with the sales value. Excise duties are recognised as a cost offset by the revenues deriving from the amounts collected. In line with industry practice, sales are shown in the Group's income statement net of excise duties.

Recognition of costs and expenses in the income statement
Costs are recognised in the income statement when they relate to goods and services consumed during the period.
Personnel costs include stock option plans (in keeping with their largely remunerative nature) allocated to employees, directors and individuals who regularly carry out work for one or more Group companies.

Costs incurred in developing alternative products or processes, or in conducting technological research and development, are considered current costs and charged to the income statement in the period in which they are incurred.

Financial income and charges

Financial income and charges (including exchange rate differences) are mainly recognised in the income statement in the year in which they are incurred; recognition in other components of the statement of comprehensive income is governed by the rules of IFRS 9-'Financial Instruments'. Financial charges that are not capitalised are recognised in the income statement based on the effective interest method.

Taxes

Current income taxes are calculated on estimated taxable income, and the related payable is recorded under Tax payables.

Current tax payables and receivables are recognised in the amount expected to be paid to/received from tax authorities by applying the tax rates and regulations in force or effectively approved on the reporting date. In preparing the above estimates, detailed consideration was also given to uncertainties regarding the tax treatment of transactions carried out by the Group that could give rise to disputes with the tax authorities.

Current taxes relating to items posted directly to shareholders' equity are included in shareholders' equity.

Other non-income taxes, such as property and capital taxes, are included in operating expenses.

Deferred tax assets and liabilities are calculated on all temporary differences between the asset and liability values recorded in the accounts and the corresponding values recognised for tax purposes using the liability method.

Provisions for taxes that could be incurred from the transfer of undistributed profit from subsidiaries have been made only where there is a genuine intention to transfer that profit.

Deferred tax assets are recorded when their recovery is likely.

Deferred tax assets and liabilities are determined on the basis of tax rates projected to be applicable under the respective laws of the countries in which the Group operates, in those periods when the temporary differences are generated or derecognised.

Current and deferred tax assets and liabilities are offset when these relate to income taxes levied by the same tax authority and a legal right of set-off exists, provided that realisation of the asset and settlement of the liability take place simultaneously.

The balance of any set-off is posted to deferred tax assets if positive and deferred tax liabilities if negative.

Transactions in foreign currencies (not hedged with derivatives)

Revenues and costs related to foreign currency transactions are reported at the exchange rate in force on the date the transaction is carried out.

Monetary assets and liabilities in foreign currencies are initially translated into euro at the exchange rate in effect on the transaction date and subsequently converted into euro at the exchange rate in effect on the reporting date, with the difference in value being posted to the income statement.

Non-monetary assets and liabilities arising from the payment/collection of a foreign currency advance are initially recognised at the exchange rate in effect on the transaction date and are not subsequently modified to take account of the change in the exchange rate in effect on the reporting date.

Earnings per share

Basic earnings per share are calculated by dividing the Group's net profit by the weighted average number of shares outstanding during the period, excluding any own shares held.

For the purposes of calculating the diluted earnings (loss) per share, the weighted average of outstanding shares is adjusted in line with the assumption that all potential shares with a diluting effect will be converted.

Use of estimates

The preparation of the financial statements and related notes in accordance with IFRS requires the management to make estimates and assumptions that have an impact on the value of revenues, costs, assets and liabilities in the statement of financial position and on disclosures concerning contingent assets and liabilities at the reporting date.

If, in the future, these estimates and assumptions, based on the best valuation currently available, differ from the actual circumstances, they will be amended accordingly at the time the circumstances change.

In particular, estimates are used to identify provisions for risks with respect to receivables, obsolete inventory, depreciation and amortisation, asset impairment, employee benefits, taxes, restructuring reserves and accrual of other provisions.

The estimates and assumptions are reviewed periodically, and the impact of any change is reflected in the income statement.
Goodwill and intangible assets with an indefinite useful life are subject to annual impairment tests to check for any losses in value.
The calculations are based on expected financial flows from the cash-generating units to which the goodwill is attributed, as inferred from multi-year budgets and plans.

4. Changes in accounting standards

a. IFRS 15-'Revenue from Contracts with Customers': impacts of first-time adoption

The aim of the new standard, which has been applied since 1 January 2018, is to improve the quality and uniformity of revenue recognition and the comparability of financial statements prepared in accordance with IFRS and US accounting principles. Under the new standard, revenue recognition may no longer be based on the earnings method but on the asset-liability method, which focuses on the date that control of the sold asset was transferred. The Group has completed its analysis of its revenue valuation model in light of the provisions of the new standard. Based on its analysis, there were no types of complex contracts or differences in the way in which it identifies the timing of revenue recognition: the change in methodology therefore does not have a significant impact on the Group's overall financial results. However, some components were identified, as listed below, that were previously classified as advertising and promotional (A&P) costs in the income statement but were instead recognised as a reduction in revenues; this is because they relate to payments to clients that are not attributable to products or services that can be separated from the main sales transaction. These cases fall into the following categories:
- visibility initiatives at sales outlets;
- product listing fees;
- coupons;
- incentives and contributions paid to distributors that are not related to promotions and other marketing initiatives.

The Group decided to approach the transition by making retrospective application, as provided for by the new standard. The adoption of IFRS 15 has no effect on the opening shareholders' equity at 1 January 2018. The accounting principles applied by the Group and set out in paragraph 3, Summary of accounting principles applied in these financial statements, have been updated accordingly.
The effects of applying the new standard on the comparative figures at 31 December 2017 are shown below.

- **Management report**

Income statement

Income statement at 31 December 2017

	31 December 2017 published		Restatement	31 December 2017 after IFRS 15 reclassifications	
	€ million	%	€ million	€ million	%
Net sales	**1,816.0**	**100.0**	**(62,7)**	**1,753.4**	**100.0**
Cost of goods sold	(741.1)	-40.8	-	(741.1)	-42.3
Gross margin	**1,075.0**	**59.2**	**(62,7)**	**1,012.3**	**57.7**
Advertising and promotional costs	(342.5)	-18.9	(62,7)	(279.9)	-16.0
Contribution margin	**732.4**	**40.3**	**-**	**732.4**	**41.8**
Overheads	(351.9)	-19.4	-	(351.9)	-20.1
Adjusted result from recurring activities	**380.5**	**21.0**	**-**	**380.5**	**21.7**
Adjustments to operating income (charges)	13.9	0.8	-	13.9	0.8
Operating result	**394.3**	**21.7**	**-**	**394.3**	**22.5**
Net financial income (charges)	(40.0)	-2.2	-	(40.0)	-2.3
Adjustments to financial income (charges)	(24.8)	-1.4	-	(24.8)	-1.4
Income (charges) relating to put options and earn outs and related effects of discounting them to present value	(2.8)	-0.2	-	(2.8)	-0.2
Profit before tax and non-controlling interests	**326.7**	**18.0**	**-**	**326.7**	**18.6**
Taxes	29.7	1.6	-	29.7	1.7
Net profit	**356.4**	**19.6**	**-**	**356.4**	**20.3**
Non-controlling interests	-	-	-	-	-
Group net profit	**356.4**	**19.6**	**-**	**356.4**	**20.3**
Adjusted Group net profit	**233.4**	**12.9**	**-**	**233.9**	**13.3**
Total depreciation and amortisation	(57.1)	-3.1	-	(57.1)	-3.3
Adjusted EBITDA	**437.6**	**24.1**	**-**	**437.6**	**25.0**
EBITDA	**451.4**	**24.9**	**-**	**451.4**	**25.7**

Sales performance

Sales performance at 31 December 2017

	31 December 2017 published		Restatement	31 December 2017 after IFRS 15 reclassifications	
	€ million	%	€ million	€ million	%
Americas	794.2	43.7%	(10,6)	783.6	44.7%
Southern Europe, Middle East and Africa	536.3	29.5%	(35,1)	501.2	28.6%
Northern, Central and Eastern Europe	361.1	19.9%	(13,9)	347.2	19.8%
Asia-Pacific	124.4	6.9%	(3,1)	121.3	6.9%
Total	**1,816.0**	**100.0%**	**(62,7)**	**1,753.4**	**100.0%**

Operating segments

Operating segments at 31 December 2017

Americas

	31 December 2017 published		Restatement	31 December 2017 after IFRS 15 reclassifications	
	€ million	%	€ million	€ million	%
Net sales	**794.2**	**100.0**	**(10,6)**	**783.6**	**100.0**
Gross margin	**464.7**	**58.5**	**(10,6)**	**454.1**	**58.0**
Advertising and promotional costs	(152.7)	-19.2	(10,6)	(142.1)	-18.1
Overheads	(141.0)	-17.7	-	(141.0)	-18.0
Result from recurring activities	**171.1**	**21.5**	**-**	**171.1**	**21.8**

Southern Europe, Middle East and Africa

	31 December 2017 published		Restatement	31 December 2017 after IFRS 15 reclassifications	
	€ million	%	€ million	€ million	%
Net sales	**536.3**	**100.0**	**(35,1)**	**501.2**	**100.0**
Gross margin	**330.1**	**61.5**	**(35,1)**	**295.0**	**58.9**
Advertising and promotional costs	(108.7)	-20.3	(35,1)	(73.6)	-14.7
Overheads	(135.1)	-25.2	-	(135.1)	-27.0
Result from recurring activities	**86.2**	**16.1**	**-**	**86.2**	**17.2**

Northern, Central and Eastern Europe

	31 December 2017 published		Restatement	31 December 2017 after IFRS 15 reclassifications	
	€ million	%	€ million	€ million	%
Net sales	**361.1**	**100.0**	**(13,9)**	**347.2**	**100.0**
Gross margin	**219.6**	**60.8**	**(13,9)**	**205.7**	**59.2**
Advertising and promotional costs	(60.8)	-16.8	(13,9)	(46.9)	-13.5
Overheads	(51.7)	-14.3	-	(51.7)	-14.9
Result from recurring activities	**107.1**	**29.6**	**-**	**107.1**	**30.8**

Asia-Pacific

	31 December 2017 published		Restatement	31 December 2017 after IFRS 15 reclassifications	
	€ million	%	€ million	€ million	%
Net sales	**124.4**	**100.0**	**(3,1)**	**121.3**	**100.0**
Gross margin	**60.5**	**48.6**	**(3,1)**	**57.4**	**47.3**
Advertising and promotional costs	(20.3)	-16.3	(3,1)	(17.2)	-14.2
Overheads	(24.1)	-19.4	-	(24.1)	-19.9
Result from recurring activities	**16.2**	**13.0**	**-**	**16.2**	**13.3**

Sales by major brands at consolidated level

Sales by major brands at 31 December 2017

	Percentage of Group sales published	Percentage of Group sales published – after IFRS 15 reclassifications
	31 December 2017	31 December 2017
global priority brands	**52.5%**	**52.1%**
regional priority brands	**16.7%**	**16.5%**
local priority brands	**12.3%**	**12.5%**
rest of the portfolio	**18.5%**	**18.9%**
Total	**100.0%**	**100.0%**

- Consolidated financial statements

Income statement

Income statement at 31 December 2017

	31 December 2017 published € million	Restatement € million	31 December 2017 after IFRS 15 reclassifications € million
Net sales	**1.816,0**	**(62,7)**	**1.753,4**
Cost of goods sold	(741,1)	-	(741,1)
Gross profit	**1.075,0**	**(62,7)**	**1.012,3**
Advertising and promotional costs	(342,5)	62,7	(279,9)
Contribution margin	**732,4**	**-**	**732,4**
Overheads	(338,1)	-	(338,1)
Of which adjustments to operating income (charges)[(1)]	*13,9*	-	*13,9*
Operating result[(1)]	**394,3**	**-**	**394,3**
Financial income (expenses)	(64,8)	-	(64,8)
Of which adjustments to financial income (expenses)[(1)]	(24,8)	-	(24,8)
Put option income (charges)	(2,8)	-	(2,8)
Profit before tax	**326,7**	**-**	**326,7**
Income tax expense	29,7	-	29,7
Profit for the period	**356,4**	**-**	**356,4**
Profit attributable to:			
Parent Company shareholders	356,4	-	356,4
Non-controlling interests	-	-	-
Basic earnings per share (€)	0,31	-	0,31
Diluted earnings per share (€)	0,30	-	0,30
Basic and diluted earnings per share (€) adjusted[(1)]	0,20	-	0,20

[(1)]For information on the definition of alternative performance indicators, see the previous section of this Report on operations ('Alternative performance indicators').

b. IFRS 9-'Financial Instruments': impacts of first adoption

From 1 January 2018, IFRS 9-'Financial Instruments', published by the IASB in July 2014 and ratified by the European Union in November 2016, replaces IAS 39-'Financial Instruments': Recognition and Measurement. IFRS 9 introduces new criteria for the classification and measurement of financial assets and financial liabilities, a new model for calculating the impairment of financial assets and new provisions for hedge accounting.
In the context of the overall analysis of the new standard, the Group also considered the potential effects of applying the amendment to IFRS 9-'Prepayment Features with Negative Compensation' (applicable from 1 January 2019).

The Group applied the following transitional provisions of IFRS 9 retrospectively, as at 1 January 2018:
- the Group made use of the exemption that allows to avoid the recalculation of comparative information of the previous year due to changes in classification and measurement (including the new provisions on methods of calculating the impairment of financial assets). Therefore, the differences in the carrying amounts of financial assets and liabilities arising from the adoption of IFRS 9 will be recognised under retained earnings and reserves at 1 January 2018. The following is a summary of the analyses carried out;
- with reference to the methods of showing hedging transactions, the Group has decided to continue applying the provisions of IAS 39 and postpone the application of hedge accounting as set out in IFRS 9, as permitted by the new standard.

The accounting principles applied by the Group and set out in paragraph 3, Summary of accounting principles applied in these financial statements, have been updated accordingly.

- Financial Instruments: Recognition and Measurement

<u>Financial assets</u>

Under IFRS 9, receivables, loans and debt securities recorded under financial assets are classified in the following three categories based on the characteristics of the financial flows of these assets (checked via the SPPI test) and the business model used to manage them:
- assets measured at amortised cost;
- assets measured at fair value through other comprehensive income (FVOCI);
- assets measured at fair value through profit or loss (FVTPL).

Derivatives embedded in contracts where the primary element is a financial asset that falls within the scope of the standard no longer have to be separated. Instead, this hybrid instrument is examined for the purpose of classifying it as a whole.
The above-mentioned categories laid down by IFRS 9 replace the previous categories of IAS 39: assets held to maturity, loans and receivables, assets available for sale and assets measured at FVTPL.

Specifically, a financial asset must be measured at amortised cost if it is not designated at FVTPL and both of the following conditions are met:

- the financial asset is held within a portfolio with a business model whose objective is to hold financial assets in order to collect the contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset must be measured at FVOCI if it is not designated at FVTPL and both the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by collecting the contractual cash flows as well as selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets that do not fall into the previous two categories are measured at FVTPL.

The main impacts arising from first-time application of IFRS 9, in terms of the classification and measurement of financial assets, relate to some investments in debt securities included in ‘current financial receivables’ and ‘other non-current assets for which measurement at fair value through profit or loss (FVTPL) is mandatory’. The impact of applying the new provisions on opening shareholders’ equity at 1 January 2018 was not significant.

With regard to equity securities represented by interests other than those in subsidiaries, associates and joint ventures, and which are not held for trading, the Group has decided not to make use of the option to measure them at FVOCI; such interests are therefore measured at FVTPL.
With reference to equity investments held in other companies included in the item ‘other non-current assets’, the impact of applying the new provisions on opening shareholders’ equity amounted to €2.3 million (value not subject to tax).

Financial liabilities

IFRS 9 essentially maintains the provisions of IAS 39 on the classification and measurement of financial liabilities, with the exception of financial liabilities measured at FVTPL, for which changes in fair value related to changes in issuer credit risk (‘own credit risk’) are recognised under other comprehensive income rather than through the operating result for the period, unless this gives rise to an accounting asymmetry.
The first-time adoption of IFRS 9 did not have an impact on the Group’s financial liabilities.

- Impairment

IFRS 9 replaces the impairment model based on ‘incurred loss’, as laid down by IAS 39, with a forward-looking model based on ‘expected credit loss’ or ECL. Under these new provisions, the event triggering the loss (the impairment trigger) does not have to occur for the resulting loss to be recognised in the financial statements, but the expected future loss, determined using current and historical data, as well as forward-looking information about future circumstances, must immediately be recognised.
The Group reviewed its impairment testing process for recorded assets and, in the case of trade receivables, applied the simplified method, which considers the probabilities of defaults over the financial instrument’s life (‘lifetime expected credit losses’). Impaired loans are analysed based on the debtor’s creditworthiness and ability to pay the sums due, as well as the degree of effective coverage of any underlying collateral and personal guarantees. With regard to the other trade receivables, the Group has defined two approaches for estimating impairment, in view its current situation: one is matrix-based and the other applies the probability of default (‘PD’), obtained from external sources specialising in the country in which each subsidiary is located.
It should be noted that a financial asset is considered impaired when internal or external information indicates that it is unlikely that the Group will receive the full contractual amount.
The impact of applying the new provisions on opening shareholders’ equity at 1 January 2018 was €1.2 million (gross of the related tax effect of €0.4 million).
Lastly, other financial assets measured at amortised cost, and, specifically, cash and cash equivalents, were measured according to the new regulatory provisions, but the impact in terms of expected loss was not considered material; for this reason, no adjustments were made to the published balances for the year ending 31 December 2017.

The table below provides a summary of the effects of applying IFRS 9 in relation to the information shown at 31 December 2017, implemented as from 1 January 2018.

Impact on consolidated shareholders' equity

	Amounts in € million
Balance of retained earnings reserve at 31 December 2017 (published)	**1.995,6**
Increase in provision for doubtful trade receivables	(1,2)
Equity investments in other companies	2,3
Tax effect of the adjustments as a result of applying IFRS 9	0,4
Balance of retained earnings reserve at 1 January 2018	**1.997,1**

Impact on trade receivables

Trade receivables and other receivables Amounts in € million	31 December 2017 (published) – IAS 39	Restatements and value changes	1 January 2018- IFRS 9
Trade receivables from external customers	307,9	(1,2)	306,7
Receivables in respect of contributions to promotional costs	9,6	-	9,6
Trade receivables	**317,5**	**(1,2)**	**316,3**
Payments on account to suppliers of fixed assets	0,2	-	0,2
Advances and other receivables from suppliers	4,2	-	4,2
Other receivables from tax authorities	8,1	-	8,1
Receivables from agents and miscellaneous customers	3,1	-	3,1
Deferred charges	12,0	-	12,0
Other	4,3		4,3
Other receivables	**31,8**	**-**	**31,8**

	Amounts in € million
Provision for impaired receivables at 31 December 2017 (published)	**11,6**
Effect of remeasurement of impairment provision based on expected credit loss	1,2
Provision for impaired receivables at 1 January 2018	**12,8**

Impact on other non-current assets and financial receivables

	31 December 2017 (published)-IAS 39	Restatements and value changes	1 January 2018- IFRS 9
Financial receivables	10,8	-	10,8
Term deposits	27,0	-	27,0
Non-current financial assets	**37,8**	**-**	**37,8**
Equity investments in other companies	1,3	2,3	3,6
Security deposits	0,9	-	0,9
Other non-current receivables from main shareholders	2,2	-	2,2
Other non-current tax receivables	4,2	-	4,2
Other non-current assets	**8,7**	**2,3**	**11,0**
Other non-current assets	**46,5**	**2,3**	**48,8**

Impact on disclosures – financial instruments

	31 December 2017 (published) – IAS 39	Restatements and value changes	1 January 2018 – IFRS 9
Assets measured at amortised cost(*), of which:	**876,9**	**(30,6)**	**846,4**
Cash and cash equivalents	*514,5*	-	*514,5*
Trade receivables	*317,5*	*(1,2)*	*316,3*
Current financial assets	*7,2*	*(2,4)*	*4,8*
Other non-current financial assets	*37,8*	*(27,0)*	*10,8*
Assets measured at fair value with changes recognised in income statement, of which:	**2,8**	**31,7**	**34,5**
Current financial assets	-	*2,4*	*2,4*
Other non-current financial assets	-	*27,0*	*27,0*
Non-current assets for hedging derivatives not reported using hedge accounting	*1,5*	-	*1,5*
Investments in other companies	*1,3*	*2,3*	*3,6*
Assets measured at fair value with changes recognised in statement of comprehensive income, of which:	**0,6**	**-**	**0,6**
Current assets for hedging derivatives	*0,6*	-	*0,6*
Liabilities measured at amortised cost(*), of which:	**(1.739,8)**	**-**	**(1.739,8)**
Payables to banks	*(318,1)*	-	*(318,1)*
Real estate lease payables	*(1,4)*	-	*(1,4)*
Bonds	*(995,6)*	-	*(995,6)*
Put option payables	*(190,2)*	-	*(190,2)*
Accrued interest on bonds	*(8,9)*	-	*(8,9)*
Trade payables	*(225,6)*	-	*(225,6)*
Liabilities measured at fair value with changes recognised in income statement, of which:	**(28,0)**	**-**	**(28,0)**
Put option payables	*(28,0)*		*(28,0)*
Liabilities measured at fair value with changes recognised in statement of comprehensive income, of which:	**(0,9)**	**-**	**(0,9)**
Non-current liabilities for derivatives relating to interest rate swaps on future transactions	*(0,7)*	-	*(0,7)*
Current liabilities for hedging derivatives	*(0,2)*	-	*(0,2)*
Total financial assets and liabilities impacted by the application of IFRS 9 – restatements and value changes	**(888,4)**	**1,1**	**(887,2)**

(*)The item was called 'Loans and receivables' at 31 December 2017.

c. Accounting standards, amendments and interpretations applicable since 1 January 2018

IFRIC 22 interpretation-'Foreign Currency Transactions and Advance Consideration'.
IFRIC 22 aims to clarify the accounting methodology for transactions that involve the receipt or payment of advance consideration in a foreign currency, and, specifically, when an entity recognises a non-monetary asset or liability arising from the payment or receipt of advance consideration before it recognises the related asset, expense or income. The application of the interpretation did not have an impact on the Company's financial position and profitability.

Amendment to IAS 40-'Transfers of Investment Property'.
One of the main changes introduced by the amendment is that an entity may only transfer a property to or from investment property when there is evidence of a change in use. This amendment does not apply to the Company.

Amendment to IFRS 2-'Classification and Measurement of Share-based Payment Transactions'.
The main changes to IFRS 2 relate to three key areas:

- the accounting treatment of 'vesting conditions' and 'non-vesting conditions' for a cash-settled share-based payment;
- the classification of a share-based payment settled net of withholding tax obligations;
- the accounting treatment required if a change in the terms and conditions of a share-based payment changes its classification from cash-settled to equity-settled.

Campari Group does not have any existing cash-settled stock option plans. Moreover, it did not carry out any share-based payments settled net of withholding tax obligations, and did not make any changes to the terms and conditions of its own share-based payments. The changes described did not therefore affect the Company's financial position or profitability.

d. Accounting standards, amendments and interpretations that have been ratified but are not yet applicable/have not been adopted by the Group in advance

IFRIC 23 interpretation-'Uncertainty over Income Tax Treatments' (applicable from 1 January 2019)
IFRIC 23 aims to clarify how to calculate current and deferred taxes when there is uncertainty about the tax treatment adopted by the entity drawing up the financial statements and which may not be accepted by the tax authorities. There was no impact on the Company's balance sheet and financial position as at 31 December 2018 as the Company was already applying an interpretation on income tax treatment in a correct and appropriate manner.

Amendment to IAS 28-'Investments in Associates and Joint Ventures' (issued on 12 October 2017)
The changes made by this amendment (endorsed on 8 February 2019) are not applicable to the Company.

IFRS 16-'Leasing' (in effect since 1 January 2019)
On 13 January 2016, the IASB published the new accounting standard IFRS 16-'Leasing'. The new standard replaces IAS 17– Leases and introduces methods of accounting presentation that more appropriately reflect the type of leases in the financial statements. The new IFRS 16 is effective from 1 January 2019 and early adoption is allowed. Specifically, IFRS 16 introduces a single model for accounting for leases in the financial statements of lessees, requiring lessees to recognise an asset for the right-of-use the underlying asset and a liability for the obligation to make lease payments. Furthermore, the nature of the costs of the above-mentioned leases will change since IFRS 16 will replace the recognition on a straight-line basis of the costs of operating leases with depreciation of the right-of-use asset and the financial charges of the lease liabilities. For the lessor, the accounting treatment methods are similar to those specified in IAS 17, meaning the lessor will continue to classify leases as operating or finance leases.
IFRS 16 will be adopted by the Company from 1 January 2019 ("first-time adoption date") as follows:

- regarding first-time adoption of the standard, the Group has decided to adopt the modified retrospective approach. Therefore, the figures for the comparative period will not be restated; some simplifications and practical expedients will be applied, as permitted by the standard;
- the accounting standards adopted by the Group will be updated on the basis of the new information with effect from 2019.

Lastly, it should be noted that an appropriate IT system has been identified and implemented to provide accounting support for the new way of presenting leases in terms of the Company's income, capital and financial position.

The main assumptions used by the Group to estimate the impact of adopting IFRS 16 as at 1 January 2019 and the reconciliation of the main operating and balance sheet figures compared with those reported at 31 December 2018 are provided below.

Key assumptions

The main assumptions not already explained above and used by the Group were as follows:

- all agreements in effect on the first-time adoption date of the new standard concerning the use of third-party assets were analysed in light of the new accounting rules;
- as part of the analysis performed, the Group also considered arrangements which are not structured as a lease from a legal point of view but could contain a lease based on the new definition of a lease contained in IFRS 16; thus, the Group decided not to take advantage of the practical expedient making it possible to identify leases on the basis of analysis already performed pursuant to IAS 17 and IFRIC 4-'Determining Whether an Arrangement Contains a Lease';
- for lease agreements in which the Group acts as lessee and that were classified as finance leases based on IAS 17, no changes were made: the carrying amounts and previously-applied interest rate were therefore maintained; the figures from these agreements were not included in the notes concerning the adoption of the new standard;
- in the definition of the scope of application, lease agreements with a low unit value (i.e. unit value lower than €5,000) and short-term leases (i.e. less than 12 months) were managed separately. Costs relating to these leases will continue to be recognised in the income statement as separately identified operating costs and will mainly relate to some IT equipment;
- the value assigned to right-of-use assets was estimated to be equal to the value of the financial liability calculated using the methodology prescribed by the new standard;
- in those cases where it was not possible to clearly identify the breakdown between payments for the use of the asset (lease component) and payments for services or maintenance (non-lease component) relating to the same asset, the Group elected not to separate them but to consider the entire payment as a lease component;
- sub-lease agreements, which had been classified as operating leases under IAS 17, were re-analysed to check their classification as operating or finance leases based on the new rules of IFRS 16; the above classification must use the right-of-use asset of the main lease as a reference rather than the asset underlying the sub-lease agreement.
- the practical expedient that allows the initial direct costs to be excluded was used; these costs were excluded from the measurement of the right-of-use asset on the first-time adoption date of IFRS 16.
- lastly, it should be noted that no agreements were identified.

Discount rate

The key assumptions regarding the definition of the incremental borrowing rate (IBR) on the first-time adoption date of the new standard were as follows:

- a method for estimating IBR was determined, to be applied to all agreements with similar characteristics, which were considered as a single portfolio of agreements. Thus, the Company opted to adopt the practical expedient allowing simplified measurement of this parameter, as permitted by the new standard;
- the starting point for defining the IBR on the first-time adoption date of the new standard is the average borrowing rate for existing loans of the Parent Company at 31 December 2018 with a similar maturity to the average of the agreements being remeasured. This rate was appropriately adjusted, as required by the new accounting rules, to simulate a theoretical incremental borrowing rate consistent with the agreements being measured. In estimating the IBR, the characteristics considered when segregating the agreements in effect at 31 December 2018 included: average remaining term, amount of the financial liability, country where the leased asset is located, and currency of the agreement.

The main rates applied are indicated below.

Currency	Within 5 years	From 5 to 10 years	Over 10 years
EUR	1.7%	2.6%	3.1%
USD	4.2%	4.6%	4.7%
GBP	2.7%	3.1%	3.3%

Below are the results of applying the new accounting standard, which were estimated at 31 December 2018, and which will have no impact on opening shareholders' equity at 1 January 2019. It should be noted that the actual effects from adopting the above standard at 1 January 2019 could be different since:

– the Group has not yet finished checking and assessing the controls on its new IT systems; and

– the new accounting criteria could be amended up until the submission of the first Group consolidated financial statements for the year that includes the first-time adoption date.

Value of the right-of-use asset

	1 January 2019 € million
Buildings	67.5
Land	2.0
Machinery	5.7
Vehicles	6.6
IT equipment	0.6
Other	1.0
Total right-of-use assets as of 1 January 2019	**83.3**

There are no restrictions or covenants on the above rights of use.

Financial assets and liabilities for leases

	Within 12 months € million	Over 12 months € million	Total € million
Financial liabilities for leases:			
- Buildings	(10.2)	(64.8)	(75.0)
- Land	(0.3)	(1.7)	(2.0)
- Machinery	(0.9)	(4.8)	(5.7)
- Vehicles	(2.6)	(4.0)	(6.6)
- IT equipment	(0.3)	(0.3)	(0.6)
- Other	(0.4)	(0.7)	(1.0)
Total financial liabilities for leases as of 1 January 2019	**(14.7)**	**(76.3)**	**(90.9)**
Assets for sub-leasing:			
- Buildings	1.9	(5.7)	(7.6)
Total financial assets and liabilities for leases as of 1 January 2019	**1.9**	**(5.7)**	**(7.6)**
Financial assets and liabilities for leases (net value) as of 1 January 2019	**(12.8)**	**(70.5)**	**(83.3)**

Reconciliation between the 2018 cost for using third-party assets (Note 15-'Other costs and grants') and the current portion of financial liabilities for leases at 1 January 2019

	€ million
Operating leases costs as at 31 December 2018(*)	**24.9**
Lease costs not included in lease liabilities according to IFRS 16:	
- Short-term leases and low-value assets leases costs	(0.5)
- variable lease payments costs	(4.7)
- *non lease component (rendering* of services) costs	(3.9)
2018 Lease costs recognised as lease liability as 1 January 2019	**15.9**
2019 expected cash outflows:	
- for repayments of principal	12.8
- for interests paid	3.1

(*)Included in Note 15-'Other costs and grants' of these financial statements'.

Reconciliation between contractual commitments at 31 December 2018 for using third-party assets (Note 45-'Commitments and risks') and financial liabilities for leases at 1 January 2019

	€ million
Operating lease commitments disclosed as at 31 December 2018 (*)	**102.4**
Short-term leases and low-value assets leases	(0.6)
Commitments for variable lease payments	(1.2)
Non lease component commitments (rendering of services)	(2.5)
Net value of contractual commitments included in financial liabilities for leases at 1 January 2019	**98.1**
Discounting effect	(14.7)
Financial liabilities for leases as of 1 January 2019	**83.3**

(*)Included in Note 46-'Commitments and risks'.

Expected impact on main alternative performance indicators

Below are the impacts of adopting the new accounting standard on some alternative performance indicators monitored by the Group; these were estimated based on agreements suitable for the adoption of IFRS 16 in existence at the related first-time adoption date. Different amounts could be reported in 2019 as the natural consequence of recording new agreements.

	Estimated effect of the IFRS 16 first adoption on Performance indicators	
Performance indicators as of 31 March 2018 (January-March 2018)	Reported	Adjusted
EBITDA	4.1%	5.3%
EBIT	0.8%	1.1%
Group profit before tax	-0.2%	-0.2%
Performance indicators as of 30 June 2018 (January-June 2018)		
EBITDA	3.8%	4.2%
EBIT	0.7%	0.8%
Group profit before tax	-0.2%	-0.2%
Performance indicators as of 30 September 2018 (January-September 2018)		
EBITDA	3.8%	4.0%
EBIT	0.7%	0.7%
Group profit before tax	-0.2%	-0.2%
Performance indicators as of 31 December 2018 (January-December 2018)		
EBITDA	3.7%	3.7%
EBIT	0.6%	0.6%
Group profit before tax	-0.2%	-0.2%

e. Accounting standards, amendments and interpretations not yet ratified

IFRS 17-'Insurance Contracts' (issued on 18 May 2017)
The standard is not applicable to the Company.

Amendment to IAS 19-'Plan Amendment, Curtailment or Settlement' (issued on 7 February 2018)
In this amendment, the IASB clarifies how to calculate pension expenses if there is a change in the defined benefit plan. The Company is assessing whether these clarifications could have an impact on its financial position.

Amendment to the Conceptual Framework in IFRS Standards (issued on 29 March 2018)
The IASB has published a revised version of the Conceptual Framework for Financial Reporting, with first application scheduled for 1 January 2020. The main changes relate to:
- a new chapter on valuation;
- better definitions and guidance, with particular regard to the definition of liabilities;
- clarifications of important concepts such as stewardship, prudence and measurement uncertainty.

The Company is assessing whether these revisions could have an impact on its financial position and operating results.

'Definition of a Business (Amendments to IFRS 3)' (issued on 22 October 2018)
The IASB has published an amendment to IFRS 3-'Definition of a Business', with the objective of helping companies decide whether a transaction is an acquisition of a business or of a group of assets that does not meet the definition of a business in IFRS 3. The amendments will apply to acquisitions after 1 January 2020. Early adoption is permitted. The Company is assessing the potential impact on its financial position of this clarification.

'Definition of Material (Amendments to IAS 1 and IAS 8)' (issued on 31 October 2018)
The IASB has published 'Definition of Material (Amendments to IAS 1 and IAS 8)' to clarify the definition of 'material' in order to help companies assess whether information should be included in the financial statements. The amendments will apply from 1 January 2020. Early adoption is, however, permitted. The Company is assessing the potential impact on its financial position of this clarification.

5. Seasonal factors

Sales of some Group products are more affected than others by seasonal factors, because of different consumption patterns or consumer habits.
In particular, sales of sparkling wines in some countries are concentrated in certain periods of the year, mainly around Christmas.
The Group's commercial risk is higher because the result obtained in these periods can significantly influence the sales result for the full year.
In general, the Group's diversified product portfolio and the geographical spread of its sales help to substantially reduce any risks relating to seasonal factors.

6. Debt management

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 and 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.
At 31 December 2018, this multiple was 1.9 (2.0 at 31 December 2017).

7. Business combinations (acquisitions and sales)

The impact of acquisitions and sales of businesses carried out in 2018 on the Group's financial position is summarised below.

	disposal € million	acquisition € million	total € million
Collection/(payment) at closing date	81.4	(65.0)	16.4
Net financial asset/(net financial debt) of acquired businesses	(1.3)	7.8	6.5
Total	**80.1**	**(57.2)**	**22.9**
Other liabilities	0.1	(0.8)	(0.6)
Total value of business combination	**80.2**	**(57.9)**	**22.3**

The sale of the Lemonsoda range generated a capital gain of €38.5 million, which was reflected in the consolidated result for the year under the item 'Overheads'.

Acquisition of Bisquit

As reported in the section 'Events after the end of the period', on 31 January 2018, the Group, via Société de Produits Marnier Lapostolle S.A., completed the acquisition of Bisquit Dubouché et Cie. S.A. for €52.7 million.
The impact of the acquisition on the Group's financial position is shown below.

	Bisquit Cognac € million
Business combination (acquisition and disposal)	**(59.4)**
Cash and cash equivalent acquired	7.5
Commitments to purchase operating working capital	(2.0)
Net financial assets acquired or disposed	**5.5**
Net effect on cash and cash equivalent	**(53.9)**
Total amount net of financial liabilities from business combination and post-closing adjustments	1.2
Net effect on net financial position	**(52.7)**

The definitive purchase price allocation at the fair values of the net assets acquired is shown below. Changes to the net assets which were shown provisionally at 30 June 2018 are shown separately. The allocation did not have any monetary impact. The final values shown are the result of the recognition and reworking of further information about facts and events existing at the closing date. The analysis was partly carried out with the assistance of independent experts. Goodwill was deemed to be fully reportable due to the synergies expected to be generated by integrating the brand acquired into the Group's commercial structure. Goodwill is not amortisable for tax purposes according to local regulations.

The values shown here are explained in the following notes to the financial statements, where they are highlighted as changes in the basis of consolidation in the statement of financial position. Where not expressed in euro, the values were converted at the exchange rate on the closing date of the transaction.

fair value at acquisition date	Provisional *fair value* at 30 June 2018 € million	Adjustment and reclassification € million	*Fair value* at 31 December 2018 € million
ASSETS			
Non-current asset			
Net-tangible assets	4.1	2.7	6.7
Brand	0.1	-	0.1
Deferred tax assets	6.2	7.6	13.8
Total non- current assets	**10.3**	**10.3**	**20.6**
Current assets			
Inventories	42.8	(5.7)	37.2
Trade receivables	0.7	(0.1)	0.6
Cash and cash equivalent	7.5	-	7.5
Other receivables	0.2	-	0.2
Total current assets	**51.2**	**(5.8)**	**45.4**
Total Assets	**61.5**	**4.5**	**66.0**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Non-current liabilities			
Provision for risk and charges	0.1	4.3	4.4
Deferred tax liabilities	-	0.7	0.7
Total non-current liabilities	**0.1**	**4.9**	**5.0**
Current liabilities			
Trade payables	1.0	-	1.0
Other current liabilities	0.3	-	0.3
Total current liabilities	**1.3**	**-**	**1.3**
Total liabilities	**1.4**	**4,9**	**6.3**
Net assets acquired	**60.2**	**(0.5)**	**59.7**
Goodwill generated by acquisition	**0.1**	**0.5**	**0.5**
Total cost, of which	**60.2**	**-**	**60.2**
Price paid in cash, excluding ancillary costs	60.2	-	60.2
Net cash position acquired, of which	**7.5**	**-**	**7.5**
- Cash, cash equivalent and financial assets	*7.5*	-	*7.5*
- Financial debt acquired	-	-	-

The acquisition reflects the Group's strategic priority to invest in acquiring significant stocks of high-quality cognac and to take full control of the process of maturing liquids up to the bottling stage. This investment will allow the Group to carry out a full relaunch of the acquired brand via innovation initiatives designed to exploit the potential of international markets, such as the United States and Asia, which are key regions for the premium cognac category. Moreover, in a commercial sense, this transaction enables the Group to further strengthen its presence in the South African market, the largest market for the acquired business, where a direct sales organisation was recently launched.

The business acquired includes stock, in particular, maturing inventory, production plants, blending cellars and bottling lines.

With regard to the Bisquit brand, it should be noted that, taking into account the profitability of the acquired business on the closing date, the Group has allocated a value of €0.1 million to the brand. The allocation value does not reflect the above-mentioned initiatives to relaunch the brand, which the Group intends to carry out after the acquisition, in line with its strategic plans.

Intangible assets generated	Goodwill € million	Brand € million	Total € million
Provisional fair value at the date of acquisition	-	0.1	0.1
Provisional fair value published at 30 June 2018	0.5	0.1	0.6

8. Operating segments

The Group's operating businesses are determined on the basis of the results of the operating segments, which are periodically reviewed by the Chief Operating Decision Maker (Chief Executive Officer) to assess performance and inform resource allocation decisions.

Since 2012, the Group has mainly based its management analysis on geographical regions, identified as operating segments that reflect the Group's operating model and current way of working by business unit.

The geographical regions considered are: i) the Americas ii) Southern Europe, Middle East and Africa iii) Northern, Central and Eastern Europe and (iv) Asia-Pacific.

The level of profitability analysed is the result from recurring activities, equal to the operating result before adjustments to operating income and charges (for a definition of alternative performance indicators, please see the 'Alternative performance indicators' section of the Report on operations above).

In addition, the profitability of each region reflects the profit generated by the Group through sales to third parties in that region, thereby cancelling out the effects of inter-company margins.

2018	Americas	Southern Europe, Middle East and Africa	Northern, Central and Eastern Europe	Asia-Pacific	Total allocated	Non-allocated items and adjustments	Consolidated
	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Net sales to third parties	744.7	479.8	358.9	128.3	1711.7	-	1,711.7
Net sales between segments	28.7	319.1	17.7	0.1	365.6	(365.6)	-
Total net sales	**773.4**	**798.9**	**376.6**	**128.4**	**2077.3**	**(365.6)**	**1,711.7**
Segment result	**161.5**	**83.6**	**115.1**	**18.7**	**378.8**	**-**	**378.8**
Adjustment to operating income (charges)(1)	-	-	-	-	-	1.9	1.9
Operating result	-	-	-	-	-	-	380.7
Financial income (charges)	-	-	-	-	-	(32.0)	(32.0)
Share of net profit (loss) of companies accounted for using the equity method	-	-	-	-	-	2.3	2.3
Put option, earn out and discounted effect income (charges)	-	-	-	-	-	(54.5)	(54.5)
Taxes	-	-	-	-	-	-	-
Group profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**296.3**
Depreciation/amortization	-	-	-	-	-	(53.8)	(53.8)

(1)For information on the definition of alternative performance indicators, see the section in the report on operations 'Alternative performance indicators'.

2017	Americas	Southern Europe, Middle East and Africa	Northern, Central and Eastern Europe	Asia-Pacific	Total allocated	Non-allocated items and adjustments	Consolidated
	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Net sales to third parties	783.6	501.2	347.2	121.3	1,753.4	-	1,753.4
Net sales between segments	39.5	283.9	30.2	0.2	353.8	(353.8)	-
Total net sales	**823.1**	**785.1**	**377.4**	**121.5**	**2,107.2**	**(353.8)**	**1,753.4**
Segment result	**171.1**	**86.2**	**107.1**	**16.2**	**380.5**	**-**	**380,5**
Adjustment to operating income (charges) (1)	-	-	-	-	-	13.9	13.9
Operating result	-	-	-	-	-	-	394.3
Financial income (charges)	-	-	-	-	-	(64.8)	(64.8)
Share of net profit (loss) of companies accounted for using the equity method	-	-	-	-	-	(2.8)	(2.8)
Put option, earn out and discounted effect income (charges)	-	-	-	-	-	29.7	29.7
Taxes	-	-	-	-	-	-	-
Group profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**356.4**
Depreciation/amortization	-	-	-	-	-	(57.1)	(57.1)

(1)For information on the definition of alternative performance indicators, see the section in the report on operations 'Alternative performance indicators'.

9. Net sales

Consolidated net sales mainly relate to the sale of spirits products, totalling €1,711.7 million, compared with €1,753.4 million achieved in the previous year. It should be noted that sales in 2017 had been adjusted to incorporate the effects of the first-time application of IFRS 15-'Revenue from contracts with customers'. See note 4-'Changes in accounting standards' of these consolidated financial statements for more information. For a more detailed analysis of net sales, please refer to the information in the 'Sales performance' section of the Report on operations.

10. Cost of goods sold

The cost of goods sold is broken down by function and by type in the table below.

	2018 € million	2017 € million
Materials and manufacturing costs	603.9	657.6
Distribution costs	79.9	83.5
Total cost of goods sold	**683.8**	**741.1**
Breakdown by type		
Raw materials and finished goods acquired from third parties	428.4	467.6
Inventory write-downs	5.4	11.9
Personnel costs	72.0	78.4
Depreciation/amortisation	35.4	38.0
Utilities	13.0	12.8
External production and maintenance costs	35.0	38.1
Variable transport costs	58.0	59.8
Other costs	36.5	34.5
Total cost of goods sold	**683.8**	**741.1**

The decrease in the cost of goods sold is commented upon in the report on operations, where the change in the percentage on net sales is analysed. For a breakdown of personnel costs, see note 13-‘Personnel costs’.

11. Overheads

A breakdown of overheads is shown by function and by type in the two tables below.

	2018 € million	2017 € million
Personnel costs	209.2	207.8
Services, maintenance and insurance	52.8	49.8
Travel, business trip, training and meetings	33.1	30.4
Depreciation/amortisation	17.5	18.5
Operating leases and rental expenses	14.3	14.2
Utilities	1.7	1.7
Agents and other variable sales costs	12.0	11.8
Other Overheads	19.5	17.7
Adjustment to overheads:	(1.8)	(13.9)
Write-down and other restructuring costs	*14.6*	*6.2*
Expenses for staff restructuring	*11.3*	*12.1*
Accruals for staff restructuring	*11.6*	*1.4*
Accrual for future expenses	*2.0*	*10.0*
Capital losses on sale of assets	*0.1*	-
Write-down of group company assets	*2.0*	*6.6*
Capital gain on sale of assets	*(2.2)*	*(4.0)*
Capital gain on business disposal	*(38.5)*	*(49.7)*
Penalty for the termination of distribution relationship	-	*1.3*
Fiscal penalties	-	*0.3*
Other income	*(7.2)*	-
Other expenses	*4.9*	*1.8*
Total overheads	**358.2**	**338.1**

The negative components affecting 2018 include costs incurred by the Group for reorganisation projects undertaken. Please see the ‘Significant events during the period’ section for more details. Specifically, the Financial Statements for the year ending 31 December 2018 includes consultancy costs, legal expenses and personnel restructuring costs, totalling €25.8 million, connected with the relocation of the Campari America headquarters from San Francisco to New York and the upgrade of the production facility in Brazil.
The increase in the ‘Services, maintenance and insurance’ item mainly relates to the costs incurred by the Group in outsourcing the accounting and administrative activities of the US, Canada and other countries in the Americas region. The positive components for the year included total income of €38.5 million attributable to the capital gain from the sale of the Lemonsoda range plus €2.2 million generated by the sale of real estate.

12. Depreciation/amortisation

The following table shows details of depreciation and amortisation, by type and by function, recognised in the income statement.

	2018 € million	2017 € million
- Tangible fixed assets	32.3	34.7
- Intangible fixed assets	3.1	3.3
Depreciation and amortization included in cost of goods sold	**35.4**	**38.0**
- Tangible fixed assets	8.9	10.0
- Intangible fixed assets	8.6	8.5
Depreciation and amortization included in structure costs	**17.5**	**18.5**
- Tangible fixed assets	0.9	0.6
Depreciation and amortization included in advertising and promotional expenses	**0.9**	**0.6**
- Tangible fixed assets	42.1	45.3
- Intangible fixed assets	11.7	11.8
Total depreciation and amortization in the income statement	**53.8**	**57.1**
Total depreciation and amortization	**53.8**	**57.1**

Depreciation and amortisation costs decreased and were mainly due to the sale of the manufacturing and bottling facility in Crodo, as part of the sale of the Lemonsoda business.

13. Personnel cost

	2018 € million	2017 € million
Salaries and wages	213.9	214.0
Social security contributions	46.5	49.3
Cost of defined contribution plans	8.2	7.9
Cost of defined benefit plans	0.4	0.2
Other costs relating to mid/long-term benefits	7.2	8.8
Cost of share-based payments	6.9	7.0
Total personnel costs	**283.1**	**287.2**
of which:		
- Included in cost of goods sold	72.0	78.4
- Included in overhead	209.2	207.7
- Included in advertising and promotional expenses	1.9	1.0
Total	**283.1**	**287.2**

Personnel costs, which were allocated to the cost of goods sold and overheads, as analysed in the two previous notes, fell slightly compared with 2017.

14. Research and development costs

The Group's research and development activities related solely to ordinary production and commercial activities, namely ordinary product quality control and packaging studies in various markets.
Related costs are recorded in full in the income statement for the year in which they are incurred.

15. Other costs and grants

Payments under operating leases in 2018 were €24.9 million, and relate to contracts held by Group companies regarding property, IT equipment, company cars and other equipment.
For more information, see note 4-'Changes in accounting standards', where the effects of applying the new standard IFRS 16-'Leasing', are analysed.
The grants related to income indirectly received from public institutions equal to €2,0 million in 2018 and relates to *sparkling wine* promotional investments.
Grants related to assets refers to funds for investments in Novi Ligure production plant.

	Deferred Income € million
Balance at 31 December 2017	**1,2**
Recognised in income statement	(0,1)
Balance at 31 December 2017	**1,1**

16. Financial income and charges

Net financial charges for the period break down as follows.

	2018 € million	2017 € million
Net interest payable on bonds	(30.3)	(33.2)
Interest payable on leases	(0.4)	(0.3)
Interest payable to banks	(3.0)	(3.8)
Total interest payable	**(33.6)**	**(37.4)**
Bank term deposit interest	7.1	6.5
Dividends from third parties	0.1	0.4
Other income	0.4	1.6
Total financial income	**7.6**	**8.5**
Net interest on defined benefit plans	(0.4)	(0.5)
Bank charges	(2.6)	(2.9)
Other charges and exchange rate differences	(4.7)	(7.8)
Total financial charges	**(7.7)**	**(11.2)**
Financial charges from private bond	-	(24.8)
Acquisition costs	-	(0.1)
Income from financial asset	1.8	0.1
Total financial income (charges) adjustments	**1.8**	**(24.8)**
Net financial income (charges)	**(32.0)**	**(64.8)**

Net financial charges before adjustments, which included the effects of exchange rate differences, stood at €32.0 million, a decrease on the previous year's figure of €64.8 million. Net interest payable on bond loans decreased by €2.9 million on the previous period, and mainly relates to the lower average level of debt, which fell from €1,144.0 million in 2017 to €925.5 million in 2018.
It should be noted that average debt in 2017 incorporated the effects of the 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 3.3%, a slight increase on the figure for 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 2018, income from financial assets of €1.8 million associated with the sale of financial assets on the closure of pension plans in Jamaica was recorded. This compares with significant costs incurred in 2017 (€ 24.8 million), which were mainly attributable to liability management operations.

The breakdown on interest payable to bondholders is shown in the table below.

	2018 Total € million	2017 Total € million
Financial charges payable to bondholders	(30,0)	(31,1)
Financial income (charges) adjustments	-	(24,8)
Net cost (coupons)	**(30,0)**	**(56,0)**
Net changes in fair value and other amortized cost components	(1,8)	(1,8)
Cash flow hedge reserve reported in the income statement during the year	1,4	(0,3)
Net interest payable on bonds and private placements	**(30,3)**	**(58,1)**

17. Income and charges relating to put options and earn outs

At 31 December 2018, net income of €2.3 million was recorded. This arose from the combination of updated estimates of earn-out payables linked to the acquisition of Bulldog (€3.9 million) and liabilities associated with the non-cash effects of discounting the payable for future commitments to purchase the remaining SPML shares from the former shareholders to present value (€1.7 million).

18. Income taxes

Taxes are calculated based on existing regulations, applying the tax rates in force in each country.
Deferred tax assets and liabilities are calculated each year based on the rates in force at the time the temporary differences are reversed; appropriate adjustments are made if the rate has changed from previous years, provided that the related law has already been issued on the date the financial report is drafted.
The amounts of current and deferred taxes recorded directly in the statement of comprehensive income relate to the effects of the remeasurement of pension funds and the valuation at fair value of cash flow hedging contracts.
Details of current and deferred taxes included in the Group's income statement and statement of comprehensive income are as follows.

	2018 € million	2017 € million
- current taxes for the year	(46.2)	(60.3)
- current taxes relating to previous years	(2.2)	25.5
- deferred tax expenses	(16.3)	81.9
- accrual for tax risks	10.2	(17.5)
Taxes recorded in the income statement	**(54.5)**	**29.7**
Taxes recorded in the statement of comprehensive income	**2.1**	**(0.5)**

Taxes for the year 2018 include a tax benefit of €26.0 million arising from the patent box scheme, of which €22.3 million relates to the year 2018 and €3.7 million to 2017 (€44.8 million in the previous period), as a result of the recording of a benefit for tax periods 2015-2017. Lastly, it should be noted that a benefit amounting to €81.9 million was recorded in 2017 relating to the release to the income statement of deferred tax liabilities recorded in previous years, following the tax rate reduction in the United States.

Reconciliation of tax charges

The table below shows a reconciliation of the Group's theoretical tax liability with its actual tax liability.
The theoretical rate used is that in force on the reporting date, based on legal provisions, taking into account the IRES rate of 24.0% applied to the Parent Company.
In order to provide a clearer picture, IRAP, which is applicable to Italian companies, has not been taken into account since, being a tax calculated on a tax base other than pre-tax profit, it would have had distortive effects.

Tax base differences are included under the permanent differences item.

	2018 € million	2017 € million
Group profit before tax	**350.8**	**326.7**
Applicable tax rate in Italy (IRES)	-24%	-24%
Theoretical Group taxes at current tax rate in Italy	**(84.2)**	**(78.4)**
Difference in tax rate of Group companies	(8.5)	(4.4)
Permanent differences	11.7	(1.8)
Tax incentives	29.5	46.7
Tax provision	10.2	(22.7)
Taxes relating to previous financial years	(5.4)	93.8
Other consolidation differences	(3.9)	1.2
IRAP	(3.9)	(4.9)
Actual tax charge	**(54.5)**	**29.7**
Actual tax rate	**-15.5%**	**+9.1%**

Breakdown of deferred taxes by type

Details of deferred tax income/expense and deferred tax assets/liabilities posted to the income statement, the statement of comprehensive income and the statement of financial position are broken down by type below.

	Statement of financial position		Income statement		Comprehensive Income statement	
	31 December 2018	31 December 2017	2018	2017	2018	2017
	€ million	€ million	€ million	€ million	€ million	€ million
Deferred expenses	1.7	1.7	-	(0.4)	-	-
Taxed funds	29.2	29.5	(1.0)	2.4	(0.5)	(0.1)
Past losses	17.3	6.7	5.5	(0.1)	-	-
Reclassified in reduction of deferred tax liabilities	(23.0)	(8.1)	(0.7)	-	-	-
Reclassified to assets available for sale	-	(0.2)	-	-	-	-
Exchange rate effect	-	-	-	-	(1.7)	(2.1)
Other	13.4	13.6	(6.6)	(0.2)	2.7	(0.4)
Deferred tax assets	**38.4**	**43.1**	**(2.8)**	**1.6**	**0.5**	**(2.5)**
Accelerated depreciation	(74.8)	(63.5)	(2.7)	23.0	-	-
Capital gains subject to deferred taxation	(0.3)	(0.4)	0.1	0.3	-	-
Goodwill and brands deducted locally	(225.8)	(175.6)	(16.5)	(24.2)	-	-
Tax rate changes	-	-	(1.5)	81.9	-	-
Goodwill Trademark not deductible at local level	(103.4)	(79.3)	(0.8)	13.3	-	-
Taxes payable on undistributed profits	(1.0)	(1.0)	-	0.1	-	-
Leasing	(1.9)	(1.9)	-	-	-	-
Reclassification of deferred tax assets	23.0	8.1	(0.1)	-	-	-
Exchange rate effect	-	-	-	-	(6.8)	30.7
Other	16.0	(50.2)	7.9	5.1	0.1	-
Deferred tax liabilities	**(368.2)**	**(363.8)**	**(13.7)**	**99.4**	**(6.7)**	**30.6**
Total	**(329.7)**	**(320.7)**	**(16.5)**	**101.1**	**(6.3)**	**28.1**

Deferred tax assets in respect of past losses are mainly attributable to Marnier Lapostolle Bisquit SASU, Campari do Brasil Ltda and Campari España S.L.. Local legislation does not set a time limit for their use, but does set a quantitative limit for each individual year, based on declared taxable income. The companies have also begun to use these to offset taxable profit.

19. Basic and diluted earnings per share

Basic earnings per share are calculated as the ratio of the Group's portion of net profits for the year to the weighted average number of ordinary shares outstanding during the year; own shares held by the Group are, therefore, excluded from the denominator.

Diluted earnings per share are determined by taking into account the potential dilution effect resulting from options allocated to beneficiaries of stock option plans in the calculation of the number of outstanding shares.

Basic and diluted earnings per share are calculated as shown in the table below.

		31 December 2018	31 December 2017
		€ million	€ million
Net profit attributable to ordinary shareholders	€ million	296.3	356.4
Weighted average of ordinary share outstanding	number	1,154,903,852	1,160,785,339
Basic earnings per share	€	**0.26**	**0.31**
Net profit attributable to ordinary shares outstanding net of dilution	€ million	296.3	356.4
Weighted average of ordinary shares outstanding net of dilution	number	1,179,922,358	1,180,022,862
Diluted earnings per share	€	**0.25**	**0.30**

20. Net tangible fixed assets

Changes in this item are shown in the table below.

	Land and € million	Plant and € million	Other € million	Total € million
Carrying amount at the beginning of the period	326.5	309.7	150.9	787.1
Accumulated amortization at the beginning of the period	(94.1)	(194.2)	(67.9)	(356.2)
Balance at 31 December 2017	**232.4**	**115.5**	**83.0**	**430.9**
Perimeter effect for acquisition	2.8	1.5	2.4	6.8
Reclassification as assets held for sale	(1.6)	-	-	(1.6)
Investments	19.9	20.3	26.2	66.3
Disposals	(3.2)	(0.4)	(6.2)	(9.8)
Depreciation	(10.2)	(17.8)	(13.6)	(41.7)
Exchange rate differences and other changes	2.5	(0.8)	1.8	3.5
Balance at 31 December 2018	**242.6**	**118.3**	**93.5**	**454.4**
Carrying amount at the end of the period	338.8	330.4	169.7	838.9
Accumulated amortization at the end of the period	(96.2)	(212.1)	(76.2)	(384.5)

The change in the basis of consolidation relates to the assets arising from the acquisition of Bisquit Dubouché et Cie. Reclassifications to assets held for sale are attributable to the Group's decision to sell the production assets of the Sorocaba facility in Brazil.

Investment in the period (€66.3 million) related to maintenance work carried out on the Group's structures, facilities and offices, (€40.9 million) and the purchase of barrels for maturing bourbon, rum and whisky (€21.3 million). Disposals, amounting to €6.5 million, mainly related to the sale of barrels for maturing inventory in America.

The following table provides a breakdown of tangible fixed assets by ownership.

	Fixed assets		
€ million	owned	under finance leases	total
Land and buildings	242.6	-	242.6
Plant and machinery	118.3	-	118.3
Other assets	**92.0**	1.5	**93.5**
Total	**452.9**	**1.5**	**454.4**

21. Biological assets

At 31 December 2018, the biological assets related to the orange plantations in the Caribbean region. Summaries of changes in this item are shown in the table below.

	Assets valued at cost € million
Carrying amount at the beginning of the period	1.3
Accumulated depreciation at the beginning of the period	(0.3)
Balance at 31 December 2017	**1.0**
Depreciation	-
Balance at 31 December 2018	**1.0**
Carrying amount at the end of the period	1.3
Accumulated depreciation at the end of the period	(0.3)

All residual biological assets at 31 December 2018 are recognised on a cost basis, net of depreciation and impairment.

22. Investment property

At 31 December 2018, investment property, totalling €122.8 million, related to the investment property of Société des Produits Marnier Lapostolle S.A and, in immaterial amounts, to assets owned by the Parent Company. These buildings are recorded in the financial statements at their approximate fair value at the reporting date.

23. Goodwill and brands

Changes during the year are shown in the table below.

	Goodwill € million	Brands with an € million	Brands with a € million	Total € million
Carrying amount at the beginning of the period	1,299.9	989.6	38.3	2,327.8
Opening impairment	(2.9)	-	(22.2)	(25.1)
Balance at 31 December 2017	**1,297.0**	**989.6**	**16.1**	**2,302.7**
Perimeter effect for acquisition	2.5	0.1	-	2.6
Depreciation	-	-	(2.0)	(2.0)
Exchange rate differences and other changes	26.9	10.3	0.6	37.8
Balance at 31 December 2018	**1,326.4**	**999.9**	**14.7**	**2,341.0**
Carrying amount at the end of the period	1,329.3	999.9	38.0	2,367.2
Closing impairment	(2.9)	-	(23.2)	(26.2)

Intangible assets with an indefinite life are represented by goodwill and brands, both deriving from acquisitions. The Group expects to obtain positive cash flow from these assets for an indefinite period of time. Goodwill and brands with an indefinite life are not amortised but are subject to impairment tests.
Brands with a finite life included the value of the X-Rated Fusion Liqueur which, in previous years, had suffered impairment losses. In 2015, its useful life was reviewed and determined as a period of ten years from 2016.
The change in the basis of consolidation comprises increases totalling €2.6 million attributable to the identification of amounts for goodwill (€2.5 million) and brands (€0.1 million) related to the acquisition of Camparino S.r.l. and Bisquit Dubouché et Cie (for more details, see note 7-'Business combinations').
Positive exchange rate differences, of €37.8 million, arose when the amounts for brands and goodwill, which were recorded in local currency, were adjusted to year-end exchange rates, and due specifically to the appreciation of the US dollar.

24. Impairment

For the purpose of verifying the recoverable value of intangible assets with indefinite life (i.e. impairment test), goodwill, values were tested at aggregate level based on the values allocated to the four cash-generating units (CGUs), namely, Americas CGU, SEMEA CGU, NCEE CGU and APAC CGU. This structure reflects the lowest level at which goodwill is monitored by the Group and is considered appropriate, given the synergies and efficiencies obtained at regional level. This is in line with the geographical segment reporting structure adopted by the Group, based on its current organisational structure. For brands, the values were tested individually or by combinations of brands acquired.

The impairment test was performed with reference to the book values as of 30 September 2018, in line with the timing of the Board of Directors' meeting of Davide Campari-Milano S.p.A. convened for the respective approval. The results of such test were valid as of 31 December 2018, given that no events or impairment indicators have arisen that could result in a material reduction of the assets value or recoverable amounts in the fourth quarter of 2018.

Impairment testing of goodwill

The allocation of goodwill for each CGU is based on the previous year's goodwill values, adjusted to take into account the exchange rate effects and other variations such as perimeter change.
The carrying amounts of the CGUs were determined by allocating, in addition to goodwill, the brand values allocated based on of the profitability achieved by the brand in each CGU, as well as the fixed assets and working capital, which were mainly allocated on the basis of the relevant sales achieved in each region.
The recoverable amounts of the CGUs were determined based on a 'value in use' methodology, under which the asset value is measured by discounting the estimated future cash flows generated by the continued use of such asset. Expected cash flows, which were based on the Group's cash flow estimates, were discounted using a post-tax discount rate, reflecting both the time value of money and a further adjustment to include the market risk and the specific risks for the company. The IAS 36 states that, for calculating the 'value in use', pre-tax discount rate and future cash flows should be used. In the impairment test performed, it has been verified that the use of a post-tax approach provides consistent results with the ones which would have been obtained by adopting a pre-tax approach.
Forecasts of operating cash flows relating to the Group were taken from the 2019 budget and the strategic plans prepared by the Group's subsidiaries in 2018 for the period 2020-2023 and approved by the Board of Directors of Davide Campari Milano S.p.A.
In addition, the five-year cash flow plan was extrapolated on a ten-year basis, assuming a growth rate no higher than the average long-term growth rate for the market in which the Group operates. The use of a ten-year period was justified by the extension of the life cycle of the brands in the reference market, as well as the length of the maturing process of certain brands in some CGUs. Estimates of future cash flows were made based on conservative approach in terms of both growth rates and operating margin trends. In addition, projections were based on reasonableness, prudence and consistency with respect to the allocation of future overheads, trends in

capital investment, conditions of financial equilibrium and the main macroeconomic variables. Cash flow projections relate to current operating conditions and therefore do not include cash flows connected with any one-off operations. The main assumptions used in calculating the value in use of the CGUs are the growth rate and discount rate.
Terminal value was determined using the perpetuity growth method of discounting. Specifically, a conservative perpetual growth rate was used that corresponds to the average of consumer price for the period 2019-2023 (source: IMF), assumed to be 2.2% for the Americas CGU, 1.6% for the SEMEA CGU, 2.2% for the NCEE CGU and 2.5% for the APAC CGU. The perpetual growth rate value does not exceed the long-term growth rate of the industry in which the Group operates, consistent with what is required by IAS 36.
The value in use of the CGUs was calculated by discounting the estimated value of future cash flows, including the terminal value, which it is assumed will derive from the continuing use of the assets, at a discount rate (net of taxes and adjusted for risk) that reflects the average weighted cost of capital. Specifically, the discount rate used was the Weighted Average Cost of Capital (WACC), which depends on the risk associated with the estimate of cash flows. The WACC was determined on the basis of observable indicators and market parameters, the current value of money, and the specific risks connected with the business of the relevant CGU. The discount rates used in 2018 impairment test for the four CGUs, are as follows: 6.5% for the Americas CGU 8.3% for the SEMEA CGU, 7.6% for the NCEE CGU and 5.8% for the APAC CGU.

Impairment testing on brands
Impairment testing was performed on brands individually, using the value in use criterion. The recoverable value of the brand was calculated using the multi-period excess earnings method (MEEM).
The MEEM is an earnings-based valuation method. The theoretical premise of the MEEM is that the value of a brand is equal to the current value of the residual cash flows attributable to that asset only. According to this method, the relevant earnings attributable to the intangible assets are calculated using the income that the company would record after having deducted the earnings attributable to all the other assets (contributory asset charge), i.e. deducting from the company's results the remuneration for using other assets that contribute to the generation of such results.
Estimates of income flows generated by individual brands, net of contributory asset charge, and of the terminal value, discounted to present value using an appropriate discount rate, were used to calculate the recoverable value of brands.
Forecasts of income flows come from the 2019 budget and the strategic plans prepared by the Group's subsidiaries in 2018 for the period 2020-2023. In addition, the five-year plan of income flows was extrapolated on a ten-year basis, assuming a growth rate no higher than the average long-term growth rate for the market in which the Group operates. The use of a ten-year period was justified by the extension of the life cycle of the brands in the industry in which the Group operates, and takes into account the length of the maturing process of certain brands. In the case of GlenGrant single malt Scotch whisky, a 15-year time horizon was adopted in consideration of the particularly long ageing required by the production cycle. With particular reference to this brand, the Group has adopted a strategy of re-focusing on the super-premium and higher-margin expressions, with particularly long ageing profile. The benefit of such brand re-positioning is expected to manifest over a much longer time horizon compared with the 10-year period covered by the impairment test model for other brands.[11]
For the purposes of determining the terminal value of each brand, a perpetual growth rate of between 2.1% to 2.2%, that does not exceed the long-term growth estimates for the sector, was used. The discount rates used for the individual brands tested varied from 7.5% to 8.0% and took into account a specific risk premium for the brand in question. Brands with an immaterial value individually and in aggregate are not subject to impairment testing.

Results of impairment testing
Based on the methodologies and assumptions set out above, the values of goodwill and trademarks at 31 December 2018 were determined to be fully recoverable.
To take into account current market volatility and uncertainty over future economic prospects, sensitivity analysis was carried out to assess the recoverability of amounts relating to goodwill and brands. Specifically, sensitivity analysis of recoverable values of the individual CGUs and individual brands was carried out based on the assumption of a percentage
point increase in the discount rate and a percentage point reduction in the terminal growth rate. The sensitivity analysis described above confirmed that the values of the goodwill and brands are fully recoverable.

[11] It should be noted that, with the purposes of providing an illustrative consistency check with the other trademarks, the impairment test on a 10-year time horizon was carried out for GlenGrant as well with no evidences of impairment losses.

Values of goodwill and brands at 31 December 2017

The values of goodwill at 31 December 2018 allocated by CGU are shown in the table below:

	31 December 2018	31 December 2017(*)
	€ million	€ million
AMERICAS	693.5	676.2
SEMEA	384.7	365.6
NCEE	260.9	256.0
APAC	23.2	22.8
Total	**1,326.4**	**1,320.6**

(*)Amounts classified as 'assets held for sale' included.

Changes in goodwill values at 31 December 2018 compared with 31 December 2017 are mainly due to positive exchange rate effects of €22.5 million, which were re-allocated proportionally to the individual CGUs, and perimeter change.

The values of brands at 31 December 2017 are shown in the table below:

	31/12/2017	31/12/2017(*)
	€ million	€ million
Grand Marnier	300.7	300.7
Wild Turkey	159.5	152.3
Glen Grant and Old Smuggler	106.6	104.3
Jamaican Rum Portfolio	104.3	104.1
Forty Creek	66.6	69.1
Averna and Braulio	65.5	65.5
Cabo Wabo	62.0	59.2
Frangelico	54.0	54.0
Bulldog	50.4	50.8
X-Rated Fusion Liqueur(1)	14.7	16.1
Riccadonna	11.3	11.3
Others	19.1	18.3
Total	**1,014.7**	**1,005.7**

(*)Amounts classified as 'assets held for sale' included.
(1)Asset with finite life. The trademark value amortized over a timeframe of 10 years until 2025.

Changes in brand values at 31 December 2018 compared with 31 December 2017 are mainly due to positive exchange rate effects of €10.3 million.

25. Intangible assets with a finite life

Changes in this item are shown in the table below.

	Software	Other	Total
	€ million	€ million	€ million
Carrying amount at the beginning of the period	73.4	14.0	87.4
Accumulated amortization at the beginning of the period	(47.0)	(7.6)	(54.6)
Balance at 31 December 2017	**26.4**	**6.4**	**32.8**
Perimeter effect for acquisition	-	3.6	3.6
Investments	16.5	-	16.5
Amortisation for the period	(8.9)	(0.8)	(9.7)
Exchange rate differences and other changes	(0.4)	0.1	(0.3)
Balance at 31 December 2018	**33.6**	**9.3**	**42.9**
Carrying amount at the end of the period	88.8	17.4	106.2
Accumulated amortization at the end of the period	(55.2)	(8.1)	(63.3)

Intangible assets with a finite life are amortised on a straight-line basis according to their remaining useful life. The perimeter variation is due to the effects of the acquisitions made during the period.
Investment in intangible assets with a finite life during the year, totalling €16.5 million, mainly related to projects to continuously upgrade and integrate the IT systems currently used by the Group.

26. Investments in affiliates and joint ventures

At 31 December 2018, the Group owned 40% of the shares in Trans Beverages Co. Ltd, a joint venture in South Korea, following the signing of an agreement in March 2018 with local partner BNC F&B Co. Ltd, as mentioned in the 'Significant events during the period' section. The purpose of the joint venture is to promote and develop the Group's products in the reference market. The Group has a call option on the remaining shares, which represent 60% of the share capital. The Group's interest in the joint venture at 31 December 2018 is explained below. Changes in this item are shown in the table below.

Name of entity	Country of business	% of ownership interest	Nature of relationship	Measurement method	Currency	Carrying amount
						€ million
Trans Beverage Co. Ltd	South Korea	40.0%	*joint venture*	equity method	KRW	0.4
Total investments in affiliates and joint-ventures						**0.4**

The key financial, asset and income figures for the joint venture are shown in the table below.

Highlights - Trans Beverage Co Ltd.	31 December 2018 € million	31 December 2018 Korwan Won million
Total assets	2.8	3,598.4
Total shareholders' equity	**1.1**	**1,426.9**
Revenues	1.7	2,202.6
Net income of the period	(0.4)	(573.1)

Changes to the interests held in affiliates and joint ventures are shown below.

	€ million
Balance at 31 December 2017	**-**
Perimeter effect for acquisition	0.6
Share of profit (loss)	(0.2)
Balance at 31 December 2018	**0.4**

27. Other non-current assets

This item breaks down as follows:

	Balance at 31 December € million	Balance at 31 December € million
Financial receivables	11.0	10.8
Term deposit	4.8	27.0
Non-current financial assets	**15.8**	**37.8**
Equity investment in other companies	0.4	1.3
Security deposits	1.1	0.9
Other non-current receivables from main shareholders	2.2	2.2
Other non-current tax receivables	4.4	4.2
Other non-current assets	**8.1**	**8.7**
Total other non-current assets	**23.9**	**46.5**

Financial receivables primarily include interest-bearing financial receivables from sales of businesses totalling €5.1 million, as well as put options, in an amount of €3.2 million, for purchasing the remaining non-controlling shares of J.Wray & Nephew Ltd.
At 31 December 2018, deposits totalling €4.8 million related to a cash investment by the Parent Company in an investment fund valued at mark-to-market. The change in the item compared with 31 December 2017 is due to the reclassification of some cash investments maturing in 2019 under Current financial receivables, as explained in note 30.
The other non-current tax receivables, totalling €4.4 million, include receivables from the tax authorities due to the Group's Italian companies. These concern the entitlement to refunds of the higher income taxes paid in previous years due to the non-deductibility of IRAP. Additional receivables totalling €2.2 million and due from the ultimate shareholder Alicros S.p.A. were recorded for the tax consolidation periods from 2007 to 2011.
Please see note 46-'Related Parties' for details of the other relationships with direct shareholder Alicros S.p.A.

28. Inventories and current biological assets

This item breaks down as follows:

	Balance at 31 December 2018 € million	Balance at 31 December 2017 € million
Raw materials, supplies and consumables	45.8	39.5
Work in progress	70.1	62.7
Ageing inventory	340.1	282.9
Finished products and goods for resale	109.2	106.4
Inventories	**565.3**	**491.4**
Current biological assets	0.8	0.4
Current biological assets	**0.8**	**0.4**
Total	**566.1**	**491.7**

Stocks totalled €566.1 million at 31 December 2018, showing an overall increase of €74.3 million on 31 December 2017. This change is essentially attributable to several factors, as summarised below:

- the effects arising from the acquisition of Bisquit Dubouché et Cie S.A. (€37.2 million) and relating to maturing inventory (€34.1 million);
- an organic change leading to a net increase of €32.3 million, of which €16.2 million is due to increases in stocks of maturing inventory, in line with the Group's strategic guidelines.

Current biological assets at 31 December 2018 totalled €0.8 million, being the fair value of the sugar cane and agave harvests that had not yet ripened. This fair value estimate is based on the production costs incurred minus any impairment, calculated with reference to the estimated revenues from the sale of the harvest minus the costs of cultivation, harvesting and transportation to point of sale.
Inventories are reported minus the relevant impairment provisions. The changes are shown in the table below.

	€ million
Balance at 31 December 2017	**(17.7)**
Perimeter effect for acquisition	(1.5)
Accruals/Release	1.9
Utilisation	2.3
Exchange rate differences and other changes	(0.1)
Balance at 31 December 2018	**(15.0)**

29. Trade receivables and other receivables

This item breaks down as follows:

	Balance at 31 December 2018 € million	Balance at 31 December 2017 disclosed € million
Trade receivables from external costumers	277.6	307.9
Receivables in respect of contributions to promotional costs	8.3	9.6
Trade receivables	**285.9**	**317.5**
Advances to suppliers	0.4	0.2
Advances and other receivables from suppliers	3.4	4.2
Other receivables from tax authorities	6.8	8.1
Receivables from Parent Company for tax consolidation	0.5	-
Receivables from agents and miscellaneous customers	1.7	3.1
Prepaid expenses	11.9	12.0
Other	7.6	4.3
Other receivables	**32.3**	**31.8**

Trade receivables decreased by €31.5 million compared with the previous year.
The main reason for this change is the exchange rate variation (€18.7 million), which is primarily attributable to the currencies of South American countries.
Trade receivables are shown net of year-end bonuses and payables for promotional costs: this is consistent with the disclosure of revenues on the income statement. In addition, this item is reported net of the related provision for impairment, which reflects the actual risk of uncollectibility.
Other receivables from tax authorities, totalling €6.8 million, primarily comprise €3.1 million for VAT, €1.7 million for excise duty and €2.0 million for other taxes.
The table below shows receivables broken down by maturity.
It should be noted that there were no receivables not yet due and not written down in the previous year, in light of the analysis performed on expected future credit losses (using the expected credit losses method).

31 December 2018 Aging receivables	Trade receivables(*) € million	Other receivables(*) € million	Total € million	Provisions for expected future losses € million
Less than 30 days	256.9	8.3	265.2	(1.7)
30-90 days	24.4	0.7	25.1	(0.6)
Within 1 year	11.9	0.2	12.1	(7.1)
Within 5 years	0.8	0.1	0.9	(0.9)
Total receivables broken down by maturity	**294.1**	**9.2**	**303.3**	**(10.3)**
Amount impaired	(9.7)	(0.7)	(10.3)	
Total	**284.4**	**8.5**	**293.0**	

(*)The item does not include prepaid expenses.

31 December 2017	Trade receivables(*) € million	Other receivables(*) € million	Total € million
Not overdue and not impaired	**256.3**	**11.6**	**267.9**
Not overdue and impaired	**0.2**	**0.5**	**0.7**
Due and not impaired:			
Less than 30 days	38.4	-	38.4
30-90 days	11.6	-	11.6
Within 1 year	5.0	0.1	5.1
Within 5 years	3.2	-	3.2
Total due and not impaired	**58.4**	**0.1**	**58.4**
Due and impaired	**12.3**	**-**	**12.3**
Amount impaired	(11.6)	(0.5)	(12.1)
Total receivables broken down by maturity	**315.6**	**11.7**	**327.3**

(*)The item does not include prepaid expenses.

The following table shows the changes in impairment provisions for expected future losses on receivables in the period.

	Provisions for expected future losses	
€ million	Trade receivables	Other receivables
Balance at 31 December 2017	**11.6**	**0.5**
IFRS9 first time application	1.2	-
Prior acquisition accrual	0.1	-
Accruals	1.7	0.2
Utilizations	(3.3)	-
Releases	(0.7)	-
Exchange rate differences and other changes	(1.0)	-
Balance at 31 December 2018	**9.7**	**0.7**

For more information on the effects of the first-time application of IFRS 9, see note 4-'Changes in accounting standards'.
Utilisations for the year were due to the settlement of lawsuits outstanding from previous years.

30. Current financial receivables

This item breaks down as follows:

	Balance at 31 December 2018 € million	Balance at 31 December 2017 € million
Securities and term deposit	**27.4**	**2.4**
Valuation at fair value of forward contracts	0.3	2.1
Financial assets from associates	0.6	-
Other financial assets	0.8	0.4
Restricted deposits	-	4.4
Other current financial receivables	**1.7**	**6.9**
Current financial receivables	**29.1**	**9.3**

Securities mainly include short-term or marketable securities that represent a temporary investment of cash but do not satisfy all the requirements for classification under cash and cash equivalents. The item includes securities falling due within one year.
The increase in the period is due to the reclassification from the item 'Other non-current assets' of a cash investment made by the Parent Company with a maturity of 2019.
The change in the balance of restricted deposits is due to the closure of payables for put options and earn-outs reduced by the same amount (see note 36-'Payables to banks and other current financial payables').
The other financial assets mainly include the costs incurred for entering into the revolving credit facility (RCF), which are charged to the income statement as financial liabilities over the term of the credit facility.

31. Current income tax receivables

	Balance at 31 December 2018 € million	Balance at 31 December 2017 € million
Income taxes	19.3	13.1
Receivables from main shareholders for tax consolidation	3.1	15.5
Income tax receivables	**22.4**	**28.6**

Tax receivables can all be recovered within 12 months.
Receivables from the ultimate shareholder mainly relate to receivables for tax consolidation due from the ultimate shareholder, Alicros S.p.A., of which €2.3 million of the Parent Company and €0.8 million of other Group companies.
All receivables and payables are non-interest-bearing; for more details, see note 46-'Related parties'.

32. Cash and equivalents, reconciliation with net debt and with statements of cash flows

The Group's cash and cash equivalents break down as follows:

	Balance at 31 December 2018 € million	Balance at 31 December 2017 € million
Bank current accounts and cash	315.9	363.8
Term deposit maturing within 3 months	298.0	150.7
Cash and cash equivalents	**613.9**	**514.5**

The cash and cash equivalents item comprises current accounts, other sight deposits and those that can be withdrawn within a maximum period of three months from the reporting date, which are held at leading banks and pay variable market-based rates depending on the currency and period concerned.
Cash and cash equivalents also include securities that are readily convertible into cash, consisting of short-term, highly liquid investments that are readily convertible into known amounts of cash and subject to an insignificant risk of a change in value.

The item in question was measured according to the new regulatory provisions, but the impact, in terms of expected loss, was not considered material. For this reason, no adjustments were made to the published balances for the year ending 31 December 2018.

Reconciliation with net financial position

The reconciliation with the Group's net financial position is set out below.

	Balance at 31 December 2018	Balance at 31 December 2017
	€ million	€ million
Cash and cash equivalents	613.9	514.5
Cash (A)	**613.9**	**514.5**
Securities	27.4	2.4
Other current financial receivables	1.1	6.9
Current financial receivables (B)	**28.5**	**9.3**
Current bank payables	(9.3)	(17.6)
Current portion of lease payables	(0.5)	(0.1)
Current portion of private placement and bonds	(219.1)	-
Other current financial payables	(10.1)	(9.1)
Current portion of payables for put option and earn-outs	(36.6)	(49.1)
Current financial payables (C)	**(275.6)**	**(76.0)**
Net current financial position (A+B+C)	**366.9**	**447.8**
Non-current bank payables	(300.0)	(300.4)
Non-current portion of lease payables	(1.0)	(1.3)
Non-current portion of bonds	(790.8)	(996.3)
Other non-current financial payables	0.5	-
Non-current portion of payables for put option and earn-outs	(137.7)	(169.1)
Non-current financial debt (D)	**(1,229.0)**	**(1,467.1)**
Net debt (A+B+C+D) (*)	**(862.1)**	**(1,019.3)**
Reconciliation with the Group's financial position, as shown in the Directors' report:		
Term deposits	9.3	31.5
Non-current financial receivables	6.5	6.3
Group net financial position	**(846.3)**	**(981.5)**

(*)In accordance with the definition of net debt set out in Consob Communication DEM 6064293 of 28 July 2006.

For all information concerning the items that make up the net financial position excluding liquidity, see note 30-'Current financial receivables', note 27-'Other non-current assets', and note 35/36-'Financial liabilities'.

Reconciliation with cash flow statement

A reconciliation of the changes in financial liabilities used in financing activities on the cash flow statement and the balances shown on the financial statements is given below.

Cash flow generated (absorbed) from financial liabilities								
	Bonds		Payables for matured interests	Payables to banks			Leasing liabilities	
€ million	current	non-current	current	revolving lines	current	non-current	current	non-current
31 December 2017	-	(995,6)	(8,9)	-	(13,8)	(300,4)	(0,1)	(1,3)
new financing	-	-	-	(28,0)	-		(0,1)	-
repayment	-	-	29,9	28,0	10,1	0,1	-	0,5
exchange rate effects	-	-	-	-	1,2		-	-
other movements	(218,6)	216,8	(30,0)	-	-	0,4	(0,3)	(0,2)
31 December 2018	**(218,6)**	**(778,7)**	**(9,0)**	**-**	**(2,5)**	**(300,0)**	**(0,5)**	**(1,0)**

33. Net assets held for sale

Net assets held for sale are valued at the lower of net book value and fair value less selling costs.
At 31 December 2018, this item included:
- surplus real estate assets relating to a residual portion of the Termoli site (value substantially unchanged from 31 December 2017);
- property in France;
- production assets located in Brazil, including the Sorocaba facility.

At 31 December 2017, this item included the net assets due to the sale of the Lemonsoda business, which was completed on 2 January 2018.

	31 December 2017	Disposal	Reclassification as assets held for sale	31 December 2018
	€ million	€ million	€ million	€ million
Assets				
Net tangible assets	18.6	1.8	(12.6)	**7.8**
Goodwill and Brands	23.6	-	(23.6)	**-**
Other non-current assets	0.2	-	(0.2)	**-**
Inventories	5.2	-	(5.2)	**-**
Total assets classified as held for sale	**47.7**	**1.8**	**(41.7)**	**7.8**
Liabilities				
Other current liabilities	0.1	-	(0.1)	**-**
Total liabilities classified as held for sale	**0.1**	**-**	**(0.1)**	**-**
Total net assets	**47.6**	**1.8**	**(41.6)**	**7.8**

34. Shareholders' equity

The Group manages its capital structure and makes changes to it on the basis of the prevailing economic conditions and the specific risks of the underlying asset.
To maintain or change its capital structure, the Group may adjust the dividends paid to the shareholders and/or issue new shares.
In this context, like other groups operating in the same sector, the Group uses the net debt/EBITDA multiple as a monitoring tool.
Net debt is the Group's net financial position calculated at average exchange rates for the previous 12 months; EBITDA is the Group's adjusted operating result, on an adjusted basis, before depreciation, amortisation and non-controlling interests, pro-rated to take account of the annual effect of sales and acquisitions in the past 12 months. At 31 December 2018, this multiple was 1.9 (2.0 at 31 December 2017).
For information on the composition of and changes in shareholders' equity for the periods under review, see the statement of changes in shareholders' equity.

Share capital

At 31 December 2018, the share capital of Davide Campari-Milano S.p.A. was €58,080,000 fully paid-up, comprising 1,161,600,000 ordinary shares with a nominal value of €0.05 each.

Outstanding shares and own shares

The following table shows the reconciliation between the number of outstanding shares at 31 December 2018 and in the two prior years.

	No. of shares			Nominal value		
	31 December 2018	31 December 2017	31 December 2016	31 December 2018	31 December 2017	31 December 2016
				€	€	€
Outstanding shares at the beginning of the period	1,152,546,887	1,158,915,312	1,158,157,108	57,627,344	57,945,766	57,907,855
Purchases for the stock option plan	(10,007,486)	(10,910,000)	(4,652,270)	(500,374)	(545,500)	(232,614)
Disposals	4,078,641	4,541,575	5,410,474	203,932	227,079	270,524
Outstanding shares at the end of the period	1,146,618,042	1,152,546,887	1,158,915,312	57,330,902	57,627,344	57,945,766
Total own shares held	14,981,958	9,053,113	2,684,688	749,098	452,656	134,234
Own shares as a % of share capital	1,29%	0,78%	0,23%	-	-	-

In 2018, 10,007,486 own shares were acquired at a purchase price of €67.5 million, which equates to an average price of €6.75 per share. A total of 4,078,641 shares were sold at a price of €12.0 million for the exercise of stock option rights.

Dividends paid and proposed

The table below shows the dividends approved and paid during the year and in the previous year, and the dividends subject to the approval of the Shareholders' Meeting to approve the financial statements for the year ending 31 December 2018.

	Total amount		Dividend per share	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	€ million	€ million	€	€
Dividends approved and paid during the year on ordinary shares	57.5	52.1	0.050	0.045
Dividends proposed on ordinary shares (*)	57.3	-	0.050	-

(*)Calculated on the basis of shares outstanding at 31 December 2018; this figure is to be recalculated based on the total number of shares outstanding as of the dividend ex-date.

Other reserves

	Stock options	Cash flow hedging	Foreign currency traslation reserves	Hyperinflation effect reserve	Remeasurement reserve for actuarial effects relating to defined benefit plans	Total
	€ million	€ million	€ million	€ million	€ million	€ million
Balance at 31 December 2017	**30.0**	**(0.7)**	**(150.3)**	**-**	**(1.7)**	**(122.7)**
Cost of stock options for the period	6.9	-	-	-	-	6.9
Stock option exercised	(3.3)	-	-	-	-	(3.3)
Losses (profits) reclassified in the income statement	-	(1.4)	-	-	-	(1.4)
Profits (losses) allocated to shareholders' equity	-	(10.3)	-	-	2.4	(7.9)
Tax effect recognised in shareholder's equity	-	2.7	-	-	(0.6)	2.1
Traslation difference	-	-	25.0	-	-	25.0
Effects from hyperinflation accounting standard adoption	-	-	-	11.3	-	11.3
Balance at 31 December 2018	**33.6**	**(9.7)**	**(125.2)**	**11.3**	**0.1**	**(89.8)**

The stock option reserve contains the provision made as an offsetting entry for the cost reported in the income statement for stock options allocated. The provision is determined based on the fair value of the options established using the Black-Scholes model.
For information on the Group's stock option plans, see note 41-'Stock option plan'.
The hedging reserve contains amounts (net of the related tax effect) pertaining to changes resulting from fair value adjustments of financial derivatives recorded using the cash flow hedging methodology.
For further information, see note 42-'Financial instruments: disclosures'.
The translation reserve reflects all exchange rate differences relating to the conversion of the accounts of subsidiaries denominated in currencies other than Euro.
The remeasurement reserve for actuarial effects relating to defined benefit plans includes the effects of changes to the actuarial assumptions used to calculate the net obligations for defined benefits plans.

35. Bonds and other non-current liabilities

The breakdown of bonds and other non-current liabilities is as follows.

	31 December 2018	31 December 2017
	€ million	€ million
Bond (Eurobond) issued in 2012	-	218.1
Bond (Eurobond) issued in 2015	578.7	577.5
Bond issued in 2017	200.0	200.0
Total current bonds	**778.7**	**995.6**
Payables and loans due to banks	300.0	300.4
Leases	1.0	1.3
Non current liabilities for hedging derivatives	12.1	0.7
Payables for put option and earn-outs	137.7	169.1
Non-current financial liabilities	**450.8**	**471.6**
Other non-financial liabilities	12.9	22.0
Other non-current liabilities	**463.7**	**493.6**

Bonds

At 31 December 2018, the bonds item includes the following issues placed by the Parent Company:
- Eurobond 2015, due on 30 September 2020 and with a nominal value of €580.9 million. The offer was placed at 99.715% of the nominal value. Coupons are payable at a nominal fixed interest rate of 2.75%. The gross return on the bond is therefore 2.81%;
- bond issued in 2017 by the Parent Company, due on 5 April 2022, with a nominal value of €50 million. The bond pays a fixed annual coupon of 1.768%;
- bond issued in 2017 by the Parent Company, due on 5 April 2024, with a nominal value of €150 million. The bond pays a fixed annual coupon of 2.165%.

The Eurobond 2012, with a nominal value of €219,1 million, due on 25 October 2019, has been reclassified on 'Other current financial payables' – note 36.
The changes recorded in 2018 relating to the effects of the amortised cost of the above bonds were negative at €1.8 million.

Payables and loans due to banks

This item includes euro-denominated loans entered into with leading banks; interest is mainly due at floating market rates. Specifically, the Parent Company took out a €300 million bullet loan in 2016, at a rate of 3-month Euribor plus a 0.85% spread. In conjunction with the term loan, a revolving credit facility (RCF) was granted in an amount of €200 million, which had not been used at 31 December 2018. The above-mentioned financial exposures will mature in August 2021.

Leases

This item mainly includes payables relating to agreements for the use of vehicles.

Payable for put options and earn-outs

At 31 December 2018, the long-term portion of the item ‘Payables for put options and earn-outs’ included:

- a payable (€117.4 million) created after the signing of agreements with members of the family that used to be the controlling shareholder of Societé des Produits Marnier Lapostolle S.A., for the purchase, by 2021, of all the remaining shares held by them;
- an estimated payable for the earn-out relating to the acquisition of Bulldog of €20.3 million, which can be settled between 2020 and 2022.

The changes during the year are attributable to the revision of estimates made on the basis of existing contractual agreements, as well as non-cash effects deriving from amortised costs and the reclassification under current payables of the portion due to be paid in 2019.

Other non-financial liabilities

The other non-financial liabilities at 31 December 2018 mainly include medium-to long-term liabilities relating to incentive-based plans accrued on behalf of employees, totalling €4.6 million. They also include medical cover and profit-sharing benefits for employees of €7.0 million. The change compared with 31 December 2017 is due to the reclassification to current liabilities of some employee benefits relating to medium-term incentive plans, payable in 2019.

Interest rates and maturities

The table below shows a breakdown of the Group’s main financial liabilities, together with effective interest rates and maturities.

It should be noted that, as regards the effective interest rate of hedged liabilities, the rate reported includes the effect of the hedging itself.

Furthermore, the values of hedged liabilities are shown here net of the value of the related derivative, whether this is an asset or liability.

	Nominal interest rate € million	Maturity € million	31 December 2018 € million	31 December 2017 € million
Non-current payables and loans due to banks	variable Euribor + 50/85 basis	2019-2021	309.3	318.1
Parent Company bond issues				
- issued in 2012 (Eurobond)	fixed rate 4.5%	2019	-	218.1
- issued in 2015 (Eurobond)	fixed rate 2.75%	2020	578.7	577.5
- issued in 2017 (termination 2022)	fixed rate 1.768%	2022	50.0	50.0
- issued in 2017 (termination 2024)	fixed rate 2.165%	2024	150.0	150.0
Leases	Euribor + 133 basis points	2019-2026	1.5	1.4

36. Payables to banks and other current financial payables

The table below shows a breakdown of the Group’s payables to banks and other current financial payables.

	31 December 2018 € million	31 December 2017 € million
Payables and loans due to banks	**4.5**	**13.8**
Other financial liabilities	4.8	3.8
Short-term portion of Parent Company bond (Eurobond) issued in 2012 (*)	218.6	-
Accrued interest on bonds	8.9	8.9
Leases	0.5	0.1
Liabilities on hedging contracts	1.6	0.2
Payables for put options and earn-outs	36.6	49.1
Total other financial payables	**271.1**	**62.1**

(*) Includes the effects of applying amortised costs

The main financial liabilities are as follows:

Payables to banks

Short-term payables to banks related to short-term loans or credit facilities used by the Group to obtain additional financial resources.

Bonds

At 31 December 2018, this item included the Eurobond 2012, which was reported with a residual nominal amount of € 219.1 million, due on 25 October 2019. The bond pays a fixed annual coupon of 4.5% and the issue price was 99.068% of par, corresponding to a gross return of 4.799%.

Payables for put options and earn-outs

At 31 December 2018, payables for put options related to the following liabilities:

- € 3.1 million for the purchase of the residual non-controlling shares in J.Wray & Nephew Ltd, which is secured by Group holdings of restricted cash and cash equivalents;
- €33.2 million for the option to purchase some shares still held by former shareholders of Societé des Produits Marnier Lapostolle S.A., exercisable in the next 12 months.

The earn-out payables of €0.3 million relate to the final tranche to be paid on Sagatiba.
The change in these payables is mainly due to the closure of some liabilities connected with the acquisition of Bulldog, for which there were restricted deposits of the same amount (see note 30-'Current financial receivables).

37. Defined benefit plans

Group companies provide post-employment benefits for staff, both directly and by contributing to external funds.
The procedures for providing these benefits vary according to the legal, fiscal and economic conditions in each country in which the Group operates.
The benefits are provided through defined contribution and/or defined benefit plans.
For defined contribution plans, Group companies pay contributions to publicly or privately administered pension funds, based on either legal or contractual obligations, or on a voluntary basis.
The companies fulfil all their obligations by paying said contributions.
At the end of the financial year, any liabilities for contributions to be paid are included in Other current liabilities; the cost for the period is recognised according to function in the income statement.
Defined benefit plans may be unfunded, or fully or partially funded by contributions paid by the company, and sometimes by its employees, to a company or fund which is legally separate from the company and which pays out benefits to employees.
As regards the Group's Italian subsidiaries, the defined benefit plans consist of the employee indemnity liability (TFR), to which its employees are entitled by law.
Following reform of the supplementary pension scheme in 2007, for companies with at least 50 employees, TFR contributions accrued up to 31 December 2006 are considered to be 'defined benefit plans', while contributions accruing from 1 January 2007, which have been allocated to a fund held at the INPS (Italian social security agency) or to supplementary pension funds, are considered to be 'defined contribution plans'.
The portion of the TFR considered as a defined benefit plan consists of an unfunded plan that does not, therefore, hold any dedicated assets. The other unfunded defined benefit plans relate to Societé des Produits Marnier Lapostolle S.A..
Campari Deutschland GmbH and Campari Schweiz A.G have some funded defined benefit plans in place for employees and/or former employees. These plans have dedicated assets.
The liability for medical insurance in place at 31 December 2018 relates to J. Wray & Nephew Ltd. and offers access to health care provided that employees stay with the company until pensionable age and have completed a minimum period of service. The cost of these benefits is spread over the employee's service period using a calculation methodology similar to that used for defined pension plans.

The liability relating to the Group's defined benefit plans, which is calculated on an actuarial basis using the projected unit credit method, is reported on the balance sheet, net of the fair value of any dedicated assets.
In cases where the fair value of dedicated assets exceeds the value of the post-employment benefit obligation, and where the Group has the right to reimbursement or the right to reduce its future contributions to the plan, the surplus is reported as a non-current asset, in accordance with IAS 19.

The following table reports changes in the present value of defined benefit obligations, and the fair values of the assets relating to the plan in 2018 and 2017.

€ million	liabilities	assets
Liabilities (assets) 31 December 2017	**44.6**	**(3.7)**
Amounts included in the income statement		
- current service costs	0.2	-
- net interest	1.1	-
Total	**1.3**	**-**
Amounts included in the statement of comprehensive income:		
- gain/(losses) resulting from changes in actuarial assumptions	(2.3)	-
- exchange rate differences	0.1	-
Total	**(2.2)**	**-**
Other changes:		
- benefits paid	(1.9)	0.3
- contribution to the plan by other members	0.1	(0.1)
- contributions to the plan by employees	(0.6)	(0.1)
- benefits transferred	(2.2)	-
Total	**(4.6)**	**0.1**
Liabilities (assets) 31 December 2018(*)	**39.2**	**(3.7)**

(*) Of which €31.6 million included under Defined benefit plans (note 37); of which €3.9 million included under Other non-current liabilities (note 35).

€ million	liabilities	assets
Liabilities (assets) 31 December 2016	**42.9**	**(3.7)**
Amounts included in the income statement:		
- current service costs	1.8	-
- past service costs	(0.1)	-
- net interest	0.6	-
Total	**2.3**	**-**
Amounts included in the statement of comprehensive income:		
- gain/(losses) resulting from changes in actuarial assumptions	0.1	-
- exchange rate differences	(0.4)	0.1
Total	**(0.4)**	**0.1**
Other changes:		
- benefits paid	(3.6)	0.1
- business combination	(0.1)	-
- contribution to the plan by other members	0.2	(0.1)
- contributions to the plan by employees	0.1	(0.1)
- benefits transferred	3.1	-
Total	**(0.2)**	**-**
Liabilities (assets) 31 December 2017(*)	**44.6**	**(3.7)**

(*) Of which €36.4 million included under Defined benefit plans; of which €2.7 million included under Other non-current liabilities.

The table below shows the total changes in obligations for defined benefit plans financed by assets that serve the plan (funded assets) and the liabilities relating to long-term unfunded benefits. It also includes benefits linked to medical cover, as described above, provided by J. Wray & Nephew Ltd. to its current and/or former employees, and the long-term benefits of the Group's Italian companies (TFR).

Current value of obligations	unfunded obligations		funded obligations		
€ million	pension plans	other liabilities	gross value of pension plans	fair value of assets	net values
Liabilities (assets) 31 December 2017	**33.4**	**6.5**	**4.8**	**(3.7)**	**1.1**
Amounts included in the income statement:					
- current service costs	-	0.2	0.1	-	0.1
- net interest	0.4	0.6	0.1	-	-
Total	**0.4**	**0.8**	**0.1**	**-**	**0.1**
Amounts included in the statement of comprehensive income:					
- gain/(losses) resulting from changes in actuarial assumptions	(1.7)	(0.3)	(0.3)	-	(0.3)
- exchange rate differences	-	-	0.1	-	-
Total	**(1.7)**	**(0.3)**	**(0.2)**	**-**	**(0.3)**
Other changes:					
- benefits paid	(1.6)	-	(0.3)	0.3	-
- contribution to the plan by other members	-	-	0.1	(0.1)	-
- contributions to the plan by employees	-	(0.6)	0.1	(0.1)	-
- benefits transferred	0.3	(2.5)	-	-	-
Total	**(1.3)**	**(3.2)**	**(0.1)**	**0.1**	**-)**
Liabilities (assets) 31 December 2018 (*)	**30.7**	**3.9**	**4.6**	**(3.7)**	**0.9**

(*) Of which €31.6 million included under Defined benefit plans (note 37); of which €3.9 million included under Other non-current liabilities (note 35).

Current value of obligations			funded obligations		
€ million	pension plans	other liabilities	gross value of pension plans	fair value of assets	net values
Liabilities (assets) 31 December 2016	**35.6**	**2.7**	**4.6**	**(3.7)**	**0.9**
Amounts included in the income statement:					-
- current service costs	0.1	1.7	0.1	-	0.1
- past service costs	-	(0.1)	-	-	-
- net interest	0.5	-	0.1	-	-
Total	**0.6**	**1.6**	**0.1**	**-**	**0.1**
Amounts included in the statement of comprehensive income:					
- gain/(losses) resulting from changes in actuarial assumptions	-	(0.1)	0.2	-	0.1
- exchange rate differences	-	(0.3)	(0.1)	0.1	(0.1)
Total	**-**	**(0.4)**	**0.0**	**-**	**0.1**
Other changes:					
- benefits paid	(2.7)	(0.7)	(0.1)	0.1	-
- business combination	-	(0.1)	-	-	-
- contribution to the plan by other members	-	0.1	0.1	(0.1)	-
- contributions to the plan by employees	-	0.1	0.1	(0.1)	-
- benefits transferred	(0.1)	3.2	-	-	-
Total	**(2.8)**	**2.6**	**-**	**-**	**-**
Liabilities (assets) 31 December 2017(*)	**33.4**	**6.5**	**4.8**	**(3.7)**	**1.1**

(*) Of which €36.4 million included under Defined benefit plans; of which €2.7 million included under Other non-current liabilities (note 36).

The cost of work provided is classified under personnel costs, financial liabilities on obligations are classified under financial liabilities, and the effects of the recalculation of actuarial effects are included in the other items of the statement of comprehensive income. The table below shows a breakdown of the values of assets that service the pension plans.

	2018	2017
- equity investments	1.2	1.1
- insurance policies	2.5	2.6
Fair value of plan assets	**3.7**	**3.7**

Obligations related to the plans described above are calculated on the basis of the following actuarial assumptions:

	Unfunded pension plans		Funded pension plans		Other plans	
	2018	2017	2018	2017	2018	2017
Discount rate	1,20%-1,63%	1,38%-1,81%	1.00%-1.77%	1.46%	7.00%	8.00%
Future salary increases	3.00%	2,00%-3,00%	2.00%	2.00%	-	-
Growth rate of healthcare costs	-	-	-	-	5.00%	8,00%
Expected return on assets	1.65%	-	1.77%	1.00%	-	-
Staff turnover rate	2.16%-3.64%	3.36%	-	-	-	-
Forecast inflation rate	1.25%	1.00%	-	1.00%	-	1%-7%

The rates relating to the costs of health benefits are not included in the assumptions used in determining the above obligations. Thus, any changes in these rates would not have any effect.

Quantitative sensitivity analysis of the significant assumptions used at 31 December 2018 is shown below. Specifically, it shows the effects on the final net obligation arising from a positive or negative percentage change in the key assumptions used.

	Unfunded pension plans			Funded pension plans			Other plans		
	Change in the assumptions	Impact of positive change	Impact of negative change	Change in the assumptions	Impact of positive change	Impact of negative change	Change in the assumptions	Impact of positive change	Impact of negative change
2018									
Discount rate	+\-0.25%-0.5%	-2.92%/-3.47%	+3.07%/-3.70%	+\-0.5%-1%	-9%/-10.2%	+10.5%/+12.1%	+\- 0.5%	-4.56%	4.76%
Future salary increases	-	-	-	+\- 0.5%	1.80%	-1.70%	-	-	-
Future pension increases	-	-	-	+\- 0.25%	2.35%	-2.30%	-	-	-
Forecast inflation rate	+/- 0.5%	2.3%	-2.3%	-	-	-	-	-	-
Growth rate of healthcare costs	-	-	-	-	-	-	+\- 1.5%	2.96%	-6.56%
2017									
Discount rate	+\- 0.5%	-3.55%	3.81%	+1.46%/+0.46%	-9.47%	11.16%	+\-1%	-10.46%	8.90%
Future pension increases	-	-	-	+\- 0.25%	2.48%	-2.40%	-	-	-
Forecast inflation rate	+\- 0.5%	2.30%	-2.30%	-	-	-	-	-	-
Growth rate of healthcare costs	-	-	-	-	-	-	+\-1%	11.07%	-8.11%

The sensitivity analysis shown above is based on a method involving extrapolation of the impact on the net obligation for defined benefit plans of reasonable changes to the key assumptions made at the end of the financial year.
The methodology and the assumptions made in preparing the sensitivity analysis remain unchanged from the previous year.
Given that pension liabilities have been adjusted on the basis of the consumer prices index, the pension plan is exposed to the inflation rate of the various countries in question, to interest rate risks and to changes in the life expectancy of former employees. Given that the assets servicing the plans mainly relate to investments in bonds, the Group is also exposed to market risk in the related sectors.
The following payments are the expected contributions that will be made in future years to provide for the obligations of the defined benefit plans.

€ million	Total	Unfunded pension plans	Funded pension plans	Other plans
Within 12 months	2.0	1.9	0.1	-
From 1 to 5 years	11.8	7.5	0.3	3.9
From 5 to 10 years	10.1	9.8	0.4	-
Total	**24.0**	**19.2**	**0.8**	**3.9**
Average plan duration (years)	**11.5**	**15.4**	**15.0**	**4.0**

38. Provisions for risks and charges

The table below indicates the changes to this item during the period.

	Tax provision	Restructuring provisions	Agent severance fund	Other	Total
	€ million	€ million	€ million	€ million	€ million
Balance at 31 December 2017	**83.1**	**9.5**	**1.2**	**29.8**	**123.7**
Perimeter effect for acquisition	4.7	-	-	0.1	4.7
Accruals	20.2	13.5	0.1	0.1	33.8
Utilizations	(6.4)	(2.9)	-	(2.6)	(11.9)
Releases	(24.4)	(4.4)	_-	(1.4)	(30.2)
Exchange rate differences and other changes	3.3	0.2	-	(5.0)	(1.4)
Balance at 31 December 2018	**80.4**	**16.0**	**1.2**	**21.0**	**118.7**
of which estimated outlay:					
- due within 12 months	19.0	10.9	-	4.4	34.2
- due after 12 months	61.4	5.1	1.2	16.7	84.5

In 31 December 2018, tax provisions were €80.4 million. In addition to exchange rate differences, the changes in the provisions in 2018 were due to a perimeter variation (€4.7 million) resulting from the acquisitions of businesses during the year, the settlement of some tax disputes (€6.4 million) that had been prudently estimated in previous years, and a revision to the estimates (€4.2 million) prepared to incorporate the uncertainty surrounding transactions concluded by the Group, which could give rise to tax disputes.
Changes in the restructuring provisions relate to the Group's reorganisation projects.
Other provisions reflected the recognition by the Parent Company and subsidiaries of liabilities for various lawsuits, including a legal dispute totalling €13.5 million relating to a distribution agreement.

The information reported below concerns contingent liabilities arising from outstanding disputes, in relation to which the Group did not, however, deem it necessary to make provisions as of the date of this report.

Various disputes are outstanding with the Brazilian tax authorities; however, the Group believes it is unlikely to lose the cases, based on the information available at the date of this report.
• At 31 December 2018, one dispute relating to production tax (IPI) was outstanding, in which the tax authorities are contesting the correct classification of products sold by Campari do Brasil Ltda.
The increase in taxes and penalties was BRL 34.5 million (€7.8 million at the exchange rate on 31 December 2018) plus interest.
In May 2018, the Group received an unfavourable ruling for approximately BRL10.3 million (€2.3 million at the exchange rate on 31 December 2018) against which the Group has appealed. In August 2018, the Group obtained a final administrative ruling in its favour, in a total amount of BRL 12.3 million (€2.8 million at the exchange rate on 31 December 2018).
The actual amount being disputed is currently BRL 22.2 million (€5.0 million at the exchange rate on 31 December 2018).
Based on the assessments of external legal consultants, the Group believes that the outcome of the dispute will be in favour of the company. It is therefore deemed unnecessary at present to create a specific provision.
• Another outstanding dispute relates to a tax inspection report concerning the payment of ICMS (tax on the commercialization of goods and services) with respect to sales made by Campari do Brasil Ltda to a single customer in 2007 and 2008; the company was notified of this report on 16 February 2012. The amount stipulated, including penalties, totalled BRL46.9 million (€10.6 million at the exchange rate on 31 December 2018) plus interest.
The dispute is pending before the administrative court, and is not expected to be settled in the near future.
Based on the assessments of external legal consultants, which have appealed against the findings of the local tax authorities, the Group believes that the outcome of the dispute will be in favour of the Company. It is therefore deemed unnecessary at present to create a specific provision.
• In June 2016, the Company received a tax inspection notice relating to the years 2012 and 2013, alleging non-compliance in the use of a tax benefit relating to the sales of finished products manufactured in the Suape plant. The contested amount is BRL24.5 million (€5.5 million at the exchange rate at 31 December 2018) including the related penalties. The Company's lawyers have prepared an appeal that demonstrates compliance with all the requirements stipulated by tax law. Based on the advice of its lawyers, the Group continues to believe that there is no reason to make a specific provision.

Lastly, in December 2015, a claim for compensation totalling USD23 million was notified to subsidiary J.Wray & Nephew Ltd by Algix Jamaica Limited. This company maintains that it has suffered damage to its fish farm due to the waste water from the sugar processing carried out by J.Wray & Nephew Ltd. During the proceedings, to enable the company to continue with its sugar production business, J.Wray & Nephew Ltd. was requested to comply with specific new environmental regulations. In 2017, J.Wray & Nephew Ltd. complied with the above-mentioned rules and the sugar production business was therefore authorised. The company, supported by its own legal advisers, maintains that there is no causal link between its activities and the losses alleged to have been suffered by Algix Jamaica Ltd., and that the claim for damages therefore appears groundless both in terms of substance and quantification of damages. No provision was therefore created in this regard.

39. Trade payables and other current liabilities

	Balance at 31 December 2018	Balance at 31 December 2017
	€ million	€ million
Trade payables to external suppliers	216.0	225.6
Trade payables	**216.0**	**225.6**
Payables to staff	67.5	56.1
Payables to agents	2.3	2.4
Deferred income	13.4	4.2
Amounts due to controlling shareholder for Group VAT	-	4.3
Value added tax	23.0	24.0
Tax on alcohol production	35.4	36.9
Withholding and miscellaneous taxes	6.6	5.3
Other	5.3	8.5
Other current liabilities	**153.4**	**141.7**

The slight decrease in exposure to suppliers is mainly due to an organic decrease associated with the deferment of some payments. The exchange rate effect contributed to the reduction by €3.9 million. Payables for capital grants and deferred income relating to these grants break down as shown in the next section.

The maturities for trade payables and other current liabilities are shown below.

31 December 2018	Trade payables	Other payables to third parties	Total
	€ million	€ million	€ million
On demand	43.6	5.6	49.2
Due within 1 year	172.4	147.8	336.1
Total	**216.0**	**153.4**	**385.3**

40. Payables to tax authorities

This item breaks down as follows:

	Balance at 31 December 2018	Balance at 31 December 2017
	€ million	€ million
Taxes payable	12.9	20.7
Due to controlling shareholder for tax consolidation	1.0	1.1
Total income tax payables	**13.9**	**21.8**

These payables are all due within 12 months. The corporate income tax payable is shown net of advance payments and taxes deducted at source.

Payables to the ultimate shareholder for tax consolidation at 31 December 2018 relate to the income tax payables of an Italian subsidiary. Against these payables, some Italian subsidiaries have receivables for tax consolidation totalling €3.1 million (note 31-'Current Income tax receivables'). It should be noted that these payables and receivables are all non-interest-bearing; for further details, see note 46-'Related parties'.

41. Stock option plan

The Parent Company Davide Campari-Milano S.p.A. has a number of incentive plans in place; these take the form of stock option plans, governed in accordance with the shareholders' resolution, pursuant to applicable law. The plans were implemented by means of an appropriate regulation (Stock Option Regulation) approved by the Remuneration and Appointments Committee on the proposal of the Board of Directors.

The purpose of the Plan is to offer beneficiaries who occupy key positions in the Group the opportunity of owning shares in Davide Campari-Milano S.p.A., thereby aligning their interests with those of other shareholders and fostering loyalty, in the context of the strategic goals to be achieved.

The recipients are employees, directors and/or individuals who regularly work for one or more Group companies, who have been identified by the Board of Directors of Davide Campari-Milan S.p.A., and who, on the Plan approval date and until the date that the options are exercised, have worked as employees and/or directors and/or in any other capacity at one or more Group companies without interruption.

The Plan regulations do not provide for loans or other incentives for share subscriptions pursuant to article 2358, paragraph 3 of the Italian Civil Code.

The Board of Directors of Davide Campari-Milano S.p.A. has the right to draft regulations, select beneficiaries, and determine the share quantities and values for the execution of the stock option plans. In addition, Davide Campari-Milano S.p.A. reserves the right, at its sole discretion, to modify the Plan and the regulations as necessary or appropriate to reflect revisions of laws in force, or for other objective reasons that would warrant such modification.

In 2018, the Shareholders' Meeting approved further stock grants, specifying how many may be granted to directors of the Parent Company and how many to any other beneficiary, and authorising the board of directors

of the Parent Company to identify, within the limits established by the Shareholders' Meeting, the beneficiaries and the number of options that may be granted to each.
The options were therefore granted to the individual beneficiaries, with the right to exercise options in the two-year period following the end of the fifth year from the grant date.

The total number of options granted in 2018 for the purchase of further shares was 11,298,000, with an average grant price of €6.25, equivalent to the weighted average market price in the month preceding the day on which the options were granted.

The following table shows changes in stock option plans during the periods concerned.

	31 December 2018		31 December 2017	
	No. of shares	Average allocation/exercise price (€)	No. of shares	Average allocation/exercise price (€)
Options outstanding at the beginning of the period	56,402,473	3.32	61,671,300	3.19
Options granted during the period	11,298,000	6.25	1,179,323	6.19
(Options cancelled during the period)	(3,071,673)	3.73	(1,905,575)	3.38
(Options exercised during the period) (*)	(4,078,641)	2.95	(4,541,575)	2.25
(Options expired during the period)	-	-	(1,000)	-
Options outstanding at the end of the period	60,550,159	3.87	56,402,473	3.32
of which those that can be exercised at the end of the	15,198,854	2.64	15,128,339	2.63

(*)The average market price on the exercise date was €5.86.

The average remaining life of outstanding options at 31 December 2018 is 3.9 years (3.4 years at 31 December 2017).
The exercise prices for the options granted each year range as below.

	Average exercise price
Allocations 2012	2.63
Allocations 2013	2.97
Allocations 2014	3.14
Allocations 2015	3.54
Allocations 2016	4.29
Allocations 2017	6.19
Allocations 2018	6.25

The average fair value of options granted in 2018 was €1.24 (€1.2 in 2017).
The fair value of stock options is represented by the value of the option calculated by applying the Black-Scholes model, which takes into account the conditions for exercising the option, as well as the current share price, expected volatility and the risk-free rate, and the non-vesting conditions for the plans.
Volatility was estimated with the help of data supplied by a market information provider together with a leading bank, and corresponds to the estimate of volatility recorded in the period covered by the Plan.
The following assumptions were used for the fair value measurement of options issued in 2018 and 2017.

	2018	2017
Expected dividends (€)	0.05	0.05
Expected volatility (%)	20.2%	21.0%
Historic volatility (%)	20.2%	21.0%
Market interest rate	0.67%	0.51%
Expected option life (years)	7.00	7.00
Exercise price (€)	6.25	6.19

Davide Campari-Milano S.p.A. has a number of own shares that can be used to cover stock option plans.
The following table shows changes in the number of own shares held during the periods considered.

	No. of own shares		Purchase price (€ million)	
	2018	2017	2018	2017
Balance at 1 January	9,053,113	2,684,688	55.0	11.6
Purchases	10,007,486	10,910,000	67.5	63.8
Disposals	(4,078,641)	(4,541,575)	(23.3)	(20.4)
Final balance	14,981,958	9,053,113	99.3	55.0
% of share capital	1.29%	0.78%		

In relation to the sales of own shares in the year, which are shown in the above table at the original purchase price (€23.3 million) and carried out at a market price totalling €12.0 million, the Parent Company recorded a negative difference of €11.2 million, which was recorded under shareholders' equity and partly covered by the use of €3.3 million from the stock option reserve.

42. Financial instruments – disclosures

The value of individual categories of financial assets and liabilities held by the Group at 31 December 2018 and 31 December 2017 is shown below. These values have been revised based on the new classification rules set out in the accounting standard IFRS 9-'Financial Instruments', and on the business model identified by the Group. For more information on the first-time application of the new accounting standard, see the comments in note 4-'Changes in accounting standards'.

31 December 2018 € million	Measurement at amortized cost	Measurement at fair value through profit and loss	Measurement at fair value with changes recognized in the statement of comprehensive income
Cash and cash equivalents	613.9	-	-
Trade receivables	285.9	-	-
Current financial receivables	1.4	27.4	-
Other non-current financial assets	10.2	4.8	-
Other non-current assets	-	0.4	-
Non-current receivables for leasing	0.8	-	-
Payables to banks	(304.5)	-	-
Real estate lease payables	(1.5)	-	-
Bonds	(997.3)	-	-
Accrued interest on bonds	(8.9)	-	-
Other financial liabilities	(4.8)	-	-
Put option payables	(153.7)	(20.6)	-
Trade payables	(216.0)	-	-
Non-current assets for hedge derivatives, not in hedge accounting	-	0.1	-
Current assets for hedging derivatives	-	-	0.3
Non-current liabilities for hedging derivatives	-	-	(12.1)
Current liabilities for hedging derivatives	-	-	(1.0)
Non-current liabilities for hedging derivatives, not reported using hedge accounting procedures	-	(0.6)	-
Total	**(774.2)**	**11.1**	**(12.8)**

31 December 2017-IFRS9 € million	Measurement at amortized cost	Measurement at fair value through profit and loss	Measurement at fair value with changes recognized in the statement of comprehensive income
Cash and cash equivalents	514.5	-	-
Trade receivables	317.5	-	-
Current financial receivables	4.8	2.4	-
Other non-current financial assets	10.8	27.0	-
Other non-current assets	-	1.3	-
Payables to banks	(314.3)	-	-
Real estate lease payables	(1.4)	-	-
Bonds	(995.6)	-	-
Accrued interest on bonds	(8.9)	-	-
Put option payables	(190.2)	(28.0)	-
Trade payables	(225.6)		-
Non-current assets for hedge derivatives, not in hedge accounting	-	1.5	-
Current assets for hedging derivatives	-	-	0.6
Non-current liabilities for hedging derivatives	-	-	(0.7)
Current liabilities for hedging derivatives	-	-	(0.2)
Non-current liabilities for hedging derivatives, not reported using hedge accounting procedures	-	-	-
Total	**(890.9)**	**2.9**	**(0.3)**

The categories of financial assets and liabilities held by the Group at 31 December 2017 under the legislation in force at that date are shown below for comparative purposes only.

31 December 2017- IAS39 € million	Loans and receivables	Financial liabilities at amortized cost	Assets and liabilities measured at fair value through profit or loss	Hedging transactions
Cash and cash equivalents	514.5	-	-	-
Current financial assets	7.2	-	-	-
Other non-current financial assets	37.8	-	-	-
Trade receivables	317.5	-		-
Other non-current assets	1.3	-	-	-
Payables to banks	-	(318.1)	-	-
Real estate lease payables	-	(1.4)	-	-
Bonds	-	(995.6)	-	-
Accrued interest on bonds	-	(8.9)	-	-
Put option payables	-	(190.2)	(28.0)	-
Trade payables	-	(225.6)	-	-
Non-current assets for hedge derivatives, not in hedge accounting	-	-	1.5	-
Current assets for hedging derivatives	-	-	-	0.6
Non-current liabilities for hedging derivatives	-	-	-	(0.7)
Current liabilities for hedging derivatives	-	-	-	(0.2)
Non-current liabilities for hedging derivatives, not reported using hedge accounting procedures	-	-	-	-
Total	**878.3**	**(1,739.8)**	**(26.5)**	**(0.3)**

43. Assets and liabilities measured at fair value

The following information is provided in accordance with the provisions of IFRS 13-'Fair Value Measurement'.
The models currently used by the Group to measure the fair value of financial instruments provide for the inclusion of counterparty non-performance risk rating components. The method used for determining fair value is described below.

A summary of the financial assets and liabilities, irrespective of the proposed classification based on the applicable business model, together with their book value and corresponding fair value, is shown below.

	carrying amount		Fair value	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	€ million	€ million	€ million	€ million
Cash and cash equivalents	613.9	514.5	613.9	514.5
Assets for hedge derivatives, not reported using hedge accounting procedures	0.1	1.5	0.1	1.5
Assets for forex hedge derivatives	0.3	0.6	0.3	0.6
Other short-term financial receivables	28.8	7.2	28.8	7.2
Other non-current financial assets	15.8	37.8	15.8	37.8
Other non-current assets	0.4	1.3	0.4	1.3
Financial assets	**659.3**	**562.9**	**659.3**	**562.9**
Payables to bank	309.3	318.1	309.3	318.1
Real estate lease payables	1.5	1.4	1.5	1.4
Bond (Eurobond)issued in 2012	218.6	218.1	226.5	237.1
Bond (Eurobond)issued in 2015	578.7	577.5	604.2	621.1
Bonds issued in 2017	200.0	200.0	206.0	214.7
Accrued interest on bonds	8.9	8.9	8.9	8.9
Non current liabilities for IRS derivatives on future transaction	12.1	0.7	12.1	0.7
Current liabilities for derivatives on foreign exchange transactions	1.0	0.2	1.0	0.2
Liabilities for hedging derivatives, not reported using hedge accounting procedures	0.6	-	0.6	-
Payables for put options and earn-outs	174.3	218.2	174.3	218.2
Financial liabilities	**1,505.1**	**1,543.1**	**1,544.5**	**1,620.5**

Financial instruments

Fair value of financial instruments:

- for financial assets and liabilities that are liquid or nearing maturity, it is assumed that the carrying amount equates to fair value; this assumption also applies to term deposits, securities that can be readily converted to cash, and variable-rate financial instruments;
- for the valuation of hedging instruments at fair value, the Company used valuation models based on market parameters;
- the fair value of non-current financial payables was obtained by discounting all future cash flows to present value under the conditions in effect at the end of the year.

Derivatives, valued using techniques based on market data, are mainly interest rate swaps and forward sale/purchases of foreign currencies to hedge both the fair value of the underlying instruments and cash flows.

The most commonly applied valuation methods include forward pricing and swap models, which use present value calculations.
The models incorporate various inputs, including the credit rating of the counterparty, market volatility, spot and forward exchange rates and current and forward interest rates.
The table below analyses financial instruments measured at fair value based on three different valuation levels.

31 December 2018	Level 1	Level 2	Level 3
	€ million	€ million	€ million
Assets valued at fair value			
Current financial receivables	27.4	-	-
Other non-current financial assets	4.8	-	-
Futures currency contracts	-	0.3	-
Hedging derivatives not reported using hedge accounting procedures	-	0.1	-
Liabilities valued at fair value			
Put option payables	-	20.6	-
Interest rate swap on future transactions	-	12.1	-
Forward currency contracts	-	1.0	-
Hedging derivatives not reported using hedge accounting procedures	-	0.6	-

31 December 2017	Level 1 € million	Level 2 € million	Level 3 € million
Assets valued at fair value			
Current financial receivables	-	2.4	-
Other non-current financial assets	-	27.0	-
Futures currency contracts	-	0.6	-
Hedging derivatives not reported using hedge accounting procedures	-	1.5	-
Liabilities valued at fair value			
Put option payables	-	28.0	-
Interest rate swap on future transactions	-	0.7	-
Forward currency and interest rate contracts	-	0.2	-

In 2018, reclassifications were made between the above-mentioned levels in the fair value hierarchies following the application of the new standard IFRS 9-'Financial instruments'. The level 1 valuation for the financial assets in question was derived using methodology based on the NAV, which was obtained from specialist external sources.
The level 2 valuation used for financial instruments measured at fair value is based on parameters such as exchange rates and interest rates, which are quoted on active markets or are observable on official yield curves.
No assets or liabilities were valued using the level 3 method at 31 December 2018.

Financial derivatives

A summary of financial derivatives, broken down by hedging strategy, implemented by the Group at 31 December 2018 is shown below.

- Fair value hedging derivatives

At 31 December 2018, the Group has in place the following contracts for hedging payables and receivables in foreign currency that meet the definition of hedging instruments based on IAS 39.
At 31 December 2018, certain Group subsidiaries held forward contracts on receivables and payables in currencies other than the Euro in their financial statements.
The contracts were negotiated to match maturities with incoming and outgoing cash flows resulting from sales and purchases in individual currencies.
The valuation of these contracts at the reporting date gave rise to the reporting of assets of €0.6 million and liabilities of €0.2 million.
Gains and losses on the hedged and hedging instruments used in all the Group's fair value hedges, corresponding to the above-mentioned contracts, are summarised below.

	31 December 2018 € million	31 December 2017 € million
Gains on hedging instruments	0.2	0.1
Losses on hedging instruments	(0.5)	(0.1)
Total gains (losses) on hedging instruments	**(0.3)**	**0.0**
Gains on hedged items	0.4	0.2
Losses on hedged items	(0.7)	(0.3)
Total gains (losses) on hedging instruments	**(0.3)**	**(0.1)**

- Derivatives used for cash flow hedging

The Group uses the following contracts to hedge its cash flows:

- interest rate swaps on the Eurobond issued in 2015. Around the time the loan was granted, the Parent Company entered into an interest rate hedging agreement. This resulted in an initial financial expense of €1.3 million, recorded under comprehensive income or expense and released to the income statement with the cash flows generated by the underlying debt. In 2018, an effect of €0.3 million was recycled to the income statement;
- interest rate swaps hedging the risk of interest rate fluctuations on future transactions relating to the stipulation of new finance leases. In 2018, the net change in fair value recorded for total income statement components was a decrease of €9.6 million. A positive effect of €1.8 million relating to agreements that were terminated earlier than the original maturity was recycled to the income statement.
- hedging of future sales and purchases in currency and interest rates on future transactions.

The following table shows when the hedged cash flows are expected to be received, as of 31 December 2018. These cash flows only concern interest and have not been discounted.

31 December 2018	Within one year € million	1-5 years € million	Over 5 years € million	Total € million
Cash outflows	(0.2)	(12.1)	-	(12.3)
Net cash flows	**(0.2)**	**(12.1)**	**-**	**(12.3)**

31 December 2017	Within one year € million	1-5 years € million	Due after 5 years € million	Total € million
Cash outflows	(2.5)	-	-	(2.5)
Cash inflows	0.7	2,0	-	2.7
Net cash flows	**(1.8)**	**2,0**	**-**	**0.2**

The overall changes in the cash flow hedge reserve and the associated deferred taxes are shown below.

	Gross amount € million	Tax effect € million	Net amount € million
Reserve at 31 December 2017	(1.0)	0.3	(0.7)
Booked to the income statement during the period	(1,4)	0.3	1.1
Recognized in equity during the period	(10.3)	2.4	(7.9)
Reserve at 31 December 2018	**(12.7)**	**3.0**	**(9.7)**

	Gross amount € million	Tax effect € million	Net amount € million
Reserve at 31 December 2016	(2.9)	0.7	(2.2)
Booked to the income statement during the period	0.1	0.0	0.1
Recognized in equity during the period	1.9	(0.4)	1.4
Reserve at 31 December 2017	**(1.0)**	**0.3**	**(0.7)**

Non-financial instruments

Fair value of non-financial instruments:

- for fixed biological assets, the cost method net of accumulated depreciation was used to calculate their carrying amount;
- for current biological assets (agricultural produce), the fair value was determined based on the sale price net of estimated sales costs.

Investment property is valued at cost, which is considered a reliable approximation of its fair value.

The tables below detail the hierarchy of financial and non-financial instruments measured at fair value, based on the valuation methods used:

- level 1: the valuation methods use prices quoted on an active market for the assets and liabilities subject to valuation;
- level 2: the valuation methods take into account inputs other than the quoted market prices in level 1, but only those that are observable on the market, either directly or indirectly;
- level 3: the methods used take into account inputs that are not based on observable market data.

In 2018, no changes were made in the valuation methods applied.

The table below analyses non-financial instruments measured at fair value, which only include biological assets.

31 December 2018	Level 1 € million	Level 2 € million	Level 3 € million
Assets valued at fair value			
Investment properties	-	122.8	-
Biological assets	-	0.8	-

31 December 2017	Level 1 € million	Level 2 € million	Level 3 € million
Assets valued at fair value			
Investment properties	-	120.9	-
Biological assets	-	0.4	-

44. Nature and scale of the risks arising from financial instruments

The Group's main financial instruments include current accounts, short-term deposits, short and long-term bank loans, finance leases and bonds.

The purpose of these is to finance the Group's operating activities.

In addition, the Group has trade receivables and payables resulting from its operations.

The main financial risks to which the Group is exposed are market (currency and interest rate risk), credit and liquidity risk. These risks are described below, together with an explanation of how they are managed.

To cover these risks, the Group makes use of derivatives, primarily interest rate swaps, cross currency swaps and forward contracts, to hedge interest rate and exchange rate risks.

Credit risk

With regard to trade transactions, the Group works with medium-sized and large customers (large-scale retailers, domestic and international distributors) on which credit checks are performed in advance.

Each company carries out an assessment and control procedure for its customer portfolio, which includes constantly monitoring amounts received. In the event of excessive or repeated delays, supplies are suspended.

Historical losses on receivables recorded represent a very low percentage of revenues and annual outstanding receivables, and significant hedging and/or insurance is put in place where there is uncertainty about cash collection.
Financial transactions are carried out with leading domestic and international institutions, whose ratings are monitored, in order to minimise counterparty insolvency risk.
The maximum risk associated with commercial and financial transactions at the reporting date is equivalent to the net carrying amount of these assets, also taking into account the risk of expected credit losses estimated by the Group using the business model identified.

Liquidity risk
The Group's ability to generate substantial cash flow through its operations allows it to reduce liquidity risk to a minimum. This risk is defined as the difficulty of raising funds to cover the payment of the Group's financial obligations.
The table below summarises financial liabilities at 31 December 2018 by maturity based on the contractual repayment obligations, including non-discounted interest.
For details of trade payables and other liabilities, see note 39- 'Trade payables and other current liabilities'.

31 December 2018	On demand	Within 1 year	Due in 1 to 2 years	Due in 3 to 5 years	Due after 5 years	Total
	€ million	€ million	€ million	€ million	€ million	€ million
Payables and loans due to banks	-	13.0	3.9	302.9	-	319.7
Bonds	-	249.0	601.0	61.5	153.2	1,064.8
Leases	-	0.1	0.1	0.3	0.9	1.4
Other financial payables	-	13.7	-	-	-	13.7
Total financial liabilities	**-**	**275.8**	**605.0**	**364.7**	**154.2**	**1,399.7**

31 December 2017	On demand	Within 1 year	Due in 1 to 2	Due in 3 to 5	Due after 5	Total
	€ million	€ million	€ million	€ million	€ million	€ million
Payables and loans due to banks	-	19.6	3.6	303.6	-	326.8
Bonds	-	30.0	249.0	659.3	156.5	1,094.8
Leases	-	0.1	0.1	0.3	0.9	1.4
Other financial payables	-	0.8	-	-	-	0.8
Total financial liabilities	**-**	**50.6**	**252.7**	**963.2**	**157.4**	**1,423.9**

The Group's financial payables, with the exception of non-current payables with a fixed maturity, consist of short-term bank debt.
Thanks to its liquidity and close management of cash flow from operations, the Group has sufficient resources to meet its financial commitments at maturity.
In addition, there are unused credit lines that could cover any liquidity requirements.

Market risks
Market risk consists of the possibility that changes in exchange rates, interest rates or the prices of raw materials or commodities (alcohol, aromatic herbs, sugar) could negatively affect the value of assets, liabilities or expected cash flows.

Price risk
The price of raw materials depends on a wide variety of factors, which are difficult to forecast and are largely beyond the Group's control. Although historically the Group has not encountered particular difficulties in purchasing sufficient high-quality raw materials, we cannot rule out the possibility that the emergence of any tensions in this area could lead to difficulties in obtaining supplies, causing costs to rise, which would have negative consequences on the Group's financial results.

Interest rate risk
The Group is exposed to the risk of fluctuating interest rates in respect of its financial assets, payables to banks and lease agreements.
The Parent Company's 2012, 2015 and 2017 bond issues pay interest at a fixed rate.
Overall, at 31 December 2018, 79% of the Group's total financial debt was fixed-rate debt.

Sensitivity analysis
The following table shows the effects on the Group's income statement of a possible change in interest rates, if all other variables remain constant.
A negative value in the table indicates a potential net reduction in profit and equity, while a positive value indicates a potential net increase in these items.
The assumptions used with regard to a potential change in rates are based on an analysis of the trend at the reporting date.

The table illustrates the full-year effects on the income statement in the event of a change in rates, calculated for the Group's variable-rate financial assets and liabilities.
As regards the fixed-rate financial liabilities hedged by interest rate swaps, the change in the hedging instrument offsets the change in the underlying liability, with practically no effect on the income statement.
Net of tax, the effects are as follows:

	Increase/decrease in interest rates in basis	Income statement	
		Increase in interest rates	Decrease in interest rates
31 December 2017	+/- 5 basis points	€ million	€ million
Euro	+/- 5 basis points	(0.6)	0.6
Dollar	+30/-10 basis points	0.5	(0.2)
Other currencies		1.1	(1.5)
Total effect		**1.0**	**(1.1)**
31 December 2016			
Euro	+/- 5 basis points	(0.6)	0.6
Dollar	+30/-10 basis points	0.3	(0.1)
Other currencies		0.8	(1.0)
Total effect		**0.5**	**(0.5)**

<u>Exchange rate risk</u>
The Group develops its business activities on an international scale, and sales achieved in non-EUR markets are progressively increasing. However, the establishment of Group entities in countries such as the United States, Brazil, Australia, Argentina, Russia and Switzerland allows the exchange rate risk to be partly hedged, given that both costs and income are denominated in the same currency.
Therefore, exposure to foreign exchange transactions generated by sales and purchases in currencies other than the Group's functional currencies represented an insignificant proportion of consolidated sales in 2018. For these transactions, Group policy is to mitigate the risk by using forward sales or purchases.

Sensitivity analysis
The analysis was performed on the economic effects of a possible change in the exchange rates against the Euro, keeping all the other variables constant.
This analysis does not include the effect on the consolidated financial statements of the conversion of the financial statements of subsidiaries denominated in a foreign currency following a possible change in exchange rates.
The assumptions adopted regarding a potential change in rates are based on an analysis of forecasts provided by financial information agencies at the reporting date.
The types of transaction included in this analysis are sales and purchases in a currency other than the Group's functional currency.
The effects on shareholders' equity are determined by changes in the fair value of forward contracts on future transactions, which are used as cash flow hedges.
The results of this analysis showed that the effects would not be significant.

45. Commitments and risks

The main commitments and risks of Campari Group on the reporting date are shown below.

- Contractual commitments for the use of third-party assets

The following table shows the amounts owed by the Group in future periods, broken down by maturity, relating to the main contractual commitments for the use of third-party assets.

	31 December 2018	31 December 2017
	€ million	€ million
Within 1 year	18.1	13.4
1-5 years	43.4	34.9
After 5 years	40.9	32.4
Total	**102.4**	**80.7**

For more information, see note 4-'Changes in accounting standards', where the effects of applying the new standard IFRS 16-'Leasing', are analysed.

- Non-cancellable financing leases

The table below shows the commitments relating to the purchase of vehicles.
The contract stipulates future minimum payments as set out in the table, which also shows the relationship between the payments and their present value.

	31 December 2018		31 December 2017	
	Minimum future payments € million	Present value of future payments € million	Minimum future payments € million	Present value of future payments € million
Within 1 year	0.7	0.5	0.6	0.5
1-5 years	1.2	1.0	1.5	1.3
Total minimum payments	**1.9**	**1.5**	**2.2**	**1.8**
Financial charges	(0.4)	-	(0.3)	-
Present value of minimum future payments	**1.5**	**-**	**2.2**	**-**

- Existing contractual commitments for the purchase of goods or services

These commitments totalled €258.5 million (€179.1 million at 31 December 2017), of which an amount of €58.6 million falls due by 31 December 2019.
Commitments mainly relate to the purchase of raw materials, semi-finished goods and merchandise totalling €134.8 million (€57.6 million at 31 December 2017), the purchase of advertising & promotional services and sponsorships totalling €33.5 million (€32.6 million at 31 December 2017), and the purchase of packaging and pallets, amounting to €61.8 million (€58.3 million at 31 December 2017).

- Existing contractual commitments for the purchase of property, plant and equipment, and intangible assets.

These commitments totalling €6.5 million (€1.2 million at 31 December 2017) mature by 31 December 2019, and relate to the purchase of tangible assets.

- Other guarantees

The Group has issued other forms of security in favour of third parties, totalling €195.3 million at 31 December 2018 (€195.1 million at 31 December 2017). These mainly include customs bonds for excise duties totalling €87.8 million (€83.4 million at 31 December 2017), guarantees for the granting of credit lines totalling €90.0 million (€102.1 million at 31 December 2017), and €3.2 million (€3.6 million at 31 December 2017) for the promotion of wines.

46. Related parties

At 31 December 2018, Davide Campari-Milano S.p.A. was controlled by Alicros S.p.A., which was, in turn, controlled by Lagfin S.C.A., Société en Commandite par Actions. It should be noted that on 12 February 2019, Lagfin S.C.A., Société en Commandite par Actions, merged by incorporation with Alicros S.p.A.
Davide Campari-Milano S.p.A. and its Italian subsidiaries have adopted the national tax consolidation scheme for 2014 to 2019. At 31 December 2018, the income tax receivables and payables of the individual Italian companies were therefore recorded as payables and receivables to/from Alicros S.p.A. (from 12 February 2019 to/from Lagfin S.C.A., Société en Commandite par Actions).

Furthermore, Alicros S.p.A. (Lagfin S.C.A., Société en Commandite par Actions, from 12 February 2019), Davide Campari-Milano S.p.A. and some of its Italian subsidiaries, joined the Group-wide VAT scheme.
At 31 December 2018, Alicros S.p.A. (Lagfin S.C.A., Société en Commandite par Actions, from 12 February 2019) owed the Parent Company and its Italian subsidiaries €0.5 million for VAT.
The receivables and payables arising as a result of the tax consolidation scheme are non-interest-bearing.

Dealings with related parties form part of ordinary operations and are carried out under market conditions (i.e. conditions that would apply between two independent parties) or using criteria that allow for the recovery of costs incurred and a return on invested capital.
All transactions with related parties were carried out in the Group's interest.
The amounts for the various categories of transaction entered into with related parties are set out in the table below.

31 December 2018	Receivables (payables) for tax consolidation € million	Payables for tax consolidation € million	Payables for Group VAT € million	Other non-current tax receivables € million
Alicros S.p.A.	3.1	(1.0)	0.5	2.2
Total	**3.1**	**(1.0)**	**0.5**	**2.2**
%	**13.8%**	**7.3%**	**1.5%**	**9.4%**

31 December 2017	Receivables (payables) for tax consolidation € million	Payables for tax consolidation € million	Receivables (payables) for Group VAT € million	Other non-current tax receivables € million
Alicros S.p.A.	15.5	(1.1)	(4.3)	2.2
Total	**15.5**	**(1.1)**	**(4.3)**	**2.2**
%	**54.3%**	**4.9%**	**3.0%**	**25.7%**

2018	Other income and charges € million
Alicros S.p.A.	0.1
Total	**0.1**
%	**0.0%**

2017	Other income and charges € million
Alicros S.p.A.	0.1
Total	**0.1**
%	**0.0%**

Remuneration paid to the Parent Company's board of directors was as follows:

	2018 € million	2017 € million
Short-term benefits	6.0	5.7
Stock options(*)	1.5	0.9
Total	**7.5**	**6.6**

(*) Including cancelled plans costs for outgoing directors.

At the date of this report, a payable to directors of €1.9 million was recorded in the accounts.

47. Employees

The following tables indicate the average number of employees at the Group, broken down by business sector, category and region.

Business segment	2018	2017
Production	1,423	1,767
Sales and distribution	1,388	1,435
General	814	817
Total	**3,625**	**4,020**
Category	2018	2017
Managers	199	195
Office staff	2,382	2,461
Manual workers	1,045	1,364
Total	**3,625**	**4,020**
Region	2018	2017
Italy	698	787
Abroad	2,927	3,233
Total	**3,625**	**4,020**

48. Events taking place after the end of the year

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

Sesto San Giovanni (MI), 5 March 2019

Chairman of the Board of Directors

Luca Garavoglia

Davide Campari-Milano S.p.A.

Annual financial statements at 31 December 2018

Financial statements

Income statements

	Notes	2018 €	2017[(*)] €
Net sales	7	**630,464,369**	**650,556,324**
Cost of goods sold	8	(250,772,261)	(291,915,963)
Gross profit		**379,692,108**	**358,640,361**
Advertising and promotional costs	9	(62,481,330)	(52,595,604)
Contribution margin		**317,210,779**	**306,044,756**
Overheads	10	(62,088,500)	(75,409,038)
Operating result		**255,122,279**	**230,635,719**
Financial income (expenses)	14	(41,878,574)	(70,349,990)
Put option costs	15	(3,004,563)	(3,294,016)
Dividends	14	16,168,567	41,119,880
Profit before tax		**226,407,709**	**198,111,593**
Income tax expense	16	(26,817,791)	10,744,941
Profit for the period		**199,589,919**	**208,856,534**

[(*)]The 2017 figures has been restated according to the first time adoption of IFRS 15-'Revenue from Contracts with Customers'. For more information please see note 4-'Change in accounting standards'.

Statement of comprehensive income

		2018 €	2017 €
Profit for the period (A)		**199,589,919**	**208,856,534**
B1) Items that may be subsequently reclassified to profit or loss			
Cash flow hedge:			
Profit (loss) classified to other profit and loss	30	*(1,508,746)*	*258,395*
Profit (loss) for the period to net equity	30	*(9,880,603)*	*1,606,975*
Net gains (losses) from cash flow hedge		(11,389,349)	1,865,370
Tax effect	16	2,733,444	(447,689)
Total cash flow hedge		**(8,655,906)**	**1,417,681**
Total: items that may be subsequently reclassified to profit or loss (B1)		**(8,655,906)**	**1,417,681**
B2) Items that may not be subsequently reclassified to profit or loss			
Remeasurements of post-employment benefit obligations:			
Profit(loss) for the period	33	48,844	(64,210)
Tax effect	16	(11,723)	15,410
Remeasurements of post-employment benefit obligations		**37,122**	**(48,800)**
Total: items that may not be subsequently reclassified to profit or loss (B2)		**37,122**	**(48,800)**
Other comprehensive income (expenses) (B=B1+B2)		**(8,618,784)**	**1,368,881**
Total comprehensive income (A+B)		**190,971,135**	**210,225,415**

Statement of financial position

	Notes	2018 €	2017 €
ASSETS			
Non-current assets			
Net tangible fixed assets	17	95,586,733	91,199,972
Investment properties	18	1,300,095	1,303,297
Goodwill and brands	19	594,838,680	452,515,354
Intangible assets with a finite life	21	26,055,033	22,337,883
Investments in subsidiaries	22	2,028,156,220	2,184,112,990
Other non-current assets	23	16,454,560	37,867,221
Total non-current assets		**2,762,391,321**	**2,789,336,716**
Current assets			
Inventories	24	76,331,019	77,970,573
Trade receivables	25	104,293,096	119,210,485
Short-term financial receivables	27	152,297,163	58,639,572
Cash and cash equivalents	28	235,453,491	217,537,932
Income tax receivables	26	3,072,261	13,857,278
Other receivables	25	13,686,640	13,274,403
Total current assets		**585,133,670**	**500,490,243**
Assets held for sale	29	1,022,246	7,674,171
Total assets		**3,348,547,237**	**3,297,501,131**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity			
Share capital		58,080,000	58,080,000
Reserves		1,297,167,329	1,215,874,509
Total shareholders' equity		**1,355,247,329**	**1,273,954,509**
Non-current liabilities			
Bonds	31	778,740,002	995,588,627
Other non-current liabilities	31	428,530,487	645,455,814
Post-employment benefit obligations	33	4,699,748	4,970,815
Provisions for risks and charges	34	3,854,143	3,715,389
Deferred tax liabilities	16	41,196,554	21,087,072
Total non-current liabilities		**1,257,020,933**	**1,670,817,717**
Current liabilities			
Payables to banks	32	-	42,318
Bonds	32	218,606,072	-
Other financial liabilities	32	403,735,437	215,586,088
Trade payables	35	80,454,295	99,217,820
Income tax payables	36	-	830,759
Other current liabilities	35	33,483,171	37,051,921
Total current liabilities		**736,278,975**	**352,728,905**
Total liabilities		**1,993,299,909**	**2,023,546,622**
Total liabilities and shareholders' equity		**3,348,547,237**	**3,297,501,131**

Statement of cash flows

	Notes	2018	2017
		€	€
Operating profit		**255,122,279**	**230,635,719**
Depreciation and amortisation	11	15,187,408	15,454,392
Gains on sales of fixed assets	5	(55,486,807)	(53,049,463)
Accruals of provision	33-34	2,679,570	2,740,615
Utilizations of provisions	33-34	(389,701)	(2,165,655)
Devaluation of receivable	25	389,069	1,223,246
Other non-cash items		635,104	6,035,134
Changes in net operating working capital		(223,391)	(8,518,359)
Other changes in non-financial assets and liabilities		(9,206,251)	6,008,060
Income taxes paid		(10,610,650)	(1,830,794)
Cash flow generated from (used in) operating activities		**198,096,631**	**196,532,896**
Purchase of tangible and intangible fixed assets	17-21	(22,429,265)	(23,103,856)
Disposal of assets		5,752,716	3,521,366
Disposal (investments) in affiliated companies	22	77,156,724	134,085,520
Net changes in securities		-	744,000
Put option earn out payment		(36,050,400)	-
Dividends received	14	16,168,567	41,127,940
Cash flow generated from (used in) investing activities		**40,598,342**	**156,374,970**
Eurobond issue (repayment)		-	(1,000)
Revolving facility loan issue		28,000,000	180,000,000
Revolving facility loan repayments		(28,000,000)	(230,000,000)
Net change in financing and bank payables		(1,989,745)	(3,646,626)
Net change in short-term financial payables and bank loans		-	-
Change in other financial payables and receivables ICO		(72,300,203)	(7,510,180)
Interests paid		(37,752,995)	(55,950,576)
Change in other financial payables and receivables		4,220,183	(9,146,187)
Purchase and sale of own shares	30	(55,516,440)	(53,627,179)
Dividend paid by the Parent Company	30	(57,510,284)	(52,143,847)
Cash flow generated from (used in) financing activities		**(220,849,484)**	**(232,025,595)**
Cash and cash equivalents from mergers		70,070	-
Cash and cash equivalents from mergers		**70,070**	**-**
Net change in cash and cash equivalents: increase (decrease)		**17,915,560**	**120,882,271**
Cash and cash equivalents at the beginning of period	28	217,537,932	96,655,660
Cash and cash equivalents at end of period	28	235,453,491	217,537,932

Statement of changes in shareholders' equity

	Notes	Share capital	Own shares at nominal value	Legal reserve	Other reserves	Retained earnings	Total
		€	€	€	€	€	€
Balance at 31 December 2017		**58,080,000**	**(452,656)**	**11,616,000**	**280,850,372**	**923,860,792**	**1,273,954,509**
Dividend payout to Parent Company shareholders	30	-	-	-	-	(57,510,284)	(57,510,284)
Own shares acquired	30	-	(500,374)	-	-	(67,031,897)	(67,532,271)
Own shares sold	30	-	203,932	-	-	11,811,899	12,015,832
Stock options		-	-	-	3,475,232	-	3,475,232
Stock options - subsidiaries		-	-	-	3,403,454	-	3,403,454
Stock options utilization		-	-	-	(3,263,508)	3,263,508	-
Measurement of financial assets (net of tax effect)(*)	4	-	-	-	-	(297,920)	(297,920)
Other changes		-	-	-	(3,232,357)	-	(3,232,357)
Profit for the period		-	-	-	-	199,589,919	199,589,919
Other comprehensive income (expense)		-	-	-	(8,618,784)	-	(8,618,784)
Total comprehensive income		**-**	**-**	**-**	**(8,618,784)**	**199,589,919**	**190,971,135**
Balance at 31 December 2018		**58,080,000**	**(749,098)**	**11,616,000**	**272,614,410**	**1,013,686,017**	**1,355,247,329**

(*)For more information on the effects of first-time application of the new accounting standards, see note 4-'Changes in accounting standards'.

	Share capital	Own shares at nominal value	Legal reserve	Other reserves	Retained earnings	Total
	€	€	€	€	€	€
Balance at 31 December 2016	**58,080,000**	**(134,234)**	**11,616,000**	**275,710,404**	**817,323,815**	**1,162,595,985**
Dividend payout to Parent Company shareholders	-	-	-	-	(52,143,847)	(52,143,847)
Own shares acquired	-	(545,500)	-	-	(63,273,477)	(63,818,977)
Own shares sold	-	227,079	-	-	9,964,720	10,191,798
Stock options	-	-	-	3,744,413	-	3,744,413
Stock options - subsidiaries	-	-	-	3,159,722	-	3,159,722
Stock options utilization	-	-	-	(3,133,048)	3,133,048	-
Profit for the period	-	-	-	-	208,856,534	208,856,534
Other comprehensive income (expense)	-	-	-	1,368,881	-	1,368,881
Total comprehensive income	**-**	**-**	**-**	**1,368,881**	**208,856,534**	**210,225,415**
Balance at 31 December 2017	**58,080,000**	**(452,656)**	**11,616,000**	**280,850,372**	**923,860,792**	**1,273,954,509**

Notes to the financial statements

1. General information

Davide Campari-Milano S.p.A. is a listed company on the Italian stock exchange with its registered office at Via Franco Sacchetti 20, 20099 Sesto San Giovanni (MI), Italy.
The Company is recorded in the Milan companies register and REA (business administration register) under no. 1112227.
As at 31 December 2018, Davide Campari-Milano S.p.A. was controlled by Alicros S.p.A., which has a 51% holding and is, in turn, 53.71%-controlled by Lagfin S.C.A., Société en Commandite par Actions, with registered office in Luxembourg. On 12 February 2019, Lagfin S.C.A., Société en Commandite par Actions, merged by incorporation with Alicros S.p.A. and therefore became direct holder of 51% of the share capital of Davide Campari-Milano S.p.A., previously held by Alicros S.p.A.. Pursuant to the Articles of Association of Davide Campari-Milano S.p.A. (Article 6(10)), under which Lagfin S.C.A., Société en Commandite par Actions, maintains the same seniority of entry in the special list of shareholders entitled to double voting rights as Alicros S.p.A., the controlling interest of 64.35% remains completely unchanged.

Davide Campari-Milano S.p.A. is the Parent Company of Campari Group. It operates directly on the Italian market and, through its subsidiaries, on the international alcoholic and non-alcoholic beverages markets.

The Group operates in around 190 countries with prime positions in Europe and the Americas. It has 18 production plants around the world, its own distribution network in 20 countries, and employs around 4,000 people.

These financial statements are presented in Euro while the relevant notes to the financial statements are prepared in thousands of Euro, unless otherwise stated.
As the Parent Company, Davide Campari-Milano S.p.A. has also drawn up the consolidated financial statements of Campari Group for the year ending 31 December 2018.
The financial statements of Davide Campari-Milano S.p.A. for the year ending 31 December 2018 were approved on 5 March 2019 by the Board of Directors, which has authorised their publication.
The Board of Directors reserves the right to amend the results should any significant events occur that require changes to be made, up to the date of the Shareholders' Meeting.

2. Preparation criteria

The annual financial statements of Davide Campari-Milano S.p.A. (represented by the 'separate financial statements') for the years ending 31 December 2018 and 2017, were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and ratified by the European Union, including all the revised international accounting standards (International Accounting Standards – IAS) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor, the Standing Interpretations Committee (SIC).
No exceptions to the application of the international accounting standards were made in the preparation of these separate financial statements.
The financial statements were prepared on a cost basis, taking any value adjustments into account, where appropriate, except for statement of financial position items that, according to the IFRS, must be recognised at fair value, such as financial derivatives, and except in cases where the IFRS allow a different valuation criterion to be used.
The carrying amount of assets and liabilities subject to fair value hedging transactions, which would otherwise be recorded at cost, has been adjusted to take account of the changes in fair value attributable to the risk being hedged.

Form and content

Under the structure of the financial statements chosen by the Group, and also adopted in the annual financial statements of the Company, the income statement has been classified by function, and the statement of financial position based on the division between current and non-current assets and liabilities.
This format is considered to provide a more meaningful representation of the items that have contributed to the results, balance sheet and financial position.
Lastly, in accordance with Consob Resolution 15519 of 27 July 2006, transactions with related parties are shown separately, in the statement of financial position and income statement, as also required by IAS 24.
In 2018, the Company did not carry out any atypical and/or unusual transactions, defined as transactions which, due to their materiality or size, type of counterparties, object, or method of determining the transfer price and timing of occurrence (proximity to year-end), could give rise to concerns over the accuracy or completeness of the information in the financial statements, conflicts of interest, or the safeguarding of company assets.
The cash flow statement was prepared using the indirect method.

3. Summary of accounting principles

Intangible assets
Intangible assets include all assets without any physical form that are identifiable, controlled by the company and capable of producing future economic benefits, as well as goodwill when purchased for consideration.
Intangible assets acquired are recorded under assets, in accordance with IAS 38-'Intangible Assets', when it is likely that the use of the assets will generate future economic benefits, and when the cost can be reliably determined.
If acquired separately, these assets are reported at acquisition cost including all allocable ancillary costs on the acquisition date.
Intangible assets acquired through business combinations are reported separately from goodwill at fair value, where this can reliably be measured, on the acquisition date.
Subsequently, intangible assets are recorded at cost net of accumulated amortisation and any impairment losses.
Assets produced internally, excluding development costs, are not capitalised and are reported in the income statement for the financial year in which they are incurred.
Intangible assets with a finite life are amortised on a straight-line basis in relation to their remaining useful life, generally three years, taking into account previously recorded impairment.
The period of amortisation of intangible assets with a finite life is reviewed at least at the end of every financial year in order to ascertain any changes in their useful life, which, if identified, will be considered as changes in estimates.
The costs of development projects and studies are recorded in the income statement in full in the year in which they are incurred.
Advertising and promotional costs are recorded in the income statement when the Company has received the goods or services in question.
Costs relating to industrial patents, concessions, licences and other intangible fixed assets are recorded on the assets side of the statement of financial position only if they are able to produce future economic benefits for the Company. These costs are amortised according to the period of use, if this can be defined, or according to contract duration.
Software licences represent the cost of purchasing licences and, if incurred, external consultancy fees or internal personnel costs necessary for development. These costs are recorded in the year in which the internal or external costs are incurred for training personnel and other related costs.

Goodwill and brands which result from acquisitions and qualify as intangible assets with an indefinite life are not amortised. The possibility of recovering their carrying amount is ascertained at least annually, and in any case when events occur leading to the assumption of a reduction in value using the criteria indicated in the section entitled Impairment.
For goodwill, a test is performed on the smallest cash-generating unit to which the goodwill relates. On the basis of this, management directly or indirectly assesses the return on investment including goodwill. See also the 'Business combinations' paragraph below.
Goodwill write-downs can no longer be written back in future years. When control of a previously acquired company is transferred, the capital gain or loss on the sale takes into account the corresponding residual value of the previously recorded goodwill.

Business combinations
Business combinations are recorded in accordance with IFRS 3-'Business Combinations', by applying the acquisition method.
The cost of an acquisition is determined by the sum of the payments transferred as part of a business combination, measured at fair value, at the acquisition date and the value of the portion of shareholders' equity relating to non-controlling interests, measured at fair value or as a pro-rata share of the net assets recognised for the acquired entity.
In the case of business combinations made in stages, the interest previously held by the Company in the acquired business is remeasured at fair value on the date control is acquired, and any resulting gains or losses are recognised in the income statement.
Conditional payments are measured at fair value at the acquisition date and are included among the transferred payments for the purposes of calculating goodwill. Subsequent changes to the fair value of the conditional payment, i.e. where the amount and future disbursement are dependent on future events that are classified as a financial instrument, are reported on the income statement or separately in equity under the other components of comprehensive income. Conditional payments that do not represent financial instruments regulated by IFRS 9-'Financial instruments' are valued on the basis of the specific applicable IFRS/IAS. Conditional payments that are classified as equity instruments are not revalued; they are therefore recorded under equity when settled.
Ancillary costs relating to the transaction are recognised in the income statement at the time they are incurred.

Any changes in fair value occurring once more information becomes available during the measurement period (12 months from the date of acquisition) are included retrospectively in goodwill.
Goodwill acquired in business combinations is initially measured at cost, as the excess of the sum of payments transferred as part of a business combination, the value of the portion of shareholders' equity relating to non-controlling interests and the fair value of any interest previously held in the acquired business over the Company's portion of the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired company.
If the value of the net assets acquired and liabilities assumed on the acquisition date exceeds the sum of the transferred payments, the value of the non-controlling interests' portion of shareholders' equity and the fair value of any interest previously held in the acquired business, this excess value is recorded in the income statement as income from the transaction.
After initial recognition, goodwill is measured at cost less cumulative impairment.
To establish whether impairment has occurred, the goodwill acquired in a business combination is allocated from the acquisition date to the individual cash-generating units or to the groups of cash-generating units likely to benefit from merger synergies, regardless of whether other assets or liabilities from the acquisition are assigned to these units or groups of units.
When the goodwill is part of a cash-generating unit (or group of cash-generating units) and some of the internal assets of the unit are sold, the goodwill associated with the assets sold is included in the carrying amount of the assets in order to establish the gain or loss generated by the sale.
Goodwill sold in this way is measured according to the value of the assets sold and the value of the remaining portion of the unit.

Tangible fixed assets
Property, plant and equipment are recorded at acquisition or production cost, gross of capital grants (if received) and directly charged expenses, and are not revalued.
Subsequently, tangible fixed assets are recorded at cost net of accumulated depreciation and any impairment losses.
Any costs incurred after purchase are only capitalised if they increase the future financial benefits generated by using the asset.
The replacement costs of identifiable components of complex assets are allocated to assets on the statement of financial position and depreciated over their useful life. The residual value recorded for the component being replaced is allocated to the income statement; other costs are charged to profit and loss when the expense is incurred.
Financial expenses incurred in respect of investments in assets which normally take a substantial period of time to be prepared for use or sale (qualifying assets as defined in IAS 23-'Borrowing Costs') are capitalised and depreciated over the useful life of the asset class to which they belong. All other financial expenses are posted to the income statement when incurred.
Ordinary maintenance and repair expenses are expensed in profit and loss in the period in which they are incurred.
If there are current obligations for dismantling or removing assets and cleaning up the related sites, the carrying amount of the assets includes the estimated costs (discounted to present value) to be incurred when the structures are abandoned, which are reported as an offsetting entry to a specific provision.
Assets held under financial leases, which essentially assign to the Company all the risks and benefits associated with ownership, are recognised as Company assets at their current value, or the present value of the minimum lease payments, whichever is lower.
The corresponding liability to the lessor is reported in the financial statements under financial payables.
These assets are depreciated using the policies and rates indicated below.
Leasing arrangements in which the lessor retains substantially all the risks and benefits relating to the ownership of the assets are classified as operating leases, and the related costs are recognised in the income statement over the term of the contract.
Depreciation is applied using the straight-line method, based on each asset's estimated useful life as established in accordance with the Company's plans for the use of such assets, taking into account wear and tear and technological obsolescence, and the likely estimated realisable value net of disposal costs.
When the tangible asset consists of several significant components with different useful lives, depreciation is applied to each component individually.
The amount to be depreciated is represented by the carrying amount less the estimated net market value at the end of its useful life, if this value is significant and can be reasonably determined.
Land, even if acquired in conjunction with a building, is not depreciated, and nor are available-for-sale tangible assets, which are reported at the lower of their carrying amount and fair value less disposal costs.
The rates are as follows:

- major real estate assets and light construction:	3%-10%
- plant and machinery:	10%
- furniture, and office and electronic equipment:	10%-20%

- motor vehicles: 20%-25%
- miscellaneous equipment: 20%-30%

Depreciation ceases on the date on which the asset is classified as available for sale or on which the asset is derecognised for accounting purposes, whichever occurs first.
A tangible asset is derecognised from the statement of financial position at the time of sale or when there are no future economic benefits associated with its use or disposal.
Any profits or losses are included in the income statement in the year of this derecognition.

Capital grants
Capital grants are recorded when there is a reasonable certainty that all requirements necessary for access to such grants have been met and that the grant will be disbursed.
This generally occurs at the time the decree acknowledging the benefit is issued.
Capital grants that relate to tangible fixed assets are recorded as deferred income and credited to the income statement over the whole period corresponding to the useful life of the asset in question.

Impairment
The Company ascertains, at least annually, whether there are indicators of a potential loss in value of intangible and tangible assets. If the Company finds that such indicators exist, it estimates the recoverable value of the relevant asset.
Moreover, intangible assets with an indefinite useful life or not yet available for use, and goodwill are subject to impairment tests every year or more frequently, whenever there is an indication that the asset may be impaired.
The ability to recover the assets is ascertained by comparing the carrying amount to the related recoverable value, which is represented by the greater of the fair value less disposal costs, and the value in use.
In the absence of a binding sale agreement, the fair value is estimated on the basis of recent transaction values in an active market, or based on the best information available to determine the amount that could be obtained from selling the asset.
The value in use is determined by discounting expected cash flows resulting from the use of the asset, and if significant and reasonably determinable, the cash flows resulting from its sale at the end of its useful life.
Cash flows are determined on the basis of reasonable, documentable assumptions representing the best estimate of the future economic conditions that will occur during the remaining useful life of the asset, with greater weight given to external information.
The discount rate applied takes into account the implicit risk of the business segment.
When it is not possible to determine the recoverable value of an individual asset, the Company estimates the recoverable value of the cash-generating unit to which the asset belongs.
Impairment is recorded if the recoverable value of an asset is lower than its carrying amount.
This loss is posted to the income statement unless the asset was previously written up through a shareholders' equity reserve.
In this case, the impairment loss is first allocated to the revaluation reserve.
If, in a future period, a loss on assets, other than goodwill, does not materialise or is reduced, the carrying amount of the asset or cash-generating unit is increased up to the new estimate of recoverable value, and may not exceed the value that would have been calculated if no impairment had been recorded.
The recovery of impairment is posted to the income statement. In this case, the recovery in value is first allocated to the revaluation reserve.

Investment property
Property and buildings held to generate lease income (investment property) are valued at cost less cumulative depreciation and impairment losses.
The depreciation rate for buildings is 3%, while land is not depreciated.
Investment property is derecognised from the statement of financial position when sold or when it becomes permanently unusable and no future economic benefits are expected from its disposal.

Investments
Investments in subsidiaries are recorded at cost and adjusted for any loss in value.
The positive difference arising at the time of the acquisition between the acquisition cost and the current value of the Company's stake is included in the carrying amount of the investment; any impairment of this positive difference is not reinstated in subsequent periods, even if the reasons for the impairment no longer apply.
If the Company's portion of the subsidiary's losses exceeds the carrying amount of the investment, the carrying amount is derecognised and the portion of any further losses is posted to liabilities as a specific reserve to the extent to which the Parent Company is required to fulfil legal or implicit obligations with respect to the subsidiary or in any event to cover its losses.
Investments in subsidiaries are subject to impairment tests on an annual basis, or more frequently if necessary.
If the tests show evidence of impairment, the loss in value must be recorded as an impairment in the income statement.

Dividends received are recognised in the income statement when the right to receive payment is established, in cash or in kind, only if they arise from the distribution of profits subsequent to the acquisition of the investee company.

Financial instruments
Financial instruments held by the Company are categorised as follows:

i). Financial assets
Financial assets include investments, short-term securities and financial receivables, which in turn include the positive fair value of financial derivatives, trade and other receivables and cash and cash equivalents.
Specifically, cash and cash equivalents include cash, bank deposits and highly liquid securities that are readily convertible into cash and are subject to an insignificant risk of a change in value. Deposits and securities included in this category mature in less than three months from the closing date of the period.
Current securities include short-term securities or marketable securities that represent a temporary investment of cash and do not meet the requirements for classification as cash and cash equivalents.
Financial assets represented by debt securities are classified and measured in the statement of financial position based on the business model that the Company has adopted to manage these financial assets, and based on the cash flows associated with each financial asset.
Financial assets also include investments in companies that are not held for trading. These assets are strategic investments, and the Company has decided to recognise changes in the related fair values through profit and loss (FVTPL). Changes in value that clearly represent a recovery of part of the cost of the investment are not recorded in the income statement, but are deducted directly from the asset.

Financial assets are classified and measured on the basis of a business model developed by the Company on the first-time adoption of IFRS 9. The business model has been defined at a level that reflects the way in which groups of financial assets are managed to achieve a particular business objective. The model's measurement process requires an assessment based in part on quantitative and qualitative factors relating to, for example, the way in which the performance of the financial assets in question is communicated to management with strategic responsibilities and the way in which the risks connected with these financial assets are managed.
The Company measures a financial asset at amortised cost if it meets both of the following conditions:
- it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- its contractual conditions are such that the cash flows generated by the asset are attributable exclusively to payments of principal and related interest.
Financial assets measured at amortised cost are measured at fair value at the time of initial recognition; subsequent measurements reflect the repayments made, the effects of applying the effective interest method and any write-downs. Any gain or loss made on derecognition is recognised in profit or loss, together with foreign exchange gains and losses.
A financial asset represented by debt securities is measured at fair value through other comprehensive income (FVOCI) if it meets both of the following conditions:
- it is held within a business model whose objective is to collect both the contractual cash flows and the cash flows arising from the sale of the asset; and
- its contractual conditions are such that the cash flows generated by the asset are attributable exclusively to payments of principal and related interest. After initial recognition, these assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment losses are recognised in the income statement. Net gains and losses deriving from other changes in fair value are recognised with a balancing entry in the statement of comprehensive income. Upon derecognition, the accumulated gains and losses in the statement of comprehensive income are recorded to the income statement.

Impairment of a financial asset
Financial assets are tested for recoverability by applying an impairment model based on 'expected credit loss' (ECL).
Regarding trade receivables, the Company uses the business model applied at Group level, following the simplified method, which considers the probabilities of defaults over the financial instrument's life ('lifetime expected credit losses'). Impaired loans are analysed based on the debtor's creditworthiness and ability to pay the sums due, as well as the degree of effective coverage of any collateral and personal guarantees in existence.
Regarding all other trade receivables, the matrix-type approach is applied to estimate impairment.
A financial asset is considered impaired when internal or external information indicates that it is unlikely that the Company will receive the full contractual amount.

Lastly, with regard to other financial assets measured at amortised cost, and, specifically, cash and cash equivalents, the impact in terms of expected loss is not considered material and for this reason no adjustment is made to the carrying amounts.

ii). Financial liabilities

Financial liabilities include financial payables, which, in turn, include the negative fair value of financial derivatives, trade payables and other payables.
Financial liabilities are classified and measured at amortised cost, except for financial liabilities that are initially measured at fair value, for example financial liabilities relating to earn-outs linked to business combinations and derivative instruments and financial liabilities for put options on non-controlling interests.

iii). Derecognition of financial assets and liabilities

A financial asset or liability (or, if applicable, part of a financial asset/liability or part of a group of similar financial assets/liabilities) is derecognised from the financial statements if the Company has unconditionally transferred the right to receive financial flows from the asset or the obligation to make payments or fulfil other obligations related to the liability.
In cases where an existing financial liability is replaced by another to the same lender under substantially different conditions, or where the conditions of an existing liability have changed substantially, the replacement or change is treated in the financial statements as a derecognition of the original liability, and a new liability is therefore reported, with any difference in the carrying amounts recognised in the income statement.

iv). Financial derivatives and hedging transactions

Financial derivatives embedded in contracts where the primary element is a financial asset that falls within the scope of IFRS 9 are not separated. The hybrid instrument is instead examined as a whole for classification in the statement of financial position and subsequent measurement.
Financial derivatives are used solely for hedging purposes to reduce exchange and interest rate risk. Financial derivatives are only accounted for according to the methods established for hedge accounting (fair value hedge or cash flow hedge) if, at the start of the hedging period, the hedging relationship has been designated. It is assumed that the hedge is highly effective: it must be possible for this effectiveness to be reliably measured during the accounting periods for which it is designated. All financial derivatives are measured at fair value.
Where financial instruments meet the requirements for being reported using hedge accounting procedures, the following accounting treatments are applied:

- fair value hedge: if a financial derivative is designated as a hedge against exposure to changes in the fair value of an asset or liability attributable to a particular risk that could have an impact in the income statement, the gains or losses resulting from subsequent measurements of the fair value of the hedging instrument are reported in the income statement. The gain or loss on the hedged item, which is attributable to the hedged risk, is reported as a portion of the carrying amount of this item and as an offsetting entry in the income statement;
- cash flow hedge: if a financial instrument is designated as a hedge of exposure to fluctuations in the future cash flow of an asset or liability recorded in the financial statements, or of a transaction that is considered to be highly probable and that could have an impact on the income statement, the effective portion of the gains or losses on the financial instrument is recognised in the statement of comprehensive income. Cumulative gains or losses are reversed from shareholders' equity and recorded in the income statement in the same period in which the transaction being hedged has an impact on the income statement. The gain or loss associated with a hedge or the portion of a hedge that has become ineffective is posted to the income statement when the ineffectiveness is reported.

If a hedge instrument or hedge relationship is closed out, but the transaction being hedged has not been carried out, the cumulative gains and losses, which, until that time had been posted to shareholders' equity, are recognised in the income statement at the time the related transaction is carried out.
If the transaction being hedged is no longer considered likely to take place, the pending unrealised profits or losses in shareholders' equity are recorded in the income statement.
If hedge accounting cannot be applied, any gains or losses resulting from measuring the financial derivative at its present value are posted to the income statement.
A highly probable intra-group transaction qualifies as a hedged item in a cash flow hedge of exchange rate risk, provided that the transaction is denominated in a currency other than the functional currency of the company entering into the transaction and that the financial statements are exposed to exchange rate risk.

In addition, if the hedge of a planned intra-group transaction qualifies for hedge accounting, any gain or loss that is recognised directly in the statement of comprehensive income must be reclassified in the income statement in the same period in which the currency risk of the hedged transaction affects the income statement.

Own shares

Own shares are reported as a reduction to shareholders' equity.
The original cost of own shares and the economic effects of any subsequent sales are reported as movements in shareholders' equity.

Inventories

Inventories of raw materials and semi-finished and finished products are valued at the lower between the purchase or production cost, determined using the weighted average method, and the market value.
Work in progress is recorded at the acquisition cost of the raw materials used including the actual production costs incurred up to the point of production reached.
Inventories of raw materials and semi-finished products that are no longer of use in the production cycle and inventories of unsaleable finished products are fully written down.
Low-value replacement parts and maintenance equipment that cannot be used in connection with one part of the asset are reported as inventories and recognised in the income statement when used.

Non-current assets held for sale

Non-current assets held for sale include fixed assets (or asset disposal groups) whose carrying amount will be recovered primarily from their sale rather than their ongoing use, and whose sale is highly probable in the short term (within one year) and in the assets' current condition.
Non-current assets held for sale are valued at the lower of their net carrying amount and present value, less sale costs, and are not amortised.

Employee benefits

Post-employment benefit plans

The Company provides post-employment benefits through defined contribution and/or defined benefit plans.

i. Defined benefit plans.
   The Company's obligation and annual cost reported in the income statement are determined by independent actuaries using the projected unit credit method.
   The net cumulative value of actuarial gains and losses is recorded directly in the statement of comprehensive income and is not subsequently recognised in the income statement.
   The costs associated with an increase in the present value of the obligation, as the time of payment of the benefits draws nearer, are included under financial expenses. Service costs are posted to the income statement. The liability recognised represents the present value of the defined benefit obligation, less the present value of plan assets. If an amendment to the plan changes the benefits accruing from past service, the costs arising from past service are recognised in the income statement at the time the change to the plan is made. The same treatment is applied if there is a change to the plan that reduces the number of employees or that amends the terms and conditions of the plan (treatment is the same regardless of whether the final result is a profit or a loss).
ii. Defined contribution plans.
   Since the Company fulfils its obligations by paying contributions to a separate entity (a fund), with no further obligations, it records its contributions to the fund in respect of employees' service, without making any actuarial calculation.
   Where these contributions have already been paid at the reporting date, no liabilities are recorded in the financial statements.

Compensation plans in the form of stock options

The Company pays additional benefits in the form of stock option plans to employees, directors and individuals who regularly carry out work for the Company or one or more Group companies.
Pursuant to IFRS 2-'Share-Based Payment', the total fair value of the stock options on the allocation date is to be reported as a cost in the income statement, with an increase in the respective shareholders' equity reserve, in the period beginning at the time of allocation and ending on the date on which the employees, directors and individuals who regularly carry out work for the Company become fully entitled to receive the stock options.
The total fair value of the stock options on the allocation date was reported as an increase in the value of investments, with an increase in the respective shareholders' equity reserve, in the period beginning at the time of allocation and ending on the date on which the employees, directors and individuals regularly working for one or more subsidiaries become fully entitled to receive the stock options.
Changes in the present value after the grant date have no effect on the initial valuation, while in the event of changes to the terms and conditions of the plan, additional costs are recorded for each change that determines an increase in the present value of the recognised option.

The cost is recognised as a portion, for each period in which the vesting conditions have been met, while in the event of the cancellation of an option, the cost recorded until that date is released to income on the income statement.
The fair value of stock options is represented by the value of the option calculated by applying the Black-Scholes model, which takes into account the conditions for exercising the option, the current share price, expected volatility and the risk-free rate, as well as the non-vesting conditions.
The stock options are recorded at fair value with an offsetting entry in the stock option reserve.

Provision for risks and charges
Accruals for the provision for risks and charges are recognised when:
- there is a current legal or implicit obligation resulting from a past event;
- it is likely that the fulfilment of the obligation will require some form of payment;
- the amount of the obligation can be reliably estimated.

Accruals are recorded at a value representing the best estimate of the amount the Company would reasonably pay to discharge the obligation or transfer it to third parties on the reporting date.
Where the financial impact of the timing is significant, and the payment dates of the obligations can be reliably estimated, the accrual is discounted to present value. The change in the related provision over time is allocated to the income statement under Financial income (charges).
Provisions are periodically updated to reflect changes in estimates of cost, timescales and discount rates. Revisions to estimates of provisions are booked to the same income statement item that contains the accrual or, if the liability relates to tangible assets (e.g. dismantling and restoration), these revisions are reported as an offsetting entry to the related asset.
When the Company expects that all or part of the provisions will be repaid by third parties, the payment is recorded under assets only if it is virtually certain, and the accrual and related repayment are posted to the income statement.

Restructuring provisions
The Company reports restructuring provisions only if there is an implicit restructuring obligation and a detailed formal restructuring program that has led to the reasonable expectation of the third parties concerned that the Company will carry out the restructuring, either because it has already started the process or because it has already communicated the main aspects of the restructuring to the third parties concerned.

Revenues from sales and services
Revenues are recognised when the customer gains control of the goods. Transfer of control is determined using a five-step analytical model that is applied to all revenues from contracts with customers.
This occurs when the goods are delivered to the customer, who has full discretion over the sales channel and price of the products themselves, and there is no unfulfilled obligation that could affect acceptance by the customer. Delivery takes place when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer and the customer has accepted the products in accordance with the sales contract, the terms and conditions of acceptance have expired or the Company has objective evidence that all criteria for acceptance have been met. The Company's revenues include sales of spirits on the market.
Revenues are recognised at the price shown in the contract, net of any estimates of deferred discounts or incentives granted in line with market practice, for example:
1) volume/value discounts based on cumulative sales above a threshold at the end of a given period;
2) discounts (such as discounts, rebates, performance bonuses, logistical discounts) related to promotional activities carried out by the customer and agreed upon in advance;
3) customer incentives, such as discount vouchers, free products, price protection, market development allowances and price reduction allowances (to compensate low sales);
4) product placement allowances (such as contributions for placement and range).

Historical experience is used to estimate deferred discounts/incentives, and revenues are recognised only to the extent that it is highly probable that there will be no need for subsequent significant adjustments.
No element of financing is deemed to be present as sales are made with only a brief delay before payment: normally, there are no contracts with more than one year between the transfer of the goods and payment by the customer.
Discounts relating to specific payment terms that lower the Company entity’s collection risk or reduce administrative costs and/or improve liquidity (such as payments at the time of sale) are recognised as a reduction in revenue.
A liability reducing the related trade receivable is recognised for deferred discounts due to customers in relation to sales made up to the end of the period. Such liabilities can then be offset against the amounts payable by the customer.

A credit is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.
The Company incurs consumption taxes; excise duties are a production tax that becomes payable when the product is removed from the tied estate and is not directly correlated with the sales value. Excise duties are recognised as a cost offset by the revenues deriving from the amounts collected. In line with industry practice, sales are shown in the Company's income statement net of excise duties.

Recognition of costs and expenses in the income statement
Costs are recognised in the income statement when they relate to goods and services consumed during the period.
Personnel costs include stock option plans (in keeping with their largely remunerative nature) allocated to employees, directors and individuals who regularly carry out work for the Company.
Costs incurred in developing alternative products or processes, or in conducting technological research and development, are considered current costs and expenses in profit and loss in the period in which they are incurred.

Financial income and charges
Financial income and charges (including exchange rate differences) are mainly recognised in the income statement in the year in which they are incurred; recognition in other components of the statement of comprehensive income is governed by the rules of IFRS 9-'Financial Instruments'. Financial charges that are not capitalised are recognised in the income statement based on the effective interest method.

Taxes
Current income taxes are calculated on estimated taxable income, and the related payable is recorded under Tax payables.
Current tax payables and receivables are recognised in the amount expected to be paid to/received from tax authorities by applying the tax rates and regulations in force or effectively approved on the reporting date. In preparing the above estimates, detailed consideration was also given to uncertainties regarding the tax treatment of transactions carried out by the Company that could give rise to disputes with the tax authorities.
Current taxes relating to items posted directly to shareholders' equity are included in shareholders' equity. Other non-income taxes, such as property and capital taxes, are included in operating expenses.
Deferred tax assets and liabilities are calculated on all temporary differences between the asset and liability values recorded in the financial statements and the corresponding values recognised for tax purposes using the liability method.
Provisions for taxes that could be incurred from the transfer of undistributed profit from subsidiaries have been made only where there is a genuine intention to transfer that profit.
Deferred tax assets are recorded when their recovery is likely.
Deferred tax assets and liabilities are determined on the basis of tax rates that are expected to apply in those periods when the temporary differences are generated or eliminated.
Current and deferred tax assets and liabilities are offset when these relate to income taxes levied by the same tax authority and a legal right of set-off exists, provided that realisation of the asset and settlement of the liability take place simultaneously.
The balance of any set-off is posted to deferred tax assets if positive and deferred tax liabilities if negative.
The Company has also opted for the national tax consolidation procedure, governed by Article 117 *et seq* of the Consolidated Law on Income Tax (TUIR). The decision to adopt this procedure is reflected in the accounting entries.

Transactions in foreign currencies (not hedged with derivatives)
Revenues and costs related to foreign currency transactions are reported at the exchange rate in force on the date the transaction is carried out.
Monetary assets and liabilities in foreign currencies are initially translated into Euro at the exchange rate in effect on the transaction date and subsequently converted into Euro at the exchange rate in effect on the reporting date, with the difference in value being posted to the income statement.
Non-monetary assets and liabilities arising from the payment/collection of a foreign currency advance are initially recognised at the exchange rate in effect on the transaction date and are not subsequently modified to take account of the change in the exchange rate in effect on the reporting date.

Use of estimates
The preparation of the financial statements and related notes in accordance with IFRS requires the management to make estimates and assumptions that have an impact on the value of revenues, costs, assets and liabilities in

the statement of financial position and on disclosures concerning contingent assets and liabilities at the reporting date.
If, in the future, these estimates and assumptions, based on the best valuation currently available, differ from the actual circumstances, they will be amended accordingly at the time the circumstances change.
In particular, estimates are used to identify provisions for risks with respect to receivables, obsolete inventory, depreciation and amortisation, asset impairment, employee benefits, taxes, restructuring provisions and accrual of other provisions.
The estimates and assumptions are reviewed periodically, and the impact of any change is reflected in the income statement.
Goodwill and intangible assets with an indefinite useful life are subject to annual impairment tests to check for any losses in value.
The calculations are based on expected cash flows from the cash-generating units to which the goodwill is attributed, as inferred from multi-year budgets and plans.

4. Changes in accounting standards

a. IFRS 15-'Revenue from Contracts with Customers' impacts of first-time adoption

The aim of the new standard, which has been applied since 1 January 2018, is to improve the quality and uniformity of revenue recognition and the comparability of financial statements prepared in accordance with IFRS and US accounting principles. Under the new standard, revenue recognition may no longer be based on the earnings method but on the asset-liability method, which focuses on the date that control of the sold asset was transferred. The Company has completed its analysis of its revenue valuation model in light of the provisions of the new standard. Based on its analysis, there were no types of complex contracts or differences in the way in which it identifies the timing of revenue recognition: the change in methodology therefore does not have a significant impact on the Company's overall financial results. However, some components were identified, as listed below, that were previously classified as advertising and promotional (A&P) costs in the income statement but were instead recognised as a reduction in revenues; this is because they relate to payments to clients that are not attributable to products or services that can be separated from the main sales transaction. These cases fall into the following categories:
- visibility initiatives at sales outlets;
- product listing fees;
- coupons;
- incentives and contributions paid to distributors.

The Company decided to approach the transition by making retrospective application, as provided for by the new standard. The adoption of IFRS 15 had no effect on the opening shareholders' equity at 1 January 2018.
The effects of applying the new standard on the comparative figures in 2017 are shown for comparison.

2017 Income statements

	2017 published	Restatement	31 December 2017 after IFRS 15 restatement
	€ Thousand	€ Thousand	€ Thousand
Net sales	**661,094**	**(10,538)**	**650,556**
Cost of goods sold	(291,916)	-	(291,916)
Gross margin	**369,178**	**(10,538)**	**358,640**
Advertising and promotional costs	(63,133)	10,538	(52,596)
Contribution margin	**306,045**	**-**	**306,045**
Overheads	(75,409)	-	(75,409)
Operating result	**230,636**	**-**	**230,636**
Net financial income (charges)	(70,350)	-	(70,350)
Put option income (charges)	(3,294)	-	(3,294)
Dividends	41,120	-	41,120
Profit before tax	**198,112**	**-**	**198,112**
Taxes	10,745	-	10,745
Net profit	**208.857**	**-**	**208.857**

b. IFRS 9-'Financial Instruments' impacts of first adoption

From 1 January 2018, IFRS 9-'Financial Instruments', published by the IASB in July 2014 and ratified by the European Union in November 2016, replaces IAS 39-'Financial Instruments': Recognition and Measurement. IFRS 9 introduces new criteria for the classification and measurement of financial assets and financial liabilities, a new model for calculating the impairment of financial assets and new provisions for hedge accounting.
In the context of the overall analysis of the new standard, the Company also considered the potential effects of applying the amendment to IFRS 9-'Prepayment Features with Negative Compensation' (applicable from 1 January 2019).

The Company applied the following transitional provisions of IFRS 9 retrospectively, as at 1 January 2018:
- the Company made use of the exemption that allows to avoid the recalculation of comparative information of the previous year due to changes in classification and measurement (including the new provisions on methods of calculating the impairment of financial assets). Therefore, the differences in the carrying amounts of financial assets and liabilities arising from the adoption of IFRS 9 were recognised under retained earnings and reserves at 1 January 2018.
- with reference to the methods of showing hedging transactions, the Company has decided to continue applying the provisions of IAS 39 and postpone the application of hedge accounting as set out in IFRS 9, as permitted by the new standard.

1. *Recognition and measurement of financial instruments*

<u>Financial assets</u>

Under IFRS 9, receivables, loans and debt securities recorded under financial assets are classified in the following three categories based on the characteristics of the cash flows of these assets (checked via the SPPI test) and the business model used to manage them:
- assets measured at amortised cost;
- assets measured at fair value through other comprehensive income (FVOCI);
- assets measured at fair value through profit or loss (FVTPL).

Derivatives embedded in contracts where the primary element is a financial asset that falls within the scope of the standard no longer have to be separated. Instead, this hybrid instrument is examined for the purpose of classifying it as a whole.

The above-mentioned categories laid down by IFRS 9 replace the previous categories of IAS 39: assets held to maturity, loans and receivables, assets available for sale and assets measured at FVTPL.

Specifically, a financial asset must be measured at amortised cost if it is not designated at FVTPL and both of the following conditions are met:
- the financial asset is held within a portfolio with a business model whose objective is to hold financial assets in order to collect the contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset must be measured at FVOCI if it is not designated at FVTPL and both the following conditions are met:
- the financial asset is held within a business model whose objective is achieved by collecting the contractual

cash flows as well as selling financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets that do not fall into the previous two categories are measured at FVTPL.

The main impacts arising from first-time application of IFRS 9, in terms of the classification and measurement of financial assets, relate to some investments in debt securities included in 'current financial receivables' and 'other non-current assets for which measurement at fair value through profit or loss (FVTPL) is mandatory'. The impact of applying the new provisions on opening shareholders' equity at 1 January 2018 was not significant.

With regard to equity securities represented by investments other than those in subsidiaries, associates and joint ventures that are not held for trading, the Company has decided not to make use of the option to measure them at FVOCI; such interests are therefore measured at FVTPL.
With reference to investments held in other companies included in the item Other non-current assets, there were no significant effects in terms of valuation, as they were, moreover, of an intangible nature.

Financial liabilities

IFRS 9 essentially maintains the provisions of IAS 39 on the classification and measurement of financial liabilities, with the exception of financial liabilities measured at FVTPL, for which changes in fair value related to changes in issuer credit risk ('own credit risk') are recognised under other comprehensive income rather than through the operating result for the period, unless this gives rise to an accounting asymmetry.
The first-time adoption of IFRS 9 did not have an impact on the Company's financial liabilities.

2. Impairment

IFRS 9 replaces the impairment model based on 'incurred loss', as laid down by IAS 39, with a forward-looking model based on 'expected credit loss' or ECL. Under these new provisions, the event triggering the loss (the impairment trigger) does not have to occur for the resulting loss to be recognised in the financial statements, but the expected future loss, determined using current and historical data, as well as forward-looking information about future circumstances, must immediately be recognised.
The Company reviewed its impairment testing process for recorded assets and, in the case of trade receivables, applied the simplified method (as defined by the Group and also deemed applicable to the Company); this considers the probabilities of losses due to defaults over the financial instrument's life ('lifetime expected credit losses'). Impaired loans are analysed based on the debtor's creditworthiness and ability to pay the sums due, as well as the degree of effective coverage of any underlying collateral and personal guarantees. For all other trade receivables, a matrix-type approach was taken to estimate impairment.
It should be noted that a financial asset is considered impaired when internal or external information indicates that it is unlikely that the Group will receive the full contractual amount.
The analysis carried out showed an increased depreciation of financial assets; the increase in impairment provisions is entirely due to the restatement on the basis of the 'expected credit loss' of trade receivables from external customers, because the effects from the evaluation of receivables to Campari Group companies' were not significant. The impact of applying the new provisions on opening shareholders' equity at 1 January 2018 was a negative €392 thousand (gross of the related tax effect equal to €94 thousand).
Lastly, other financial assets measured at amortised cost, and, specifically, cash and cash equivalents, were measured according to the new regulatory provisions, and there was no impact in terms of expected loss.

The table below provides a summary of the effects of applying IFRS 9 in relation to the information shown at 31 December 2017, implemented as from 1 January 2018.

Impact on shareholders' equity

	Amounts in € Thousand
Balance of retained earnings reserve at 31 December 2017 (published)	**923,861**
Increase in provision for doubtful trade receivables	(392)
Tax effect of the adjustments as a result of applying IFRS 9	94
Balance of retained earnings reserve at 1 January 2018	**923,563**

Impact on trade receivables

	31 December 2017 (published) – IAS 39	Restatements and value changes	1 January 2018 – IFRS 9
	€ Thousand	€ Thousand	€ Thousand
Trade receivables from external customers	49,549	(392)	49,157
Receivables in respect of contributions to promotional costs	64,289	-	64,289
Receivables in respect of contributions to promotional costs	5,373	-	5,373
Trade receivables	**119,210**	**(392)**	**118,818**
Payments on account to suppliers of fixed assets	23	-	23
Advances and other receivables from suppliers	1,8	-	1,8
Other receivables from tax authorities	129	-	129
Receivables from related parties	4,441	-	4,441
Receivables from agents and miscellaneous customers	3,952	-	3,952
Deferred charges	752	-	752
Receivables from pension organizations	2,176	-	2,176
Other	1	-	1
Other receivables	**13,274**	**-**	**13,274**

Provision for impaired receivables based on 'expected credit loss'

	Amounts in € Thousand
Provision for impaired receivables at 31 December 2017 (published)	**2,459**
Effect of remeasurement of impairment provision based on 'expected credit loss'	392
Provision for impaired receivables at 1 January 2018	**2,851**

Impact on disclosures – financial instruments

Financial assets and liabilities – disclosures	31 December 2017 (published) – IAS 39	Restatements and value changes	1 January 2018 – IFRS 9
Amounts in € Thousand			
Assets measured at amortised cost(*), of which:	**426,587**	**(27,371)**	**399,216**
Cash and cash equivalents	217,538	-	217,538
Trade receivables	119,210	(392)	118,818
Current financial assets	56,829	-	56,829
Other non-current financial assets	33,009	(26,979)	6,030
Assets measured at fair value with changes recognised in income statement, of which:	**1,714**	**26,979**	**28,693**
Other non-current financial assets	-	26,979	26,979
Other non-current assets	149	-	149
Current assets for hedging derivatives	83	-	83
Non-current assets for hedging derivatives not reported using hedge accounting	1,482	-	1,482
Assets measured at fair value with changes recognised in statement of comprehensive income, of which:	**245**	**-**	**245**
Current assets for hedging derivatives	245	-	245
Liabilities measured at amortised cost(*), of which:	**(1,949,422)**	**-**	**(1,949,422)**
Payables to banks	(300,000)	-	(300,000)
Other financial liabilities with related parties	(995,589)	-	(995,589)
Other financial liabilities	(8,892)	-	(8,892)
Bonds	(178,365)	-	(178,365)
Put option payables	(365,318)	-	(365,318)
Accrued interest on bonds	(2,040)	-	(2,040)
Trade payables	(99,218)	-	(99,218)
Liabilities measured at fair value with changes recognised in statement of comprehensive income, of which:	**(809)**	**-**	**(809)**
Non-current liabilities for derivatives relating to interest rate swaps on future transactions	(701)	-	(701)
Current liabilities for hedging derivatives	(108)	-	(108)
Total financial assets and liabilities impacted by the application of IFRS 9 – restatements and value changes	**(1,521,685)**	**(392)**	**(1,522,077)**

The accounting standards adopted by the Company are the same as those applied to the financial statements at 31 December 2017, with the exception of those shown above in respect of IFRS 9-'Financial Instruments' and IFRS 15-'Revenue from Contracts with Customers', as well as those set out below.

c. Accounting standards, amendments and interpretations ratified or applicable from 1 January 2018

IFRIC 22 interpretation-'Foreign Currency Transactions and Advance Consideration'.
IFRIC 22 aims to clarify the accounting methodology for transactions that involve the receipt or payment of advance consideration in a foreign currency, and, specifically, when an entity recognises a non-monetary asset or liability arising from the payment or receipt of advance consideration before it recognises the related asset, expense or income. The application of the interpretation did not have an impact on the Company's financial position and profitability.

Amendment to IAS 40-'Transfers of Investment Property'.
One of the main changes introduced by the amendment is that an entity may only transfer a property to or from investment property when there is evidence of a change in use. This amendment does not apply to the Company.

Amendment to IFRS 2-'Classification and Measurement of Share-based Payment Transactions'.
The main changes to IFRS 2 relate to three key areas:

- the accounting treatment of 'vesting conditions' and 'non-vesting conditions' for a cash-settled share-based payment;
- the classification of a share-based payment settled net of withholding tax obligations;
- the accounting treatment required if a change in the terms and conditions of a share-based payment changes its classification from cash-settled to equity-settled.

The Company does not have any existing cash-settled stock option plans. Moreover, it did not carry out any share-based payments settled net of withholding tax obligations, and did not make any changes to the terms and conditions of its own share-based payment transactions. The changes described did not therefore affect the Company's financial position or profitability.

d. Accounting standards, amendments and interpretations that have been ratified but are not yet applicable/have not been adopted by the Company in advance

IFRIC 23 interpretation-'Uncertainty over Income Tax Treatments' (applicable from 1 January 2019)
IFRIC 23 aims to clarify how to calculate current and deferred taxes when there is uncertainty about the tax treatments adopted by the entity drawing up the financial statements, which may not be accepted by the tax authorities. There was no impact on the Company's financial position and cash flows as at 31 December 2018, as the Company was already applying the existing principles regarding income tax treatment in a correct and appropriate manner.

Amendment to IAS 28-'Investments in Associates and Joint Ventures' (issued on 12 October 2017)
The changes made by this amendment (endorsed on 8 February 2019) are not applicable to the Company.

IFRS 16-'Leasing' (applicable from 1 January 2019)
On 13 January 2016, the IASB published the new accounting standard IFRS 16-'Leasing'. The new standard replaces IAS 17 and provides methods of accounting presentation that more appropriately reflect the type of leases in the financial statements. The new IFRS 16 is applicable from 1 January 2019, but early adoption is permitted. Specifically, IFRS 16 introduces a single accounting model for leases in the financial statements of lessees, requiring tenants to recognise an asset for the right-of-use of the underlying asset and a liability for the obligation to make lease payments. Furthermore, the nature of the costs of the above-mentioned leases will change since IFRS 16 will replace the recognition on a straight-line basis of the costs of operating leases with depreciation of the right-of-use asset and the financial charges of the lease liabilities. For the lessor, the accounting treatment methods are similar to those specified in IAS 17, meaning the lessor will continue to classify leases as operating or financial leases.
IFRS 16 will be adopted by the Company from 1 January 2019 as follows:

- regarding first-time adoption of the standard, the Company, based on the guidelines shared with the Group, intends to adopt the modified retrospective application of the model. Therefore, the figures for the comparative period will not be restated; some simplifications and practical expedients will be applied, as permitted by the standard;
- in the definition of the scope of application, lease agreements with a low unit value (i.e. lower than USD 5,000) and short-term leases (i.e. less than 12 months) are managed separately. Costs relating to these leases will continue to be recognised in the income statement as separately identified;
- as part of the analysis undertaken, the Company also considered the existence of arrangements which are not legally a lease but contain a lease pursuant to IFRIC 4. No contracts relevant to IFRS 16 with the characteristics described above were identified.

Regarding the measurement of contracts relevant to application of IFRS 16, the
greatest impact will be on existing agreements relating to buildings, vehicles and industrial equipment. Right-of-use assets equal to €5,262 thousand and financial liabilities in respect of leases of an equal amount were identified as the effects of the first-time application. There will be no effect on opening shareholders' equity at 1 January 2019.

An appropriate IT system has been identified and implemented to provide accounting support for the new way of presenting leases in terms of the Company's income, capital and financial position from 1 January 2019.

e. Accounting standards, amendments and interpretations not yet ratified

IFRS 17-'Insurance Contracts' (issued on 18 May 2017)
The standard is not applicable to the Company.

Amendment to IAS 19-'Plan Amendment, Curtailment or Settlement' (issued on 7 February 2018)
In this amendment, the IASB clarifies how to calculate pension expenses if there is a change in the defined benefit plan. The Company is assessing whether these clarifications could have an impact on its financial position.

Amendment to the Conceptual Framework in IFRS Standards (issued on 29 March 2018)
The IASB has published a revised version of the Conceptual Framework for Financial Reporting, with first application scheduled for 1 January 2020. The main changes relate to:

- a new chapter on valuation;
- better definitions and guidance, with particular regard to the definition of liabilities;
- clarifications of important concepts such as stewardship, prudence and measurement uncertainty.

The Company is assessing whether these revisions could have an impact on its financial position and operating results.

Definition of a Business (Amendments to IFRS 3) (issued on 22 October 2018)
The IASB has published an amendment to IFRS 3-'*Definition of a Business'*, with the objective of helping companies decide whether a transaction is an acquisition of a business or of a group of assets that does not meet the definition of a business in IFRS 3.
The amendments will apply to acquisitions after 1 January 2020. Early adoption is permitted.

Definition of Material (Amendments to IAS 1 and IAS 8) (issued on 31 October 2018)
The IASB has published 'Definition of Material (Amendments to IAS 1 and IAS 8)' to clarify the definition of 'material' in order to help companies assess whether information should be included in the financial statements.
The amendments will apply from 1 January 2020. Early adoption is, however, permitted.
The Company is assessing the potential impact on its financial position and operating results of this clarification.

5. Significant events during the year

Merger by incorporation of Fratelli Averna S.p.A. and Sorfinn Ltd. into Davide Campari-Milano S.p.A.

On 1 December 2018, the wholly owned companies Fratelli Averna S.p.A. and Sorfinn Ltd. were merged by incorporation into Davide Campari-Milano S.p.A. For statutory and tax purposes, the effective date of the merger was 1 January 2018.

The book and financial values of the companies merged on 1 January 2018 are set out in the table below.

	Fratelli Averna S.p.A. € Thousand	Sorfinn Ltd. € Thousand
ASSETS		
Non-current assets	-	-
Net tangible fixed assets	6,341	-
Goodwill and brands	16,979	53,971
Intangible assets with a finite life	111	-
Other non-current assets	1,026	-
Total non-current assets	**24,457**	**53,971**
Current assets		
Inventories	2,803	-
Trade receivables	2,049	952
Short-term financial receivables	5,582	991
Cash and cash equivalents	70	-
Income tax receivables	1,248	334
Other receivables	273	5
Total current assets	**12,025**	**2,281**
Assets held for sale	-	-
Total assets	**36,482**	**56,252**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Shareholders' equity		
Share capital	3,900	3
Reserves	24,227	55,409
Total shareholders' equity	**28,127**	**55,411**
Non-current liabilities		
Other non-current liabilities	967	-
Post-employment benefit obligations	64	-
Provisions for risks and charges	64	-
Deferred tax liabilities	3,456	837
Total non-current liabilities	**4,552**	**837**
Current liabilities		
Payables to banks	1,563	-
Trade payables	2,027	4
Other current liabilities	214	-
Total current liabilities	**3,804**	**4**
Total liabilities	**8,355**	**841**
Total liabilities and shareholders' equity	**36,482**	**56,252**

The merger of Fratelli Averna S.p.A. resulted in a deficit of €69,914 thousand. As this was an operation under common control, the deficit was attributed in such a way as to reflect the values relating to the Averna and Braulio business set out in the Group consolidated financial statements, specifically €48,507 thousand under brands, €23,021 thousand under goodwill, €13,962 thousand under the deferred tax liabilities provision and the remaining €12,348 thousand as a direct reduction of shareholders' equity.

The merger by incorporation of Sorfinn Ltd. resulted in a deficit of €9,114 thousand, allocated directly to the shareholders' equity of the Company.

Sale of the Lemonsoda business

On 2 January 2018, the Company completed the sale of the Lemonsoda range to Danish-based beer and non-alcoholic drinks manufacturer Royal Unibrew A/S.

The operation took the form of the sale of 100% of the share capital of Nettuno S.r.l., a wholly owned subsidiary of Davide Campari-Milano S.p.A., to which the business in question was transferred in 2017. The business includes the alcohol-free, fruit-flavoured carbonated beverages Lemonsoda, Oransoda, Pelmosoda and Mojito Soda, grouped under the Freedea brand name, as well as the Crodo brands (except for Crodino). At 31 December 2017, the carrying amount of the investment in Nettuno S.r.l. was €19,356 thousand.

Besides the brands, the perimeter of the sale includes the manufacturing and bottling facility, located in Crodo, the water springs and the inventory. The business sold also included the related goodwill value, allocated to assets available for sale at a value of €6,652 thousand on 31 December 2017.

The total amount received from the sale of the Lemonsoda business, collected at closing, was €81,442 thousand. A capital gain of €55,394 thousand was recorded in the income statement.

In 2017, Lemonsoda recorded net sales of €32.6 million and a contribution margin (gross margin after advertising and promotional costs) of €4.1 million.

As part of the transaction, and effective from closing, the Company and Royal Unibrew entered into a multi-year manufacturing agreement, under which Royal Unibrew will continue to manufacture certain Campari Group's own products which are currently produced at the bottling facility in Crodo.

This transaction is in line with Campari Group's commitment to streamlining its portfolio and increasing its focus on its core spirits business.

Termination of the agreement to distribute the portfolio of Brown Forman brands in Italy

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

6. Segment reporting

For greater clarity, segment information is provided in more detail in the notes to the consolidated financial statements.

7. Net sales

	2018 € Thousand	2017(*) € Thousand
Sale of goods	357,263	389,628
Sales to associates	273,202	260,929
Total net sales	**630,464**	**650,556**

(*)The values shown for 31 December 2017 have been restated following application of the new accounting standard IFRS 15-'Revenue from Contracts with Customers'. For more information on the impact of the new accounting standard, please refer to note 4-'Changes in accounting standards'.

In 2018, net sales of €630,464 thousand, down -3.1% on the previous year, included sales of €357,263 thousand to Italian customers, an decrease of -8.3% compared with the previous year.
Sales to Group companies' that primarily manage their businesses on the international markets totalled €273,202 thousand, an increase on the previous year's figure of €12,273 thousand.
The decrease in overall sales is mainly due to the effect of the sale of the Lemonsoda business.

8. Cost of goods sold

	2018 € Thousand	2017 € Thousand
Materials and manufacturing costs	226,743	264,766
Distribution costs	24,029	27,150
Total cost of goods sold	**250,772**	**291,916**
Raw materials and finished goods acquired from third parties	195,252	227,208
Inventory write-downs	828	1,091
Personnel costs	18,367	21,170
Depreciation/amortisation	5,372	7,195
Total Utilities	3,032	3,754
External production and maintenance costs	7,301	8,540
Variable transport costs	17,794	20,038
Other costs	2,825	2,921
Total cost of goods sold	**250,772**	**291,916**

The cost of goods sold, which amounted to €250,772 thousand in 2018, decreased by €41,144 thousand compared with the previous year, due to the decrease in sales. The cost of goods sold as a percentage of sales rose from 44.9% in 2017 to 39.8% in 2018.

9. Advertising and promotional costs

	2018 € Thousand	2017(*) € Thousand
Advertising space	25,113	22,495
Sponsorships, trade fairs and events	8,048	5,712
Media production	14,318	14,446
Promotion aimed at consumers and customers	9,762	9,665
Market research	2,523	2,310
Other advertising and promotional costs	5,461	3,681
Depreciation/amortization	103	113
Trade allowance for promotional purposes	(2,847)	(5,825)
Total advertising and promotional costs	**62,481**	**52,596**

(*)The values shown for 31 December 2017 have been restated following application of the new accounting standard IFRS 15-'Revenue from Contracts with Customers'. For more information on the impact of the new accounting standard, please refer to note 4-'Changes in accounting standards'.

Advertising and promotional costs, which totalled €62,481 thousand in 2018, were up €9,885 thousand compared with the previous year's figure, and increased by +1.8% as a percentage of net sales.

10. Overheads

	2018 € Thousand	2017 € Thousand
Agents and other variable sales costs	5,061	4,512
Depreciation/amortisation	9,712	8,147
Personnel costs	65,561	56,955
Travel, business trip, training and meetings	1,865	2,070
Total Utilities	655	609
Services, maintenance and insurance	32,067	25,501
Total Rents and Leases	3,545	4,087
Capital gains from the sale of buildings	(10)	(35)
Capital gains from sales of equity interests	(55,482)	(53,035)
Capital losses on sale of assets	6	7
Accruals for staff restructuring	5,751	9,031
Accrual for future expenses	-	2,492
Acquisition costs	781	4,314
Other opera rating (income) expenses	(7,423)	10,753
Total overheads	**62,088**	**75,409**

In 2018, overheads were €62,088 thousand, showing a decrease compared with the previous year of €13,321 thousand. These costs are affected by the increase in the personnel and central structure services items, net of the benefit from increased inter-company income. It should be noted that there are contracts in place with the other Group companies for the supply of various support services, either received or provided.

In 2018, capital gains generated from the sale of investments, totalling €55,482 thousand, were mainly due to the capital gain from the sale of the Lemonsoda business equal to €55,394. For further information on this, see note 5-'Significant events during the year'.

11. Depreciation/amortisation

Depreciation and amortisation recorded in the income statement, by function, is shown below; it should be noted that there were no impairment losses in the two years shown.

	2018 € Thousand	2017 € Thousand
- Tangible fixed assets	5,216	6,884
- Intangible fixed assets	156	311
Depreciation and amortization included in cost of goods sold	**5,372**	**7,195**
- Tangible fixed assets	3,723	3,415
- Intangible fixed assets	5,989	4,731
Depreciation and amortization included in structure costs	**9,712**	**8,147**
- Tangible fixed assets	102	111
- Intangible fixed assets	1	1
Depreciation and amortization included in advertising and promotional expenses	**103**	**113**
- Tangible fixed assets	9,041	10,411
- Intangible fixed assets	6,147	5,043
Total depreciation and amortization in the income statement	**15,187**	**15,454**
Total depreciation and amortization	**15,187**	**15,454**

12. Personnel costs

The item breaks down as shown in the table below.

	2018 € Thousand	2017 € Thousand
Salaries and wages	55,655	52,135
Social security contributions	16,836	16,469
Cost of defined contribution plans	3,967	3,836
Cost of defined benefit plans	42	10
Other costs relating to mid/long-term benefits	3,952	1,926
Cost of share-based payments	3,475	3,747
Total personnel costs	**83,928**	**78,124**
of which:		
Included in cost of goods sold	*18,367*	*21,170*
Included in overhead	*65,561*	*56,955*
Total	**83,928**	**78,124**

13. Research and development costs and public contributions

The Company’s research and development activities mainly related to ordinary production and commercial activities, and particularly to product quality control and packaging studies. In 2018, this cost totalled €951 thousand and is included in advertising and promotional expenses.
These costs are not capitalised, but fully expensed to the income statement in the period when they are incurred.

The grants related to income received indirectly in favor of the Group from public institutions for promotional investments to support the sparkling wine category amounted to €2,046 thousand in the fiscal year 2018.

14. Net financial income and charges

The table below shows the changes in the items relating to financial income and charges between the years under comparison.

	2018 € Thousand	2017 € Thousand
Bank term deposit interest	539	534
Dividends from third parties	-	8
Other income	236	24
Total financial income	**775**	**566**
Net interest payable on bonds	(30,214)	(33,246)
Interest payable to banks	(2,762)	(2,406)
Liability management effect	-	(24,816)
Total interest payable	**(32,975)**	**(60,468)**
Net interest on defined benefit plans	(62)	(75)
Bank charges	(401)	(455)
Other charges and exchange rate differences	(1,427)	(1,998)
Total financial charges	**(1,890)**	**(2,528)**
Interest received (paid) from/to related parties	(7,788)	(7,920)
Total interest received (paid) from/to related parties	**(7,788)**	**(7,920)**
Net financial income (charges)	**(41,879)**	**(70,350)**
Dividends received from related parties	16,169	41,120
Total dividends from related parties	**16,169**	**41,120**

In 2018, net financial expense, which includes the net effects of exchange rate differences, stood at €41,879 thousand, a decrease on the previous year's figure of €28,471 thousand. This change was mainly due to the existence in 2017 of charges of €24,816 thousand attributable to liability management operations undertaken in the first half of 2017.
The total cost of debt includes a net interest expense on the bond of €30,214 thousand in 2018 and €33,246 thousand in 2017 (net of the liability management effect).
In 2018, dividends of €16,169 thousand were collected from subsidiaries (€41,120 thousand in 2017) and interest expenses of €7,788 thousand (€7,920 thousand in 2017) were paid to related parties. For more details, see note 42-'Related Parties'.

The financial income and charges arising from bond issues and the related hedging instruments are shown below.

	2018 € Thousand	2017 € Thousand
Financial charges payable to bondholders	(29,965)	(31,145)
Liability management effect	-	(24,816)
Net cost (coupons)	**(29,965)**	**(55,962)**
Net changes in fair value and other amortized cost components	(1,757)	(1,843)
Cash flow hedge reserve reported in the income statement during the year	1,509	(258)
Net interest payable on bonds and private placements	**(30,214)**	**(58,063)**

For more detailed information about financial management and its development, see note 40-'Nature and extent of risks arising from financial instruments'.

15. Put option income (charges)

In 2018, this item (€3,004 thousand) included financial charges relating to the payable created after the signing of agreements with members of the family that used to be the controlling shareholder of Société des Produits Marnier Lapostolle S.A., for the purchase, by 2021, of all the remaining shares held by them.

16. Income taxes

Taxes are calculated based on the applicable regulations at the rates in force, which, in 2018, were 24.0% for IRES (corporate income tax) and 5.57% for IRAP (regional production tax).
In particular, as regards IRAP, it should be noted that from 2018, the rate applied increased from 3.9% to 5.57%, following implementation of Legislative Decree 142/2018 transposing EU Directive 2016/1164 (ATAD). The directive defines industrial investment holding companies as companies which, based on data from the approved financial statements of the last completed financial year (2017), hold total investments in non-financial companies and other assets with these companies that, taken together, comprise more than 50.0% of the total assets.

With reference to the IRAP tax base, it is always determined according to the rules of industrial companies, but it must be added the difference between interest income and similar income, and interest expense and similar charges, taking into account that for the interest expense the deductibility is limited to 96% of their amount.

Deferred tax assets and liabilities are calculated each year based on the rates in force at the time the temporary differences are reversed; appropriate adjustments are made if the rate has changed from previous years, provided that the related law has already been issued on the date the financial report is drafted.

The amounts of current and deferred taxes recorded directly in the statement of comprehensive income relate to the effects of the remeasurement of pension funds and the measurement at fair value of cash flow hedging contracts.

Details of current and deferred taxes included in the Company's income statement and statement of comprehensive income are as follows:

	2018 € Thousand	2017 € Thousand
- current taxes for the year and previous years	(22,135)	11,749
- deferred tax expenses of the year and previous year and tax rate changes	(4,683)	(1,004)
Taxes recorded in the income statement	**(26,818)**	**10,745**
Taxes recorded in the statement of comprehensive income	**2,722**	**(432)**

In 2018, current taxes of €22,135 thousand include €2,308 thousand relating to previous years.
In addition, the current tax burden takes account of the benefit arising from the Patent Box scheme, which defines the methods and criteria to be used to calculate the proportion of income exempt from IRES and IRAP.
The tax benefit (in respect of IRES and IRAP) recorded in 2018 was €26.0 million (comprising €22.3 million for 2018 and €3.7 million for 2017). It will be recalled that the benefit recorded in 2017 was €44.8 million (comprising €17.3 million for 2017, €15.5 million for 2016 and €12.0 million for 2015).
In 2018, deferred taxes of €4,683 thousand include €2,179 thousand relating to previous years, due partly to the change in the IRAP rate.

Reconciliation of tax charges
The following table shows a reconciliation of the theoretical tax charge with the Company's actual tax charge.
The theoretical rate used is that in force during the relevant year, based on legal provisions, taking into account the rates for both IRES and IRAP, which have different tax bases.
Tax base differences are included under the permanent differences item.

	2018 € Thousand	2017 € Thousand
Profit before tax	**226,408**	**198,112**
Applicable tax rate in Italy	29.57%	27.90%
Theoretical taxes at current tax rate in Italy	**66,949**	**55,273**
Tax incentives	(24,363)	(19,028)
Permanent differences	(16,373)	(19,985)
Taxes relating to previous financial years	2,308	(27,042)
Item with different theoretical tax rate	(3,881)	12
Other differences	2,179	25
Actual tax liability in income statement	**26,818**	**(10,745)**
Actual tax rate	**11.84%**	**-5.42%**
Income statement deferred tax	(2,722)	432
Fiscal expense (income) included OCI current taxes	**24,096**	**(10,313)**
Actual tax rate	**10.64%**	**-5.21%**

Pre-tax profit represents the basis on which tax is calculated, in accordance with current tax regulations.
In 2018, the tax incentives, totalling €24,363 thousand, mainly related to the benefit from the Patent Box scheme in respect of IRES and IRAP, as well as, to a lesser extent, the allowance for corporate equity (ACE).
Permanent differences mainly concern the tax effect of dividends received from subsidiaries.
Lastly, taxes at rates other than the nominal rate are due to the difference in the taxable bases of IRAP and IRES.

Breakdown of deferred taxes by type

Details of deferred tax income/assets and expenses/liabilities posted to the income statement and statement of financial position are broken down by nature below.

	Statement of financial position		Changes in equity(*)	Merger	Income statement		Comprehensive Income Statements	
	31 December 2018	31 December 2017	2018	2018	2018	2017	2018	2017
	€ Thousand	€ Thousand	€ Thousand	€ Thousand	€ Thousand	€ Thousand	€ Thousand	€ Thousand
Deferred expenses	554	502	-	4	47	(243)	-	-
Taxed funds	1,717	973	94	591	59	(5)	-	-
Past losses	-	-	-	187	(187)	-	-	-
Unrealized exchange losses	2	917	2	2	2	2	2	2
Other	4,779	1,957	-	33	111	729	2,678	(402)
Reclassified in reduction of deferred tax liabilities	(7,693)	(4,349)	-	(816)	-	-	-	-
Deferred tax assets	**(641)**	**0**	**96**	**2**	**33**	**483**	**2,680**	**(400)**
Accelerated depreciation	(91)	(111)	-	-	20	57	-	-
Capital gains subject to deferred taxation	(310)	(288)	-	(119)	97	314	-	-
Goodwill and brands deducted locally	(30,799)	(21,617)	-	(5,044)	(4,138)	(1,790)	-	-
Goodwill and brands non deducted locally	(14,797)	-	-	(13,962)	(836)	-	-	-
Cash flow hedging	-	(55)	-	-	-	-	55	(46)
Unrealized exchange profit	(473)	(665)	-	-	193	(109)	-	-
Leasing	(1,944)	(1,944)	-	-	-	(0)	-	-
Other	(476)	(754)	-	33	111	729	2,678	(402)
Reclassification of deferred tax assets	7,693	4,349	-	(816)	-	-	-	-
Deferred tax liabilities	**(41,197)**	**(21,087)**	**-**	**(19,907)**	**(4,552)**	**(800)**	**2,733**	**(448)**
Total	**(41,838)**	**(21,087)**	**96**	**(19,905)**	**(4,520)**	**(318)**	**5,413**	**(847)**

(*) IFRS 9 first time application

Deferred tax assets arise from temporary differences and mainly relate to costs that are deductible on the basis of certain tax measures, to the creation of taxed provisions (such as provisions for inventory impairments, provisions for risks, provision for bad debts, directors' remuneration and, lastly, unrealised exchange rate losses).

Temporary differences that entail the reporting of deferred tax liabilities relate mainly to the amortisation of brands, financial leases, the deferral of capital gains made in previous years, accelerated depreciation and amortisation and, lastly, unrealised exchange rate gains.

The amounts credited and debited to this item are recognised in the income statement for the period or under comprehensive income or expense if the temporary difference is also recorded under comprehensive income or expense.

Furthermore, in 2018, net deferred tax liabilities increased by €18,255 thousand as a result of the mergers by incorporation of Fratelli Averna S.p.A. and Sorfinn Ltd., and decreased by €94 thousand following the posting to opening shareholders' equity of the deferred tax assets arising from the application of IFRS 9 from 1 January 2018. For further information, see comments under note 4-'Changes in accounting standards'.

17. Net tangible fixed assets

	Land and buildings	Plant and machinery	Other	Total
	€ Thousand	€ Thousand	€ Thousand	€ Thousand
Carrying amount at the beginning of the period	102,834	116,057	17,122	236,013
Accumulated depreciation at the beginning of the period	(35,650)	(95,093)	(14,070)	(144,813)
Balance at 31 December 2017	**67,183**	**20,965**	**3,052**	**91,200**
Investments	1,125	3,812	2,146	7,082
Disposals	-	(6)	-	(6)
Depreciation	(3,264)	(4,653)	(1,121)	(9,038)
Other reclassifications	(164)	8	156	-
Impairment	-	(2)	(1)	(3)
Merger effect Fratelli Averna S.p.A.	5,543	422	375	6,341
Other movements	7	4	-	10
Balance at 31 December 2018	**70,430**	**20,549**	**4,608**	**95,587**
Carrying amount at the end of the period	117,523	123,200	21,852	262,575
Accumulated depreciation at the end of the period	(47,093)	(102,651)	(17,244)	(166,989)

Land and buildings

This item includes the land occupied by the Novi Ligure facility, the buildings essential for carrying out the business (i.e. the building that accommodates the Company's headquarters), and the Canale and Alghero production units. This item also includes the water system, plumbing works and light infrastructure.

The increases for the year, totalling €1,125 thousand, relate to restructuring works in the Novi Ligure and Canale facilities, and at the head office at Sesto San Giovanni.

The increase of €5,543 thousand was attributable to the merger by incorporation of Fratelli Averna S.p.A. For further information on this, see note 5-'Significant events during the year'.

Plant and machinery
The item includes plant and machinery and tanks for the production units, as well as the plants attached to the building that houses the Company's headquarters.
Increases during the year, totalling €3,812 thousand, are due to investments in production lines and new plant at the Novi Ligure and Canale facilities. Of particular note was the €893 thousand investment in the cogeneration plant at the Novi Ligure facility.
The increase of €422 thousand was due to the merger by incorporation of Fratelli Averna S.p.A. referred to above.

Other
This item includes various equipment, including laboratory equipment and other assets such as furniture, office machines, electronic machines, minor equipment, cars and goods vehicles.
The increases, totalling €2,146 thousand, mainly comprise investments in barrels for Braulio products (€662 thousand), and purchases of equipment (€873 thousand).
The increase of €375 thousand in extraordinary transactions was due to the merger by incorporation of Fratelli Averna S.p.A. referred to above.

Tangible assets by ownership
It should be noted that there are no fixed assets under financial leases, so all the fixed assets reported in the table above are owned by the Company.

18. Investment property
At 31 December 2018, investment property, totalling €1,300 thousand, includes a plot of land in the municipality of Finale Emilia, valued at €1,235 thousand, and a building in Asti, valued at €65 thousand.
These buildings are recorded in the financial statements at their approximate fair value at the reporting date.

19. Goodwill and brands;
At 31 December 2018, goodwill and brands were recorded at €355,304 thousand and €239,535 thousand respectively.

Changes to goodwill during the period are as follows:

	Goodwill € Thousand	Brands € Thousand
Balance at 31 December 2017	**332,283**	**120,233**
Merger	23,021	119,457
Amortization	-	(155)
Balance at 31 December 2018	**355,304**	**239,535**

Increases in this item in 2018 are entirely due to the mergers of Fratelli Averna S.p.A. and Sorfinn Ltd. In particular, the merger of Fratelli Averna S.p.A. entailed an increase in goodwill of €23,021 thousand and in brands of a total of €65,486 thousand, and the merger of Sorfinn Ltd entailed an increase in brands of €53,971 thousand. For more details, see note 5-'Significant events during the year'.

The goodwill amounts recorded were generated by the merger of subsidiaries.
Intangible assets with an indefinite life are represented by goodwill and brands from which the company expects to obtain a positive contribution in cash flow terms for an indefinite period of time.

The details of the brands are as follows:

	31 December 2018 € thousand
Brand with indefinite useful life	
Riccadonna-Mondoro, of which:	12,328
Riccadonna	*11,300*
Mondoro	*1,028*
Glen Grant	98,263
Old Smuggler	6,000
Cinzano	772
Cynar	1,626
Averna and Braulio	65,487
Frangelico	53,972
Total brand with indefinite useful life	**238,448**
Brand with definite useful life	
X-Rated Fusion Liqueur	1,087
Balance at 31 December 2018	**239,535**

Goodwill and brands with an indefinite life are not amortised, but are instead subject to impairment tests which are carried out annually, or more frequently if events or changes in circumstances indicate a possible loss. At 31

December 2018, the impairment tests carried out on both brands and goodwill reported in the financial statements did not show any impairment.
Brands with a finite life include the value of the X-Rated Fusion Liqueur brand. During 2015, its useful life was reviewed and determined as a period of ten years from 2016. Amortisation for 2018 totalled €155 thousand.

20. Impairment

With reference to the impairment testing of the intangible assets of Davide Campari-Milano S.p.A., aggregate goodwill was measured using the fair value criterion minus cost of sales.
This methodology applies parameters inferred from the valuation assigned to comparable businesses acquired, in an active market, in terms of type of business acquired and transaction structure. These are implicit parameters or multiples derived from the ratio between the acquisition price and specific economic and financial values relating to those companies. The fair value method was used to determine the recoverable amount for goodwill, using the EV/EBITDA multiple, inferred from a sample of transactions comparable to the acquisition. The use of this multiple is considered particularly effective as it avoids distortions caused by the different tax regulations and financial structures; is less sensitive to distortions caused by variations in extraordinary profit; and facilitates comparison at international level.
At 31 December 2018, based on the methodology set out above, the impairment test revealed that the value of goodwill was fully recoverable.
In addition, in view of current market volatility and uncertainty as to the future economic outlook, a sensitivity analysis was carried out on the recoverable value of the goodwill of Davide Campari-Milano S.p.A., assuming a reduction of up to 20% of the financial value to which the multiple is applied. The sensitivity analysis described above confirmed that the goodwill values are fully recoverable.
The impairment test of the value of the goodwill of Davide Campari-Milano S.p.A. at 31 December 2018 confirmed the value of €355,304 thousand shown in the previous note.
In addition, the Company tests the recoverability of the value of brands with an indefinite life using the methodology described in note 26-'Impairment' to the consolidated financial statements, to which full reference is made.
The impairment test of the value of the goodwill of Davide Campari-Milano S.p.A. at 31 December 2018 confirmed the value of €239,535 thousand shown in the previous note.

21. Intangible assets with a finite life

Changes in this item are shown in the table below.

	Software € Thousand	Other € Thousand	Total € Thousand
Carrying amount at the beginning of the period	37,905	11,227	49,132
Accumulated amortization at the beginning of the period	(21,806)	(4,988)	(26,794)
Balance at 31 December 2017	**16,099**	**6,239**	**22,338**
Investments	15,338	2	15,340
Disposal	(5,742)	-	(5,742)
Amortisation for the period	(5,273)	(719)	(5,991)
Merger effect	111	-	111
Balance at 31 December 2018	**20,533**	**5,522**	**26,055**
Carrying amount at the end of the period	47,786	11,229	59,015
Accumulated amortization at the end of the period	(27,253)	(5,707)	(32,960)

Intangible assets with a finite life are amortised according to their remaining useful life.
Net investment in information technology, totalling €15,338 thousand, relates to the completion of some major projects to integrate the Company IT systems with the new global platform, in line with the migration of all Group companies' systems to the new platform over the next few years. These investments were not only for operational purposes, but also related to business intelligence and business process management.

22. Investments in subsidiaries

€ Thousand	31 December 2017	Stock options issued by subsidiaries	Increases	Decreases	Merger	31 December 2018
Campari America LLC	502,681	1,002	-	-	-	503,683
Campari Benelux S.A.	171,226	67	-	-	-	171,293
Campari Distribution Ireland Ltd	7,023	-	-	(6,000)	-	1,023
Campari do Brasil Ltda	127,692	138	-	-	-	127,830
Campari España S.L.	328,247	366	-	-	-	328,613
Campari International S.r.l.	855	125	-	-	-	980
Campari Services S.r.l.	546	68	3,740	-	-	4,354
DI.CI.E. Holding B.V.	40,499	1,189	-	-	-	41,688
Fratelli Averna S.p.A.	98,041	-	-	-	(98,041)	-
Glen Grant Ltd.	176,672	381	-	-	-	177,053
Nettuno S.r.l.	19,356	-	-	(19,356)	-	-
Societé des Produits Marnier Lapostolle S.A.	489,907	67	-	-	-	489,975
Societé des Produits Marnier Lapostolle S.A– Commitment to purchase residual shares	175,071	-	-		-	175,071
Sorfinn Ltd.	46,297	-	-	-	(46,297)	-
Camparino S.r.l.	-	-	6,594	-	-	6,594
Total	**2,184,113**	**3,403**	**10,334**	**(25,356)**	**(144,338)**	**2,028,156**

The following changes relating to investments in subsidiaries should be noted.

On 2 January 2018, the Company completed the sale of the Lemonsoda range to Royal Unibrew A/S. The operation was effected through the sale of 100% of the share capital of Nettuno S.r.l., to which the business in question had been transferred in 2017. The business includes the alcohol-free, fruit-flavoured carbonated beverages Lemonsoda, Oransoda, Pelmosoda and Mojito Soda, grouped under the Freedea brand name, as well as the Crodo brands (except for the Crodino brand). At 31 December 2017, the carrying amount of the investment in Nettuno S.r.l. was €19,356 thousand. The business sold also included the related goodwill value, allocated to assets available for sale at a value of €6,652 thousand on 31 December 2017. The total amount received from the sale of the Lemonsoda business, collected at closing, was €81,442 thousand. A capital gain of €55,394 thousand was recorded in the income statement. For further information, see note 5-'Extraordinary transactions during the year'.

On 2 January 2018, the Company acquired 100% of Camparino S.r.l., with registered office at Piazza del Duomo 21, Milan, for €5,594 thousand. On 11 December 2018, Davide Campari-Milano S.p.A. made a capital contribution of €1,000 thousand, including €600 thousand through a waiver of debt owed by the subsidiary.

Furthermore, on 15 March 2018, the Company made a capital contribution of €3,740 thousand in favour of Campari Services S.r.l..

Finally, on 12 December 2018, Campari Distribution Ireland Ltd. made a capital repayment of €6,000 thousand. On the same date, the Board of Directors of the subsidiary also resolved to place the company in voluntary liquidation, in accordance with the local regulations, as of 1 January 2019.

The other changes in the value of investments arise from the mergers of Fratelli Averna S.p.A. and Sorfinn Ltd. (for further information, see note 5-'Significant events during the year'), as well as capitalisation of the value of investments in units in stock option plans allocated to directors and employees of the subsidiaries.

The list of investments in direct and indirect subsidiaries, including the additional information required by Consob Communication DEM/6064293 of 28 July 2006, is as follows:

Name	Head office	Currency	Share value in local currency	Equity value € Thousand	Profit (loss) of the year € Thousand	Investment percentage Direct	Indirect	Carrying amount € Thousand
Campari Beijing Trading Co. Ltd.	Beijing	CNY	104,200,430	1,754	253	-	100	
Campari America	New York	USD	566,321,274	1,243,728	44,625	100	-	503,683
Campari Argentina S.A.	Buenos Aires	ARS	2,463,850,710	28,906	(9,079)	-	100	
Campari Australia Pty Ltd.	Sydney	AUD	56,500,000	57,819	3,459	-	100	
Campari Austria GmbH	Wien	EUR	500,000	2,821	2,120	-	100	
Campari Benelux S.A.	Bruxelles	EUR	1,000,000	198,439	7,900	61	39	171,293
Campari Deutschland GmbH	Oberhaching	EUR	5,200,000	14,257	8,153	-	100	
Campari do Brasil Ltda.	Barueri	BRL	239,778,071	52,790	(4,127)	99,999	-	127,830
Campari España S.L.	Barcellona	EUR	3,272,600	319,875	1,134	100	-	328,613
Campari India Pte Ltd.(2)	New Dheli	INR	100,000	55	21	-	100	
Campari International S.r.l.	Sesto San Giovanni	EUR	700,000	5,640	3,331	100	-	980
Campari Japan Ltd.	Tokyo	JPY	153,000,000	2,404	1,004	-	100	
Campari Mexico S.A. de C.V.	Jalisco	MXN	820,187,150	46,111	5,234	-	100	
Campari New Zealand Ltd.	Maritime Suar	NZD	10,000	1,282	372	-	100	
Campari Peru SAC	Lima	PEN	34,733,589	10,636	994	-	100	
Campari RUS OOO	Moscow	RUB	2,010,000,000	28,721	3,767	-	100	
Campari Schweiz A.G.	Baar	CHF	500,000	2,254	1,463	-	100	
Campari Services America LLC	New York	USD	381,625	237	(69)	-	100	
Campari Services S.r.l.	Sesto San Giovanni	EUR	160,000	1,771	(2,092)	100	-	4,354
Campari Singapore Pte Ltd.	Singapore	SGD	100,000	299	70	-	100	
Campari South Africa Pty Ltd.	Cape Town	ZAR	290,247,750	17,127	507	-	100	
Campari Ukraine LLC	Kiev	UAH	87,396,209	4,212	1,147	-	100	
DI.CI.E. Holding B.V.	Amsterdam	EUR	15,015,000	337,246	21,078	100	-	41,688
Forty Creek Distillery Ltd.	Grimsby	CAD	105,500,100	81,913	4,427	-	100	
Glen Grant Ltd.	Rothes	GBP	24,949,000	148,060	5,310	100	-	177,053
Grand Marques Nederland B.V.	Paris	EUR	189,000	152	(5)	-	66	
J. Wray&Nephew Ltd.	Kingston	JMD	750,000	187,882	14,813	-	100	
Kaloyannies-Koutsikos Distilleries S.A.	Volos	EUR	6,811,220	22,457	6,450	-	100	
Société Civile Immobilière DU VAL	Paris	EUR	16,769,392	16,942	128	-	77	
Societé des Produits Marnier Lapostolle S.A.	Paris	EUR	27,157,500	137,538	3,493	77	-	665,046
Marnier-Lapostolle Bisquit SASU(1)	Paris	EUR	22,759,856	130,528	39,096	-	77	
Campari Distribution Ireland Ltd	Dublin	EUR	245	1,368	(71)	100	-	1,023
Camparino S.r.l.	Milano	EUR	48,880	370	(957)	100	-	6,594
Campari Corporativo S.A. de C.V.	Jalisco	MXN	50,000	32	26	-	100	
Campari Destiladora S.A. de C.V.	Jalisco, Z.C.	MXN	50,000	15	9	-	100	
Total investments in subsidiaries								**2,028,156**

(1)The financial statements refers to a period of 18 months
(2)The annual financial statements closed at 31 March

23. Other non-current assets

	31 December 2018 € Thousand	31 December 2017
Financial receivables	5,683	6,030
Term deposit	4,813	26,979
Non-current financial assets	**10,496**	**33,009**
Equity investment in other companies	99	149
Other non-current receivables from related parties	2,241	2,241
Other non-current tax receivables	3,619	2,468
Other non-current assets	**5,959**	**4,858**
Total other non-current assets	**16,455**	**37,867**

Non-current financial assets include the following:

- the financial receivable, in respect of the as yet unpaid amount of €5.1 million, due in 2020, from Terra Moretti S.r.l., in connection with the sale of Sella & Mosca S.p.A. and Teruzzi & Puthod S.r.l. This receivable is interest-bearing;
- term deposits, of €4,813 thousand, for investments in cash and cash equivalents, and related interest, maturing in 2023.

The change compared to the previous year is attributable to the reclassification of some liquidity investments maturing in 2019 and shown under current term deposits.

The other non-current assets include tax receivables of €3,619 thousand, including €2,453 thousand deriving from the right to a refund of the additional income tax paid in previous years due to the non-deductibility of IRAP, in relation to employee costs, for which the Company has submitted the relevant refund applications. The remaining portion of €1,166 thousand mainly derives from the Fratelli Averna S.p.A merger and is principally due to the IRES refund application for the years 2007-2011, for the amount of €889 thousand.

24. Inventories

This item breaks down as follows:

	31 December 2018 € Thousand	31 December 2017 € Thousand
Raw materials, supplies and consumables	11,310	10,362
Maintenance materials	1,146	1,074
Work in progress	33,358	32,114
Finished products and goods for resale	30,518	34,420
Inventories	**76,331**	**77,971**

The decrease in the inventory of finished products and goods compared with the previous year is due to the termination of the Brown Forman distribution agreements in Italy.
At 31 December 2018, the total value of inventories remains substantially unchanged compared with the end of the previous year.

Inventories are reported net of the relevant impairment provisions. The changes are shown in the table below.

	€ Thousand
Balance at 31 December 2017	**1,563**
Accruals	828
Utilisation	(1,384)
Merger	29
Balance at 31 December 2018	**1,036**

25. Trade receivables and other receivables

	31 December 2018 € Thousand	31 December 2017 € Thousand
Trade receivables from external costumers	30,873	49,549
Trade receivables from related parties	69,943	64,289
Receivables in respect of contributions to promotional costs	3,477	5,373
Trade receivables	**104,293**	**119,210**
Advances to suppliers	428	23
Advances and other receivables from suppliers	-	1,800
Other receivables from tax authorities	134	129
Receivables from related parties	7,978	4,441
Prepaid expenses	3,431	3,952
Receivables from pension organizations	38	752
Other	1,678	2,176
Other receivables	**13,687**	**13,274**

All receivables are due within 12 months. Their carrying amount is considered to be close to their fair value.
At 31 December 2018, trade receivables show a decrease of €14,917 thousand compared with the previous year, in line with the decrease in sales revenues.
The trade receivables item is reported net of the related impairment provision for expected future losses, which reflects the actual risk of collectability.

Receivables from tax authorities consist of various tax refund applications.
For further details on receivables from related parties, please refer to note 42-'Related parties'.

The table below shows receivables broken down by maturity.

31 December 2018	Trade receivables(*) € Thousand	*of which related parties* *€ Thousand*	Other receivables(*) € Thousand	*of which related parties* *€ Thousand*	Total € Thousand	*Bad debt provision* *€ Thousand*
Less than 30 days	92,405	*63,461*	9,449	*7,599*	101,854	(392)
30-90 days	6,999	*2,445*	-	-	6,999	-
within 1 year	3,840	*3,635*	361	*361*	4,202	(3,260)
from 1 to 5 years	232	*291*	18	*18*	250	250
due after 5 years	112	*112*	-	-	112	112
Total due and not impaired:	**103,588**	***69,943***	**9,828**	***7,978***	**113,416**	**(3,291)**
Amount impaired	(3,138)	-	(152)	-	(3,291)	
Total receivables broken down by maturity	**100,449**	***69,943***	**9,676**	***7,978***	**110,125**	

(*)This item does not include advance payments and prepaid expenses.

31 December 2017	Trade receivables(*)	*of which related parties*	Other receivables(*)	*of which related parties*	Total
	€ Thousand	*€ Thousand*	€ Thousand	*€ Thousand*	€ Thousand
Not overdue and not impaired	**90,783**	***54,079***	**9,138**	***4,386***	**99,921**
Due and not impaired:	-	-	-	-	-
less than 30 days	15,974	*1,723*	-	-	15,974
30-90 days	4,308	*2,577*	37	*37*	4,345
within 1 year	5,888	*5,878*	-	-	5,888
within 5 years	8	-	-	-	8
due after 5 years	38	*32*	18	*18*	57
Total due and not impaired:	**26,217**	***10,210***	**55**	***55***	**26,272**
Due and impaired	**(2,459)**	**-**	**-**	**-**	**(2,459)**
Amount impaired	2,459	-	-	-	2,459
Total receivables broken down by maturity	**117,000**	***64,289***	**9,193**	***4,441***	**126,193**

(*)This item does not include advance payments and prepaid expenses.

The following table shows the changes in impairment provisions for expected future losses in the period.

	Bad debt provision for expected credit loss	
€ Thousand	Trade receivables	Other receivables
Balance at 31 December 2017	**2,459**	**-**
Accruals	389	152
Utilizations	(2,533)	-
Releases	(26)	-
Merger effect	2,457	-
Effect of remeasurement of impairment provision based on expected credit loss	392	-
Balance at 31 December 2018	**3,138**	**152**

It will be recalled that the Company has retrospectively applied the new IFRS 9 standard: on 1 January 2018 it increased the provision for doubtful trade receivables based on expected future losses by €392 thousand, producing a consequent impact on opening shareholders' equity of the same amount and a related tax effect of €94 thousand. For more information, see note 4-'Changes in accounting standards'.

The increase of the year is due to the accruals in the period of €389 thousand, and to the merger of Fratelli Averna S.p.A. for the amount of €2,457 thousand.
Utilisations are mainly due to the settlement of lawsuits outstanding from previous years.

26. Current income tax receivables

	31 December 2018	31 December 2017
	€ Thousand	€ Thousand
Income taxes	785	-
Receivables from main shareholders for tax consolidation	2,287	13,857
Income tax receivables	**3,072**	**13,857**

Trade receivables from the Parent Company derive from the decision to adhere to the national tax consolidation procedure in terms of IRES tax, governed by Article 117 *et seq* of the consolidated law on corporate income tax (TUIR) for 2016, 2017 and 2018, pursuant to the rules drawn up by Alicros S.p.A, the direct controlling entity of the Company. For more details, see note 42-'Related Parties'.

27. Current financial receivables

	31 December 2018	31 December 2017
	€ Thousand	€ Thousand
Securities and term deposit	27,415	-
Financial receivables from related parties	123,784	56,447
Valuation at fair value of forward contracts	144	1,810
Other financial assets	382	382
Other financial current assets - Associates	573	-
Current financial receivables	**152,297**	**58,640**

At 31 December 2018, financial receivables from related parties, totalling €123,784 thousand, were mainly due to the short-term loans granted by Davide Campari-Milano S.p.A. to Glen Grant Ltd., for €55,313 thousand, to Campari España S.L., for €47,603 thousand, and to Di.Ci.E. Holding B.V., for €19,562 thousand. These loans are at rates of interest in line with market conditions. For more details, see note 42-'Related Parties'.

The securities and term deposit include liquidity investments maturing in 2019, already held by the Company and previously classified as non-current term deposits.

28. Cash and cash equivalents, reconciliation with net financial position and with the cash flow statement

The table below provides a reconciliation of this item with the cash and cash equivalents shown on the statement of cash flows.

	31 December 2018	31 December 2017
	€ Thousand	€ Thousand
Bank current accounts and cash	115,453	217,538
Term deposit maturing within 3 months	120,000	-
Cash and cash equivalents	**235,453**	**217,538**

At 31 December 2018, cash and cash equivalents totalled €235,453 thousand, an increase on the previous year's figure of €17,915 thousand.

It should be noted that the item has been valued on the basis of the new regulatory provisions. The impact in terms of expected loss was not considered to be material and for this reason no adjustments were made to the published balances for the year ending 31 December 2018.

The reconciliation with the Company's net financial position is shown in the table below.

	31 December 2018	31 December 2017
	€ Thousand	€ Thousand
Cash and cash equivalents	235,453	217,538
Cash (A)	**235,453**	**217,538**
Other current financial receivables	152,297	58,640
Current financial receivables (B)	**152,297**	**58,640**
Current payables to financial institutions	(1,522)	(2,040)
Private placement and bonds current	(219,057)	-
Other current financial payables	(370,355)	(174,318)
Put option-current	(31,408)	(39,271)
Current financial payables (C)	**(622,342)**	**(215,628)**
Net current financial position (A+B+C)	**(234,591)**	**60,549**
Non-current bank payables	(300,000)	(300,000)
Non-current portion of private placement and bonds	(790,835)	(996,290)
Other financial payables	-	(200,000)
Non-current portion of payables for put option and earn-outs	(113,912)	(139,094)
Non-current financial debt (D)	**(1,204,747)**	**(1,635,384)**
Net debt (A+B+C+D)(*)	**(1,439,338)**	**(1,574,835)**
Reconciliation with the financial position, as shown in the Directors' report:		
Term deposits	4,813	26,979
Non-current financial receivables	5,683	6,030
Net financial position	**(1,428,842)**	**(1,541,826)**

(*)In accordance with the definition of net debt set out in Consob Communication DEM 6064293 of 28 July 2006.

For information concerning the items that make up the net financial position excluding cash and cash equivalents, see note 23-'Other non-current assets', note 27-'Current financial receivables', note 31-'Bonds and other non-current liabilities', and note 32-'Bonds, payables to banks and other current financial payables'.

For completeness, the changes in current and non-current financial payables during 2018 are shown below.

	Cash flow generated (absorbed) from financial liabilities									
	bonds		payables for matured interests	payable to banks			asset and financial liabilities with related parties		Derivatives	
	current	non-current	current	revolving lines	other payable to banks	other financial payables	capital ratio	payable for matured interests	current	non-current
	€ Thousand	€ Thousand	€ Thousand	€ Thousand	€ Thousand	€ Thousand	€ Thousand	€ Thousand	€ Thousand	€ Thousand
31 December 2017	-	(995,589)	(8,892)	-	(300,042)	(1,997)	(308,870)	-	(108)	(701)
new financing	-	-	-	(28,000)	-	-	-	-	-	-
repayment	-	-	29,965	28,000	1,989	-	72,300	7,788	-	(1,776)
merger by incorporation	-	-	-	-	(1,947)	-	-	-	-	-
exchange rate effects	-	-	-	-	-	-	-	-	-	-
other changes	(218,606)	216,849	(29,965)	-	-	458	-	(7,788)	(862)	(9,618)
31 December 2018	**(218,606)**	**(778,740)**	**(8,892)**	**-**	**(300,000)**	**(1,539)**	**(236,570)**	**-**	**(969)**	**(12,095)**

29. Assets held for sale

At 31 December 2018, assets held for sale, totalling €1,022 thousand, included a residual portion of the Termoli site.
At 31 December 2017, the item included the goodwill of the Lemonsoda business, totalling €6,652 thousand, the sale of which was completed in January 2018.

30. Shareholders' equity

The Company manages its capital structure and makes changes to it depending on the economic conditions and the specific risks of the underlying asset.
To maintain or change its capital structure, the Company may adjust the dividends paid to the shareholders and/or issue new shares.
It should be noted that risk capital management is carried out at Group level. Please see the relevant notes to the consolidated financial statements.
For information on the composition and changes in shareholders' equity during the comparison periods, please refer to the Statement of changes in shareholder's equity.

Share capital

The current paid-up share capital of €58,080,000.00 (unchanged) is divided into 1,161,600,000 shares with a nominal value of €0.05 each.

Outstanding shares and own shares

Changes in outstanding shares and own shares during the year were as follows:

	No. of shares			Nominal value		
	31 December 2018	31 December 2017	31 December 2016(*)	31 December 2018	31 December 2017	31 December 2016(*)
				€	€	€
Outstanding shares at the beginning of the period	1,152,546,887	1,158,915,312	1,158,157,108	57,627,344	57,945,766	57,907,855
Purchases for the stock option plan	(10,007,486)	(10,910,000)	(4,652,270)	(500,374)	(545,500)	(232,614)
Disposals	4,078,641	4,541,575	5,410,474	203,932	227,079	270,524
Outstanding shares at the end of the period	1,146,618,042	1,152,546,887	1,158,915,312	57,330,902	57,627,344	57,945,766
Total own shares held	14,981,958	9,053,113	2,684,688	749,098	452,656	134,234
Own shares as a % of share capital	1.29%	0.78%	0.23%	-	-	-

(*)Figures for 2016 have been re-stated following the stock split, for comparison purposes

In 2018, 10,007,486 own shares were acquired at a purchase price of €67,532 thousand, which equates to an average price of €6.75 per share. In the same period, 4,078,641 shares were sold for €12,016 thousand.

Dividends paid and proposed

The dividends approved and paid in 2018 and 2017, and the dividends submitted for the approval of the Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2018, are as follows.

	Total amount		Dividend per share	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	€ Thousand	€ Thousand	€	€
Dividends approved and paid during the year on ordinary shares	57,510	52,033	0.050	0.045
Dividends proposed on ordinary shares(*)	57,331	-	0.050	-

(*)Calculated on the basis of shares outstanding at 31 December 2018; this figure is to be recalculated based on the total number of shares outstanding as of the coupon detachment date.

For information purposes, on the basis of own shares held at 31 December 2018 (14,981,958), shares outstanding at the same date amounted to 1,146,618,042 and the total amount of dividends was €57,331 thousand. The dividend per share is €0.05, unchanged by comparison with the dividend distributed for 2017.

Other reserves

	Stock options	Cash flow hedging reserve	Monetary revaluation reserve	Remeasurement reserve for actuarial effects relating to defined benefit plans	Extraordinary reserve	Reserve for VAT deductions 4%-6% (various laws)	Merger effect	Reserve for grants (Law 696/83)	Reserve for grants (Law 15/94)	Equity investment transfer reserve (Leg. Decree 544/92)	Total
	€ Thousand	€ Thousand	€ Thousand	€ Thousand	€ Thousand	€ Thousand	€ Thousand	€ Thousand	€ Thousand	€ Thousand	€ Thousand
Balance at 31 December 2017	**30,005**	**(931)**	**807**	**(492)**	**243,222**	**1,086**	**3,898**	**26**	**188**	**3,041**	**280,850**
Cost of stock options for the period	3,475	-	-	-	-	-	-	-	-	-	3,475
Stock options in subsidiaries	3,403	-	-	-	-	-	-	-	-	-	3,403
Stock option exercised	(3,264)	-	-	-	-	-	-	-	-	-	(3,264)
Losses (profits) reclassified in the income statement	-	(1,509)	-	49	-	-	-	-	-	-	(1,460)
Cash flow hedge reserve recognised in shareholders' equity	-	(9,881)	-	-	-	-	-	-	-	-	(9,881)
Tax effect recognised in shareholder's equity	-	2,733	-	(12)	-	-	-	-	-	-	2,722
Merger	-	-	-	-	-	-	(3,232)	-	-	-	(3,232)
Balance at 31 December 2018	**33,620**	**(9,587)**	**807**	**(454)**	**243,222**	**1,086**	**665**	**26**	**188**	**3,041**	**272,614**

Stock option reserve

The accruals made to the stock option reserve during the year in respect of share-based payments totalled €6,878 thousand, with an offsetting entry posted to the related investments of €3,403 thousand, for the allocation of stock options to directors and employees of subsidiaries.

Moreover, options exercised during the year by beneficiaries at Davide Campari-Milano S.p.A. and its subsidiaries amounted to €3,264 thousand and €873 thousand respectively.

For full information regarding stock option plans, see note 37-'Stock option plan'.

Cash flow hedge reserve

The cash flow hedge reserve contains amounts (net of the related tax effect) pertaining to changes resulting from fair value adjustments of financial derivatives recorded using the cash flow hedging methodology. For further information, see note 38-'Financial instruments: disclosures'.

Reserve for grants under Regional Law 15/94 and financial revaluation reserve

The reserve for grants under Regional Law 15/94 and the financial revaluation reserve exist as a result of the merger with Zedda Piras S.r.l. Specifically, the financial revaluation reserve was created when the Zedda Piras spirits production business was spun off by Tenute Sella & Mosca S.p.A.

Remeasurement reserve for actuarial effects relating to defined benefit plans

The reserve includes the effects of changes to the actuarial assumptions used to calculate net obligations for defined benefits.

Retained earnings

Following the resolution of the Shareholders' Meeting of 23 April 2018, the profit for the year to 31 December 2017, amounting to €208,856 thousand, was allocated as follows:

- €57,510 thousand to dividends;
- €151,346 thousand to retained earnings.

Availability of items under shareholders' equity

	Amount	Possible utilizations[3]	Portion available	Summary of utilizations in the three previous years:	
	€ Thousand		€ Thousand	to hedge losses	for other reasons
Share capital[1]	**58,080**	**- - -**	**-**	**-**	**-**
Capital reserve:					
Reserve for own shares	(749)	- - -	-	-	-
Legal reserve[2]	1,500	B	1,500	-	-
Earnings reserve:					
Legal reserve	10,116	B	10,116	-	-
Extraordinary reserve	243,222	A, B, C	243,222	-	-
Equity investment transfer reserve (Leg. Decree 544/92)	3,041	A, B, C	3,041	-	-
Reserve for VAT deduction 4% Law 64/86	592	A, B, C	592	-	-
Reserve for VAT deduction 6% Law 67/86	451	A, B, C	451	-	-
Reserve for VAT deduction 6% Law 130/83	22	A, B, C	22	-	-
Reserve for VAT deduction 4% Law 675/77	2	A, B, C	2	-	-
Reserve for VAT deduction 6% Law 526/82	18	A, B, C	18	-	-
Reserve for capital grants (Law 696/83)	26	A, B, C	26	-	-
Grant reserve Law 15/94	188	A, B, C	188	-	-
Revaluation reserve	807	A, B, C	807	-	-
Merger surplus reserve	665	A, B, C	665	-	-
Profit carried forward from previous year	814,096	A, B, C	814,096	-	-
Other reserves:					
Cash flow hedge reserve	(9,587)	- - -	-	-	-
Pension funds remeasurement reserve	(454)	- - -	-	-	-
Stock option reserve	33,620	- - -	-	-	-
Total reserves and share capital	**1,155,658**	**-**	**1,074,748**	**-**	**-**
Non-distributable portion	-	-	11,616	-	-
Residual distributable portion	-	-	1,063,132	-	-
Profit for the year	**199,590**	**-**	**-**	**-**	**161,787[4]**
Grand total	**1,355,247**	**-**	**-**	**-**	**-**
Of which:					
Share capital	*58,080*				
Reserves	*1,297,167*				

[1] Of which €50,581 thousand in earnings and €7,499 thousand for shareholder payments
[2] For shareholder payments
[3] A: to increase capital; B: to hedge losses; C: to distribute to shareholders; D: for other statutory obligations
[4] For distribution of dividends

31. Bonds and other non-current liabilities

The breakdown of bonds and other non-current liabilities is as follows.

	31 December 2018	31 December 2017
	€ Thousand	€ Thousand
Bond (Eurobond)issued in 2012	-	218,055
Bond (Eurobond)issued in 2015	578,740	577,534
Bonds issued in 2017	200,000	200,000
Total bonds and private placement	**778,740**	**995,589**
Payables and loans due to banks	300,000	300,000
Non current liabilities for hedging derivatives	12,095	701
Payables for put option and earn-outs	113,912	139,094
Other financial liabilities from related parties	-	200,000
Non-current financial liabilities	**426,007**	**639,795**
Other non-financial liabilities	2,524	5,660
Other non-current liabilities	**428,530**	**645,456**

The table below shows a breakdown of the main financial liabilities, together with effective interest rates and maturities.

As regards the effective interest rate of hedged liabilities, the rate reported includes the effect of the hedging itself. Furthermore, the values of hedged liabilities include the value of the related derivative, whether it is an asset or liability.

	Nominal interest rate	Maturity	31 December 2018	31 December 2017
			€ Thousand	€ Thousand
Bond issues:				
- issued in 2012 (Eurobond)	fixed rate 4.5%	2019	-	218,055
- issued in 2015 (Eurobond)	fixed rate 2.75%	2020	578,740	577,534
- issued in 2017 (termination 2022)	fixed rate 1.768%	2022	50,000	50,000
- issued in 2017 (termination 2024)	fixed rate 2.165%	2024	150,000	150,000
Non-current payables and loans due to banks	variable Euribor + 50/85 basis point	2016-2021	300,000	300,000
Loan from other related parties	4.19-4.25%	2019	-	200,000

Bonds
At 31 December 2018, the bonds item included the following issues placed by the Company:
- Eurobond 2015, maturing on 30 September 2020 and with a nominal value of €580.9 million. The offer was placed at 99.715% of the nominal value. Coupons are payable at a nominal fixed interest rate of 2.75%. The gross return on the bond is therefore 2.81%;
- bond loan issued in 2017, maturing on 5 April 2022, with a nominal value of €50 million. The bond pays a fixed annual coupon of 1.768%;
- bond loan issued in 2017, maturing on 5 April 2024, with a nominal value of €150 million. The bond pays a fixed annual coupon of 2.165%.

The 2012 Eurobond, with a nominal value of €219.1 million and maturing on 25 October 2019, has been reallocated to the Other current financial payables item (see comment in note 32 below).
The changes recorded in the carrying amounts of the bonds compared with the previous year-end are due to the effects of applying the negative amortised cost of €1,206 thousand.

Payables and loans due to banks
At 31 December 2017 and 2018, the item included a bullet bank facility of €300 million, maturing in August 2021, at a rate of 3-month Euribor plus a 0.85% spread, made available by Banco Popolare, Intesa Sanpaolo and UniCredit.
In conjunction with the term loan, a RCF (revolving credit facility) was granted in an amount of €200 million, maturing in three years, which had not been drawn down at 31 December 2018.

Payables for put options and earn-outs
At 31 December 2018, this item relates to the payable (€113,912 thousand) created after the signing of agreements with the former controlling shareholders of Société des Produits Marnier Lapostolle S.A., for the purchase, by 2021, of all the remaining shares held by them. The short-term portion of this liability is €31,408 thousand.
The changes during the year are attributable to the revision of estimates made on the basis of existing contractual agreements, as well as non-cash effects deriving from amortised costs and the reclassification under current payables of the portion due to be paid in 2019.

Other loans from related parties
The loans totalling €200 million at 31 December 2017 issued by Group companies have been reallocated, net of the repayment of €50 million made during the year, to the Other current financial receivables item in the amount of €150 million; repayment of the remaining portion is planned for 2019.

Other non-financial liabilities
At 31 December 2018 and 2017, the item mainly related to long-term liabilities accrued for employee incentive schemes.

32. Bonds, payables to banks and other current financial payables

	31 December 2018 € Thousand	31 December 2017 € Thousand
Payables and loans due to banks	**-**	**42**
Current portion of bond (Eurobond) issued in 2009	**218,606**	**-**
Accrued interest on bonds	8,892	8,892
Financial liabilities on hedging contracts	328	108
Current liabilities for hedge derivatives, not reported using hedge accounting procedures	641	-
Payables for put options and earn-outs	31,408	39,271
Financial liabilities with related parties	360,927	165,318
Other financial liabilities	1,539	1,997
Total other financial payables	**403,735**	**215,586**

Payables to banks
At 31 December 2018, payables to banks, which on 31 December 2017 included current account overdrafts, were zero.

Bonds
The item includes the Eurobond 2012, which has a residual nominal value of €219.1 million and will mature on 25 October 2019. The bond pays a fixed annual coupon of 4.5% and the issue price was 99.068% of par, corresponding to a gross return of 4.799%.
The change recorded in the carrying amount of the bond compared with the previous year-end is due to the effects of applying the negative amortised cost of €551 thousand.

At 31 December 2018, accrued interest of €8,892 thousand includes the portion of accrued coupons for 2018 on the bonds issued by the Company.

Payables for put options and earn-outs
At 31 December 2018, the item related to the short-term portion (€31,408 thousand) of the payable in respect of members of the family which was formerly the controlling shareholder of SPML. Changes in the reported value are related to the negative effects of the amortised cost of € 945 thousand, in addition to the redefinition of the estimated expected debt to be paid during 2019.

Other financial liabilities in respect of related parties
At 31 December 2018, the item totalling €360,927 thousand includes:
- liabilities arising from cash pooling management by the Company in respect of other Group companies, totalling €210,927 thousand;
- the remaining debt of €150 million of the loans issued by Group companies maturing in 2019. For further details of dealings with related parties see note 42-'Related parties'.

33. Defined benefit plans

The employee liability indemnity (TFR), which relates to the Company's employees, pursuant to Article 2120 of the Italian civil code, falls under the scope of IAS 19.
TFR contributions accrued up to 31 December 2006 remain in the company; for contributions accruing from 1 January 2007, employees have the choice to allocate them to a complementary pension scheme, or keep them in the company, which will transfer the TFR contributions to a fund held at the INPS (Italian social security agency). Consequently, TFR contributions accrued from 1 January 2007 are classified as defined contribution plans.
Since the Company usually pays contributions through a separate fund, without further obligations, it records its contributions to the fund for the year to which they relate, in respect of employees' service, without making any actuarial calculation. Since the contributions in question had already been paid by the Company at the reporting date, no liability is recorded in the statement of financial position.
Conversely, TFR contributions accrued up to 31 December 2006 will continue to be classified as defined benefit plans, with the actuarial valuation criteria remaining unchanged in order to show the current value of the benefits payable on the amounts accrued at 31 December 2006 when employees leave the Company.

The tables below summarise the components of the net cost of benefits reported in the income statement and in the statement of comprehensive income in 2018 and 2017.

€ Thousand	Liabilities
Liabilities (assets) at 31 December 2017	**4,971**
Amounts included in the income statement:	
- current service costs	42
- net interest	62
Total	**104**
Amounts included in the statement of comprehensive income:	
- gain/(losses) resulting from changes in actuarial assumptions	(49)
Total	**(49)**
Other changes:	
- benefits paid	(396)
- merger	64
- benefits transferred	6
Total	**(326)**
Liabilities (assets) at 31 December 2018	**4,700**

€ Thousand	Liabilities
Liabilities (assets) at 31 December 2016	**6,033**
Amounts included in the income statement:	
- current service costs	10
- net interest	75
Total	**85**
Amounts included in the statement of comprehensive income:	
- gain/(losses) resulting from changes in actuarial assumptions	64
Total	**64**
Other changes:	
- benefits paid	(1,276)
- benefits transferred	65
Total	**(1,211)**
Liabilities (assets) at 31 December 2017	**4,971**

The main assumptions used in determining the obligations resulting from TFR are indicated below.

	2018	2017
Discount rate	1.63%	1.28%
Staff turnover rate	3.64%	3.36%
Forecast inflation rate	1.25%	1.00%

Quantitative sensitivity analysis of the significant assumptions used at 31 December 2018 is shown below.

	Change in the assumptions	Impact of positive change	Impact of negative change
Discount rate	discount rate +\- 0.5%	-3,47%	3,70%
Staff turnover, disability and early retirement	turnover +\- 0.5%	-0,17%	0,18%
Forecast inflation rate	inflation rate +\- 0.5%	2,3%	-2,2%

The sensitivity analysis shown above is based on a method involving extrapolation of the impact on the obligation of reasonable changes to the key assumptions made at the end of the financial year.
The methodology and the assumptions made in preparing the sensitivity analysis remain unchanged from the previous year.
Given that pension liabilities have been adjusted on the basis of the consumer price index, the pension plan is exposed to the inflation rate, to interest rate risks and to changes in the life expectancy of former employees. Since there are no assets that support the plans, the Company is not exposed to market risk in the sectors in which the plan is invested.

The table below shows the expected payments in future years.

	31 December 2018
	€ Thousand
Within 12 months	167
From 1 to 5 years	648
From 5 to 10 years	771
Total	**1,585**
Average plan duration (years)	**9.1**

Cash flows expected for future payments into the plan are not likely to have a significant effect on the Company's statement of financial position or income statement.

34. Provisions for risks and charges

The table below shows the changes to this item during the period.

	Tax provision	Restructuring provisions	Agent severance fund	Other	Total
	€ Thousand	€ Thousand	€ Thousand	€ Thousand	€ Thousand
Balance at 31 December 2017	**-**	**-**	**1,186**	**2,530**	**3,715**
Accruals	-	2,574	64		2,638
Utilizations	-	-	(33)	(1,200)	(1,233)
Releases	-	-	(1)	(1,330)	(1,330)
Merger effect	64	-	-	-	64
Balance at 31 December 2018	**64**	**2,574**	**1,216**	**-**	**3,854**
of which estimated outlay:	-	-	-	-	-
- due within 12 months	64	-	-	-	64
- due after 12 months	-	2,574	1,216	-	3,790

In addition, following the definition of the risk associated with a unilateral contractual termination with an IT service provider, €1,200 thousand of the 'Other' provisions for risks (amounting to €2,530 thousand in 2017) were used, and the remaining €1,330 thousand released to the income statement.

35. Trade payables and other current liabilities

	31 December 2018	31 December 2017
	€ Thousand	€ Thousand
Trade payables to external suppliers	75,574	91,537
Trade payables to affiliates	4,880	7,680
Trade payables	**80,454**	**99,218**
Payables to staff	25,239	23,150
Payables to agents	1,015	1,116
Deferred income	780	895
Tax on alcohol production	2,108	2,182
Withholding and miscellaneous taxes	2,187	2,026
Other payables to related parties	45	4,697
Other	2,110	2,986
Other current liabilities	**33,483**	**37,052**

The above-listed payables are all due within 12 months. For further details on payables to related parties, see note 42-'Related parties'.

The following table shows a breakdown of payables by due date (excluding advance payments).

31 December 2018	On demand	Within 1 year	Due in 1 to 2	Due in 3 to 5	Due after 5	Total
	€ Thousand	€ Thousand	€ Thousand	€ Thousand	€ Thousand	€ Thousand
Trade payables	13,648	66,806	-	-	-	80,454
of which related parties	*4,880*	-	-	-	-	*4,880*
Other payables	327	33,156	-	-	-	33,483
of which related parties	-	*45*	-	-	-	*45*
Total	**13,975**	**99,962**	**-**	**-**	**-**	**113,937**

31 December 2017	On demand	Within 1 year	Due in 1 to 2	Due in 3 to 5	Due after 5	Total
	€ Thousand	€ Thousand	€ Thousand	€ Thousand	€ Thousand	€ Thousand
Trade payables	24,210	75,008	-	-	-	99,218
of which related parties	-	*7,680*	-	-	-	*7,680*
Other payables	278	31,671	-	-	-	37,052
of which related parties	*10*	*4,687*	-	-	-	*4,697*
Total	**24,488**	**106,679**	**-**	**-**	**-**	**136,270**

The payment terms applied to suppliers are generally 60 days from the end of the month of invoice.

Capital grants

Capital grants mainly relate to the funds received for investments in production plants at Novi Ligure.
The following table provides details of changes in deferred income relating to capital grants.

	Deferred income
	€ Thousand
Balance at 31 December 2017	**854**
Amounts posted to the income statements	(124)
Reclassifications	-
Balance at 31 December 2018	**730**

36. Current income tax payables

The item breaks down as shown in the table below:

	31 December 2018	31 December 2017
	€ Thousand	€ Thousand
Taxes payable	-	831
Total income tax payables-	**-**	**831**

37. Stock option plan

The Parent Company Davide Campari-Milano S.p.A. has a number of incentive plans in place; these take the form of stock option plans, governed in accordance with the shareholders’ resolution, pursuant to applicable law, and implemented by means of a specific regulation (‘Stock Option Regulations’) approved by the Remuneration and Appointments Committee on the proposal of the Board of Directors.

The purpose of the Plan is to offer beneficiaries who occupy key positions in the Group the opportunity of owning shares in Davide Campari-Milano S.p.A., thereby aligning their interests with those of other shareholders and fostering loyalty, in the context of the strategic goals to be achieved.

The recipients are employees, directors and/or individuals who regularly work for one or more Group companies, who have been identified by the Board of Directors of Davide Campari-Milan S.p.A., and who, on the Plan approval date and until the date that the options are exercised, have worked as employees and/or directors and/or in any other capacity at one or more Group companies without interruption.

The Plan regulations do not provide for loans or other incentives for share subscriptions pursuant to Article 2358, paragraph 3 of the Italian Civil Code.

The Board of Directors of Davide Campari-Milano S.p.A. has the right to draft regulations, select beneficiaries and determine the share quantities and values for the execution of stock option plans. In addition, Davide Campari-Milano S.p.A. reserves the right, at its sole discretion, to modify the Plan and the Regulations as necessary or appropriate to reflect revisions of laws in force, or for other objective reasons that would warrant such modification.

In the course of the financial year 2018, further allocations of stock options were approved, also governed by the framework plan previously approved by the Shareholders' Meeting; the total number of options granted for the purchase of the same number of shares was 11,298,000, with the average allocation price at €6.25, equivalent to the weighted average market price in the month preceding the day on which the options were granted.

The following table shows changes in stock option plans during the periods concerned.

	31 December 2018		31 December 2017	
	No. of shares	Average allocation/exercise price (€)	No. of shares	Average allocation/exercise price (€)
Options outstanding at the beginning of the period	56,402,473	3.32	61,671,300	3.19
Options granted during the period	11,298,000	6.25	1,179,323	6.19
(Options cancelled during the period)	(3,071,673)	3.73	(1,905,575)	3.38
(Options exercised during the period)(*)	(4,078,641)	2.95	(4,541,575)	2.25
(Options expired during the period)	-	-	(1,000)	-
Options outstanding at the end of the period	60,550,159	3.87	56.402.473	3,32
of which those that can be exercised at the end of the period	15,198,854	2.64	15,128,339	2.63

(*)The average market price on the exercise date was €6.91.

The average residual life of the options existing at 31 December 2018 was 3.4 years in total, while that for those held by the Parent Company was 2.7 years, averages which were unchanged compared with 31 December 2017.
The exercise prices for the options granted each year range as follows.

	Average exercise price
Allocations: 2012	2.63
Allocations: 2013	2.97
Allocations: 2014	3.14
Allocations: 2015	3.54
Allocations: 2016	4.29
Allocations: 2017	6.19
Allocations: 2018	6.25

The average fair value of options granted in 2018 was €1.24 (€1.2 in 2017).
The fair value of stock options is represented by the value of the option calculated by applying the Black-Scholes model, which takes into account the conditions for exercising the option, as well as the current share price, expected volatility and the risk-free rate, and the non-vesting conditions for the plans.

Volatility was estimated with the help of data supplied by a market information provider together with a leading bank, and corresponds to the estimate of volatility recorded in the period covered by the Plan.

The following assumptions were used for the fair value measurement of options issued in 2018 and 2017:

	2018	2017
Expected dividends (€)	0.05	0.05
Expected volatility (%)	20%	21%
Historic volatility (%)	20%	21%
Market interest rate	0.67%	0.51%
Expected option life (years)	7.00	7.00
Exercise price (€)	6.25	6.19

Davide Campari-Milano S.p.A. has a number of own shares to serve the stock option plan.

The following table shows changes in the number of own shares held during the comparison periods.

	No. of own shares		Purchase price (€ Thousand)	
	2018	2017	2018	2017
Balance at 1 January	9,053,113	2,684,688	55,045	11,604
Purchases	10,007,486	10,910,000	67,532	63,819
Disposals	(4,078,641)	(4,541,575)	(23,267)	(20,377)
Final balance	14,981,958	9,053,113	99,311	55,045
% of share capital	1.29%	0.78%		

In relation to the sales of own shares in the year, which are shown in the above table at the original purchase cost (€23,267 thousand), carried out at a market price totalling €12,016 thousand, the Company recorded a negative difference of €11,251 thousand, which was recorded under shareholders' equity and partly offset by the use of €3,264 thousand from the stock option reserve.

38. Financial instruments – disclosures

The value of individual categories of financial assets and liabilities held by the Company at 31 December 2018 and 31 December 2017 is shown below. These values have been revised based on the new classification rules set out in the accounting standard IFRS 9-'Financial Instruments', and on the business model identified by the Group. For more information on the first-time application of the new accounting standard, see the comments in note 4-'Changes in accounting standards'.

31 December 2018-IFRS9 € Thousand	Measurement at amortized cost	Measurement at fair value through profit and loss	Measurement at fair value with changes recognized in the statement of comprehensive income
Cash and cash equivalent	235,453	-	-
Trade receivables to third and related parties	104,293	-	-
Current financial assets	152,153	-	-
Non-current financial assets	5,683	4,813	-
Other non-current assets	-	99	-
Payables to banks	(300,000)	-	-
Bonds	(997,346)	-	-
Accrued interest on bonds	(8,892)	-	-
Put option payables	(145,320)	-	-
Other financial liabilities with related parties	(360,927)	-	-
Other financial liabilities	(1,539)	-	-
Trade payables to third and related parties	(80,454)	-	-
Current assets for hedging derivatives	-	3	141
Non-current liabilities for hedging derivatives	-	-	(12,095)
Current liabilities for hedging derivatives	-	-	(328)
Non-current liabilities for hedging derivatives, not reported using hedge accounting procedures	-	-	(641)
Total	**(1,396,896)**	**4,915**	**(12,923)**

31 December 2017-IFRS9 € Thousand	Measurement at amortized cost	Measurement at fair value through profit and loss	Measurement at fair value with changes recognized in the statement of comprehensive income
Cash and cash equivalent	217,538	-	-
Trade receivables to third and related parties	118,818	-	-
Current financial assets	56,829	-	-
Non-current financial assets	6,030	26,979	-
Other non-current assets	-	149	-
Payables to banks	(300,000)	-	-
Bonds	(995,589)	-	-
Accrued interest on bonds	(8,892)	-	-
Put option payables	(178,365)	-	-
Other financial liabilities with related parties	(365,318)	-	-
Other financial liabilities	(2,040)	-	-
Trade payables to third and related parties	(99,218)	-	-
Non-current assets for hedge derivatives, not in hedge accounting	-	1,482	-
Current assets for hedging derivatives	-	83	245
Non-current liabilities for hedging derivatives	-	-	(701)
Current liabilities for hedging derivatives	-	-	(108)
Total	**(1,550,206)**	**28,693**	**(564)**

The categories of financial assets and liabilities held by the Company at 31 December 2017 under the legislation in force at 31 December 2017 are shown below for comparative purposes only.

31 December 2017 € Thousand	Loans and receivables	Financial liabilities at amortized cost	Assets and liabilities measured at fair value through profit or loss	Hedging transactions
Cash and cash equivalents	217,538	-	-	-
Current financial assets	56,829	-	-	-
Other non-current financial assets	33,009	-	-	-
Other non-current assets	149	-	-	-
Trade receivables to third and related parties	119,210	-	-	-
Payables to banks	-	(300,042)	-	-
Bonds	-	(995,589)	-	-
Accrued interest on bonds	-	(8,892)	-	-
Put option payables	-	(178,365)	-	-
Other financial liabilities with related parties	-	(365,318)	-	-
Other financial liabilities	-	(1,997)	-	-
Trade payables to third and related parties	-	(99,218)	-	-
Non-current assets for hedge derivatives, not in hedge accounting	-	-	1,482	-
Current assets for hedging derivatives	-	-	83	245
Non-current liabilities for hedging derivatives	-	-	-	(701)
Current liabilities for hedging derivatives	-	-	-	(108)
Total	**426,736**	**(1,949,422)**	**1,565**	**(564)**

39. Assets and liabilities measured at fair value

The following information is provided in accordance with the provisions of IFRS 13-'Fair Value Measurement'.
The models currently used by Davide Campari-Milano S.p.A. to measure the fair value of financial instruments provide for the inclusion of counterparty non-performance risk rating components. The method used to determine fair values is described below and is consistent with the Group's guidelines.

A summary of the financial assets and liabilities, irrespective of the proposed classification based on the applicable business model, together with their carrying amount and corresponding fair value, is shown below.

	carrying amount		fair value	
	31 December 2018	31 December 2018	31 December 2017	31 December 2017
	€ Thousand	€ Thousand	€ Thousand	€ Thousand
Cash and cash equivalents	235,453	217,538	235,453	217,538
Assets for hedge derivatives, not reported using hedge accounting procedures	-	1,482	-	1,482
Current assets for forex derivatives	144	328	144	328
Current financial assets	27,797	382	27,797	382
Other financial current receivables from related parties	124,357	56,447	124,357	56,447
Other non-current financial assets	10,496	33,009	10,496	33,009
Financial assets	**398,247**	**309,186**	**398,247**	**309,186**
Payables to bank and other	300,000	300,000	300,000	300,000
Bond (Eurobond)issued in 2012	218,606	218,055	226,498	237,125
Bond (Eurobond)issued in 2015	578,740	577,534	604,249	621,143
Bond 2017-2022	50,000	50,000	51,268	52,735
Bond 2017-2024	150,000	150,000	154,758	161,991
Accrued interest on bonds	8,892	8,892	8,892	8,892
Non current liabilities for interest rate swap derivatives on future transaction	12,095	701	12,095	701
Liabilities for hedge derivatives, not reported using hedge accounting procedures	641	-	-	-
Financial liabilities on forex derivatives	328	108	328	108
Other financial liabilities	1,539	2,040	1,539	2,040
Other financial liabilities in respect of related parties	360,927	365,318	360,927	365,318
Put option and earn out liabilities	145,320	178,365	145,320	178,365
Financial liabilities	**1,827,088**	**1,851,012**	**1,865,875**	**1,928,418**
Net financial assets (liabilities)	**(1,428,842)**	**(1,541,826)**	**(1,467,629)**	**(1,619,231)**

Financial instruments

Fair value of financial instruments

The method used for determining fair value is as follows:

- for financial assets and liabilities that are liquid or nearing maturity, it is assumed that the carrying amount equates to fair value; this assumption also applies to term deposits, securities that can be readily converted to cash, and variable-rate financial instruments;
- for the measurement of hedging instruments at fair value, valuation models based on market parameters are used;
- the fair value of non-current financial payables was obtained by discounting all future cash flows to present value under the conditions in effect at the end of the year.

Derivatives, valued using techniques based on market data, are mainly interest rate swaps and forward sales/purchases of foreign currencies to hedge both the fair value of the underlying instruments and cash flows.
The most commonly applied valuation methods include forward pricing and swap models, which use present value calculations.
The models incorporate various inputs, including the credit rating of the counterparty, market volatility, spot and forward exchange rates and current and forward interest rates.

The table below analyses financial instruments measured at fair value based on three different valuation levels.

31 December 2018	Level 1	Level 2	Level 3
	€ million	€ million	€ million
Assets valued at fair value			
Futures currency contracts	-	144	-
Current Financial Receivable	27,415	-	-
Non-Current Financial Receivable	4,813	-	-
Liabilities valued at fair value			
Interest rate swap on future transactions	-	12,095	-
Forward currency contracts	-	328	-

31 December 2017	Level 1 € million	Level 2 € million	Level 3 € million
Assets valued at fair value			
Futures currency contracts	-	328	-
Hedging derivatives not reported using hedge accounting	-	1,482	-
Non-Current Financial Receivable	-	26,979	-
Liabilities valued at fair value			
Interest rate swap on future transactions	-	701	-
Forward currency and interest rate contracts	-	108	-

In 2018 reclassifications were made between the levels indicated above in the fair value hierarchies following the application of the new IFRS 9-'Financial instruments' accounting principle. The valuation level 1 for the financial assets in question is obtained using the Net Asset Value-'NAV 'methodology, obtained from external specialized sources.
The level 2 valuation used for financial instruments measured at fair value is based on parameters such as exchange rates and interest rates, which are quoted on active markets or are observable on official yield curves.
In 2018, no reclassifications were made between the levels indicated above in the fair value hierarchies.
No financial assets or liabilities were valued using the level 3 method at 31 December 2018.

Financial derivatives

A summary of financial derivatives, broken down by hedging strategy, implemented by Davide Campari-Milano S.p.A. at 31 December 2018 is shown below.

- Fair value hedging derivatives

At 31 December 2017, the Company had in place the following contracts for hedging payables and receivables in foreign currency that meet the definition of hedging instruments based on IAS 39.
Specifically, it has forward contracts on receivables and payables in currencies other than the Euro recorded in its financial statements at 31 December.
The contracts were negotiated to match maturities with incoming and outgoing cash flows resulting from sales and purchases in individual currencies.
The valuation of these contracts at the reporting date resulted in the reporting of assets of €141 thousand and liabilities of €294 thousand.
Below is a summary of the gains and losses on hedging instruments and on hedged instruments with regard to all fair value hedges, corresponding to the above-mentioned contracts.

	31 December 2018 € Thousand	31 December 2017 € Thousand
Gains on hedging instruments	105	93
Losses on hedging instruments	(189)	(25)
Total gains (losses) on hedging instruments	**(84)**	**68**
Gains on hedged items	281	125
Losses on hedged items	(350)	(204)
Total gains (losses) on hedging instruments	**(69)**	**(79)**

- Derivatives used for cash flow hedging

The Company uses the following contracts to hedge its cash flows:

- interest rate swaps on the Eurobond issued in 2015. Around the time the loan was granted, the Company had entered into a number of interest rate hedging agreements. On the date the bond was listed, due to the changes in interest rates, this agreement had entailed an initial financial liability of €1,326 thousand, recorded under comprehensive income and expense, and released to the income statement with the cash flows generated by the underlying debt. In 2018, an effect of €267 thousand was recycled to the income statement.
- Interest rate swaps hedging the risk of interest rate fluctuations on future transactions relating to the stipulation of new financial leases. In 2018, the net change in fair value recorded for the components of the statement of comprehensive income was a decrease of €9,618 thousand. A positive effect of €1,509 thousand relating to agreements that were terminated earlier than the original maturity was recycled to the income statement.
- Hedging of future sales and purchases in currency and interest rates on future transactions.

These cash flows only relate to interest and have not been discounted to present value.

The following table shows when the hedged cash flows are expected to be received, as of 31 December 2018.

31 December 2018	Within one year € Thousand	1-5 years € Thousand	Total € Thousand
Cash outflows	(34)	(12,095)	(12,129)
Cash inflows	3	-	3
Net cash flows	**(31)**	**(12,095)**	**(12,126)**

31 December 2017	Within one year € Thousand	1-5 years € Thousand	Total € Thousand
Cash outflows	(2,686)	1,999	(687)
Cash inflows	245	-	245
Net cash flows	**(2,441)**	**1,999**	**(442)**

The overall changes in the cash flow hedge reserve and the associated deferred taxes are shown below.

	Gross amount € Thousand	Tax effect € Thousand	Net amount € Thousand
Reserve as of 31 December 2017	(1,225)	294	(931)
Booked to the income statement during the period	(1,509)	362	(1,147)
Recognized in equity during the period	(9,881)	2,371	(7,509)
Reserve as of 31 December 2018	**(12,615)**	**3,028**	**(9,587)**

- Hedging derivatives not reported using hedge accounting

The breakdown shows the cash flows arising from forward foreign exchange and interest rate contracts in respect of future sales/purchases.
It should be noted that there are hedging derivatives not in hedge accounting for a total value recorded under financial liabilities of €641 thousand.
These instruments relate to hedges of future purchases in currencies other than the Euro, in particular Great Britain Pounds and Dollars.

Non-financial instruments
Fair value of non-financial instruments:
Investment property is valued at cost, this being considered a reliable approximation of its fair value. At 31 December 2018, real estate assets amounted to €492 thousand.

The tables below detail the hierarchy of financial and non-financial instruments measured at fair value, based on the valuation methods used:
- level 1: the valuation methods use prices quoted on an active market for the assets and liabilities subject to valuation;
- level 2: the valuation methods take into account inputs other than the quoted market prices in level 1, but only those that are observable on the market, either directly or indirectly;
- level 3: the methods used take into account inputs that are not based on observable market data.

In 2018, no changes were made in the valuation methods applied.

31 December 2018	Level 1 € Thousand	Level 2 € Thousand	Level 3 € Thousand
Land & buildings non business	-	1,300	-

31 December 2017	Level 1 € Thousand	Level 2 € Thousand	Level 3 € Thousand
Land & buildings non business	-	1,303	-

In 2018, there were no reclassifications between the above-mentioned levels in the fair value hierarchies.

40. Nature and extent of the risks arising from financial instruments

The Company's main financial instruments include current accounts, short-term deposits, short and long-term bank loans, financial leases and bonds.
The purpose of these is to finance the Company's operating activities.
In addition, the Company has trade receivables and payables resulting from its operations.
The main financial risks to which the Company is exposed are market (currency and interest rate), credit and liquidity risks.
The following is a description of these risks and of how they are managed.
To cover some of these risks, the Company makes use of derivatives, primarily interest rate swaps, cross currency swaps and forward contracts, to hedge interest rate and exchange rate risks.

Credit risk
Davide Campari-Milano S.p.A. enters directly into commercial transactions on the Italian market, and on the foreign markets via its Group companies.
The composition of receivables from Italian customers is extremely varied in terms of the different market channels, their size and commercial characteristics. The market includes a large number of customers from all over Italy, with a balance between the two sales channels of mass retail and purchasing consortia; and traditional retail, with a significant presence in the horeca (hotels/restaurants/cafés) sector.

The Company has an extremely broad product portfolio, formed of both Campari Group's products and products distributed under licence. There are no market concentration risks, as the Company sells internationally both within the Group and to third parties.
The Company has a Credit Management function exclusively dedicated to monitoring the progress of receivables, chasing up payment and managing in a targeted and timely manner the exposure of individual customers using internal risk monitoring procedures.
Bad debts are pursued regularly with the assistance of lawyers in order to continuously update progress on individual cases. This is then reflected in the provision for doubtful receivables.
Trade receivables from third parties for which there is impairment are classified as doubtful; these have mainly been due for more than one year and are the subject of legal proceedings.
The other trade receivables are in respect of Group companies.
Receivables from customers are mainly denominated in Euro.
The maximum amount of risk at the reporting date is equal to the net value of trade receivables, also taking into account the expected credit loss risk estimated by the company on the basis of the business model identified.

Liquidity risk

The Company's ability to generate substantial cash flow through its operations allows it to reduce liquidity risk, which is defined as the difficulty of raising funds to meet financial obligations.
The Company manages financial flows with the Italian subsidiaries through a centralised cash management department, with transactions settled at market rates, more fully described in note 42-'Related parties'.
Detailed information is provided below on financial payables and liabilities at 31 December 2018, compared with the previous year.
The tables below summarise financial liabilities at 31 December 2018 and 2017 by maturity based on the contractual repayment obligations, including non-discounted interest.

31 December 2018	On demand	Within 1 year	Due in 1 to 2 years	Due in 3 to 5 years	Due after 5 years	Total
	€ Thousand	€ Thousand	€ Thousand	€ Thousand	€ Thousand	€ Thousand
Payables and loans due to banks	-	3,689	2,900	302,900	-	309,489
Bonds	-	249,022	601,049	61,511	153,248	1,064,829
Financial payables to related parties	-	365,671	-	-	-	365,671
Other financial payables	-	-	-	-	-	-
Other derivatives	-	13,064	-	-	-	13,064
Total financial liabilities	**-**	**631,446**	**603,949**	**364,411**	**153,248**	**1,753,053**
Assets for derivatives on currencies	-	(144)	-	-	-	(144)
Financial liabilities net of hedging assets	**-**	**631,302**	**603,949**	**364,411**	**153,248**	**1,752,909**

31 December 2017	On demand	Within 1 year	Due in 1 to 2 years	Due in 3 to 5 years	Due after 5 years	Total
	€ Thousand	€ Thousand	€ Thousand	€ Thousand	€ Thousand	€ Thousand
Payables and loans due to banks	-	3,840	1,800	303,600	-	309,240
Bonds	-	29,965	249,022	659,312	156,495	1,094,794
Financial payables to related parties	-	171,449	208,500	-	-	379,949
Other financial payables	-	162,949	-	-	-	162,949
Other derivatives	-	9,201	208,500	-	-	217,701
Total financial liabilities	**-**	**377,404**	**667,822**	**962,912**	**156,495**	**2,164,633**
Assets for derivatives on currencies	-	(1,810)	-	-	-	(1,810)
Financial liabilities net of hedging assets	**-**	**375,594**	**667,822**	**962,912**	**156,495**	**2,162,823**

Payables to banks for current accounts and lines of credit represent the negative balance of cash management.
The Company has also granted loans to subsidiaries, with interest charged at market rates.

Market risk

Market risk consists of the possibility that changes in exchange rates, interest rates or the prices of raw materials or commodities (alcohol, aromatic herbs and sugar) could negatively affect the value of assets, liabilities or expected cash flows.

Price risk

The price of raw materials depends on a wide variety of factors, which are difficult to forecast and are largely beyond the Company's control. Although historically the Company has not encountered particular difficulties in purchasing sufficient high-quality raw materials, we cannot rule out the possibility that the emergence of any tensions in this area could lead to difficulties in obtaining supplies, causing costs to rise, which would have negative consequences on the Company's financial results.

Interest rate risk

The Company has bonds that pay interest at a fixed rate, issued directly under an agreement. The Company is therefore exposed to fair value risk.

The portion of debt at fixed rates was 63% of total financial payables at 31 December 2018.
Other financial liabilities, however, which are largely taken out at variable rates, account for only a modest proportion of total debt. For this reason, the Company is only partially exposed to the risk of interest rate fluctuations.

Sensitivity analysis
The following table shows the effects on the income statement of a potential change in interest rates, if all the Company's other variables are held constant.
A negative value in the table indicates a potential net reduction in profit and equity, while a positive value indicates a potential net increase in these items.
The assumptions used in terms of a potential change in rates are based on an analysis of the trends at the reporting date.
The table illustrates the full-year effects on the income statement in the event of a change in rates, calculated for the Company's variable-rate financial assets and liabilities.
The impact on the income statement is shown net of taxes.

Increase/decrease in interest in basis point	Increase in interest rates	Decrease in interest rates
31 December 2018	Income statements (€ Thousand)	
Euribor +/- 5 basis points	(591)	591
31 December 2017		
Euribor +/- 5 basis points	(397)	397

<u>Exchange rate risk</u>
The Company has hedging instruments in place to minimise the exchange rate risk, aimed at avoiding a situation where unexpected variations in exchange rates occur on purchases and sales transactions. Any change in the exchange rate, mainly Euro/US Dollar and Euro/Rouble, would lead to a positive change in net shareholders' equity of up to € 1,179 thousand and a negative change of up to €254 thousand.
Lastly, there were no significant receivables or payables exposed to exchange rate risk at 31 December 2018.

41. Commitments and risks

Contractual commitments for the use of third-party assets
The amounts owed by the Company in future financial years for the main contractual commitments for the use of third-party assets are shown in the table below.

	31 December 2018 € Thousand	31 December 2017 € Thousand
Within 1 year	3,195	5,739
1-5 years	1,877	3,149
Total	**5,072**	**8,888**

Existing contractual commitments for the purchase of goods or services, property, plant and equipment
The Company's other commitments for purchases of goods or services are shown below.

€ Thousand	Purchase of assets	Purchase of raw materials, semi-finished products and finished products	Logistic costs	Advertising and promotional costs	Packaging, habillage	Information system services	Facility services	Other	Total
Within 1 year	1,931	43,665	49	4,667	42,182	4,779	1,035	1,337	99,644
1-5 years	19	50,514	-	90	-	2,052	2,280	44	54,999
After 5 years	-	-	-	-	-	-	-	-	-
Total commitments	**1,950**	**94,179**	**49**	**4,757**	**42,182**	**6,831**	**3,315**	**1,380**	**154,643**

Commitments in respect of raw materials mainly relate to purchases of wine and grapes for Cinzano wine and sparkling wines.

Guarantees given
Guarantees given by the Company break down as follows:

	31 December 2018 € Thousand	31 December 2017 € Thousand
Guarantees issued to third parties	46,173	40,003
Guarantees issued to third parties in the interest of Group companies	99,676	137,521
Total guarantees issued to third parties	**145,849**	**172,524**
Other guarantees	4,880	7,542
Total guarantees given	**150,829**	**180,066**

Guarantees to third parties mainly represent customs bonds for excise duties and tax stickers totalling €46,073 thousand. Guarantees issued to third parties in the interests of Group companies are guarantees given by Davide Campari-Milano S.p.A. in favour of third parties for sureties on customs and excise duties, credit lines and other sureties and guarantees resulting from the commercial or financial activities of Group companies. Other guarantees mainly include guarantees for wine promotions, totalling €3,189 thousand.

42. Related parties

The procedure sets out the principles to which the Company adheres to ensure the substantive and procedural transparency and probity of transactions with related parties, whether carried out directly or via subsidiaries, and also gives a definition of related parties (providing an updated list of related parties), in a manner consistent with IAS 24.

The procedure also identifies the individuals responsible for reporting the above-mentioned information, defines which transactions should be reported, defines the content of the information required, and sets the timescales within which the information must be submitted.

Relationships with Group companies and the Parent Company

The main intra-group activities, paid for at market prices, are carried out on the basis of contractual relationships, which in particular relate to:

- the management of investments;
- the settlement of financial flows through the centralised intra-group cash and financial management system;
- the sharing of general, administrative and legal services;
- IT support;
- commercial agreements.

At 31 December 2018, Davide Campari-Milano S.p.A. was controlled by Alicros S.p.A., which was, in turn, controlled by Lagfin S.C.A., Société en Commandite par Actions. From 12 February 2019, Lagfin S.C.A., Société en Commandite par Actions, merged by incorporation with Alicros S.p.A.

Davide Campari-Milano S.p.A. adopted the tax consolidation scheme for the financial years 2014 to 2019. At 31 December 2018, the income tax receivables were recorded as payable to Alicros S.p.A. (from 12 February 2019 to Lagfin S.C.A., Société en Commandite par Actions) in the amount of €2,287 thousand.

Furthermore, Alicros S.p.A. (Lagfin S.C.A., Société en Commandite par Actions, from 12 February 2019), Davide Campari-Milano S.p.A. and some of its Italian subsidiaries, have joined the Group-wide VAT scheme.

As at 31 December 2018, Davide Campari-Milano S.p.A. had a claim on Alicros S.p.A. (from 12 February 2019 Lagfin S.C.A., Société en Commandite par Actions through its stable Italian base,) in the amount of €445 thousand.

The receivables and payables arising as a result of the tax consolidation procedure are non-interest-bearing.

The receivables and payables arising as a result of the tax consolidation procedure are non-interest-bearing.

No other transactions have taken place with controlling entities, nor with their directly and/or indirectly-owned subsidiaries, other than with Group companies.

The Company is not subject to management and coordination activity by other companies, pursuant to Articles 2497 *et seq* of the Italian Civil Code, in that all decisions made by the management bodies, including strategic decisions, are taken in complete autonomy and independence.

For further details on the relationships with Group companies, see the following tables.

Financial transactions with related parties

31 December 2018	Trade receivables	Financial receivables	Receivables for tax consolidation	Other receivables	Other non-current assets	Trade payables	Financial payables	Receivables for Group VAT	Other current liabilities
Alicros S.p.A.	-	-	2,287	3	2,241	-	-	445	-
Campari America LLC	6,269	-	-	2,896	-	-	20	-	-
Campari Argentina S.A.	570	8	-	198	-	-	-	-	-
Campari Benelux S.A.	1,034	6	-	-	-	-	220,640	-	-
Campari Australia Pty Ltd.	4,751	4	-	85	-	55	-	-	11
Campari Austria GmbH	2,545		-	-	-	-	4,396	-	-
Campari Beijing Trading Co. Ltd.	674	-	-	12	-	-	-	-	-
Campari Deutschland GmbH	11,757		-	873	-	-	35,132	-	17
Campari Distribution Ireland Ltd	-	-	-	-	-	284	253	-	-
Campari do Brasil Ltda	1,220	-	-	52	-	146	-	-	-
Campari España S.L.	-	47,603	-	153	-	1,418	-	-	-
Campari India Pte Ltd.	15	-	-	-	-	-	-	-	-
Campari International S.r.l.	6,465		-	7	-	12	15,233	-	(3)
Campari Japan Ltd.	1,053	-	-	490	-	-	-	-	-
Campari Mexico S.A. de C.V.	597	2	-	-	-	121	-	-	-
Campari New Zealand Ltd.	568	-	-	13	-	-	-	-	-
Campari Peru SAC	1,648	1	-	5	-	-	-	-	-
Campari RUS OOO	8,139	-	-	95	-	235	-	-	49
Campari Schweiz A.G.	2,034	-	-	173	-	26	-	-	-
Campari Services America LLC	-	-	-	-	-	97	-	-	-
Campari Services S.r.l.	93		-	283	-	721	131	-	(28)
Campari Singapore Pte Ltd.	(67)	-	-	-	-	-	-	-	-
Campari South Africa Pty Ltd.	766	-	-	464	-	-	-	-	-
Campari Ukraine LLC	2,186	-	-	-	-	-	-	-	-
Camparino S.r.l.	130	2	-	-	-	300	-	-	-
Forty Creek Distillery Ltd.	267	-	-	296	-	-	-	-	-
Glen Grant Ltd.	6,787	55,313	-	410	-	1,464	6,019	-	-
J. Wray&Nephew Ltd.	4,285	-	-	242	-	(2)	-	-	-
Kaloyannies-Koutsikos Distilleries S.A.	(56)	-	-	-	-	3	-	-	-
Marnier - Lapostolle Bisquit SASU	4,582	3	-	683	-	-	79,102	-	-
DI.CI.E. Holding B.V.	27	19,562	-	-	-	-	-	-	-
Societé des Produits Marnier	1,603	1,279	-	104	-	-	-	-	-
Total at 31 December 2018	**69,943**	**123,784**	**2,287**	**7,537**	**2,241**	**4,880**	**360,927**	**445**	**45**
%	71%	81%	22%	26%	14%	7%	58%	2%	0%
Total at 31 December 2017	**64,289**	**56,447**	**13,857**	**4,446**	**2,241**	**7,680**	**165,318**	**-**	**422**

Intra-group transactions are carried out via the centralised cash management system, with interest charged at market rates (3-month Euribor on the day preceding the end of each calendar quarter, plus a spread that reflects market conditions).

Financial transactions with related parties

31 December 2018	Net sales	Cost of goods sold	Advertising and promotional costs	Overhead	Adjustments to operating income (charges)	Dividends	Financial income and charges
	€ Thousand	€ Thousand	€ Thousand	€ Thousand	€ Thousand	€ Thousand	€ Thousand
Alicros S.p.A.	-	-	-	70	-	-	-
Campari America LLC	33,202	(2,526)	(358)	5,868	-	-	-
Campari Argentina S.A.	949	185	-	1,155	-	-	16
Campari Australia Pty Ltd.	13,239	167	75	488	-	-	4
Campari Austria GmbH	18,816	65	37	163	-	-	
Campari Beijing Trading Co. Ltd.	2,097	4	-	(502)	-	-	-
Campari Benelux S.A.	13,279	-	13	(96)	-	4,881	(9,412)
Campari Deutschland GmbH	69,684	5	14	(271)	-	-	1
Campari Distribution Ireland Ltd	89	1	-	(79)	-	2,200	(1)
Campari do Brasil Ltda	746	(119)	7	2,076	-	-	-
Campari España S.L.	5,360	3	(20)	(1,185)	-	-	254
Campari India Pte Ltd.	-	-	-	15	-	-	-
Campari International S.r.l.	51,779	623	547	332	-	2,819	(3)
Campari Japan Ltd.	1,129	6	4	81	-	-	-
Campari Mexico S.A. de C.V.	3,692	(1,514)	1	822	-	-	-
Campari New Zealand Ltd.	1,346	8	1	382	-	-	-
Campari Peru SAC	4,090	5	3	235	-	-	-
Campari RUS OOO	21,228	7	10	(92)	-	-	-
Campari Schweiz A.G.	13,108	-	9	22	-	-	-
Campari Services America LLC	-	-	-	156	-	-	-
Campari Services S.r.l.	-	5	-	(2,544)	-	-	17
Campari Singapore Pte Ltd.	-	-	-	56	-	-	-
Campari South Africa Pty Ltd.	1,788	-	28	(371)	-	-	-
Campari Ukraine LLC	2,993	1	1	(103)	-	-	-
Camparino Srl	138	-	(314)	4	-	-	4
DI.CI.E. Holding B.V.	-	-	-	27	-	-	54
Forty Creek Distillery Ltd.	2,885	16	1	471	-	-	-
Glen Grant Ltd.	9,215	(16,486)	1,179	7,770	-	-	1,271
J. Wray&Nephew Ltd.	2,329	(1,052)	2	3,882	-	-	-
Kaloyannies-Koutsikos Distilleries S.A.	-	(121)	-	208	-	-	-
Marnier - Lapostolle Bisquit SASU	19	(5,994)	1,952	4,576	-	-	1
Nettuno Srl	-	-	-	-	55,394	-	-
Societé des Produits Marnier Lapostolle	-	(2,658)	88	2,576	-	6,269	1
Trans Beverages Co. Ltd.	-	-	-	-	-	-	5
Total at 31 December 2018	**273,202**	**(29,368)**	**3,283**	**26,122**	**55,394**	**16,169**	**(7,788)**
%	43%	12%	-5%	-24%	115%	100%	19%
Total at 31 December 2017	**260,929**	**(39,027)**	**5,616**	**6,674**	**-**	**41,120**	**(7,920)**

For information on remuneration and salaries for directors and general managers, see note 43-'Remuneration owing to directors, general managers and auditors' below.

43. Remuneration owing to directors, general managers and auditors

Remuneration and salaries paid to the Company's Board of Directors was as follows:

	2018	2017
	€ Thousand	€ Thousand
Short-term benefits	6,259	5,684
Defined contribution benefits	43	56
Stock option(*)	1,545	940
Total	**7,847**	**6,680**

(*)Including cancelled plans costs for outgoing directors.

At 31 December 2018, payables accrued in relation to directors amounted to €1,960 thousand.

In 2018, the members of the Board of Statutory Auditors carried out their audit duties at the Company and in some of the companies included in the basis of consolidation. They receive remuneration for these activities approved by the relevant corporate bodies, as indicated in the Report on remuneration pursuant to Article 123-*ter* of the TUF, published together with the annual financial report. Amounts of €190 thousand for activities carried out at the Company and €60 thousand for work carried out at subsidiaries were approved.

44. Employees

All of the Company's employees are based in Italy. The average number of staff in each category is shown below.

Category	2018	2017
Managers	129	125
Office staff	382	443
Manual workers	124	163
Total	**634**	**730**

45. Publication of payments pursuant to Article 149-*duodecies* of the Issuers Regulation

PricewaterhouseCoopers S.p.A. has been engaged to audit the separate financial statements and the consolidated financial statements of Davide Campari-Milano S.p.A. from 2010 to 2018.

The following table, pursuant to Article 149-*duodecies* of the Issuers Regulation, shows the amounts recognized for 2018 for external auditing activities and for non-audit-related services provided by companies from the PricewaterhouseCoopers network. It should also be noted that these services are compatible with the provisions of Legislative Decree 39 of 27 January 2010 and of Regulation (EU) no. 537 of 16 April 2014.

	Service provider	Recipient	Amounts recognized in 2018
Financial audit	PricewaterhouseCoopers S.p.A.	Parent Company – Davide Campari-Milano S.p.A.	477
	PricewaterhouseCoopers S.p.A.	Subsidiaries	549
	PricewaterhouseCoopers network	Subsidiaries	957
Other services similar to financial auditing	PricewaterhouseCoopers S.p.A.	Parent Company – Davide Campari-Milano S.p.A.	58
	PricewaterhouseCoopers network	Subsidiaries	25
Other services	PricewaterhouseCoopers network	Parent Company – Davide Campari-Milano S.p.A.	230
	PricewaterhouseCoopers network	Subsidiaries	224
Total			**2,519**

Services similar to auditing mainly include the audit of the non-financial declaration, prepared pursuant to Legislative Decree 254/16. The other services refer mainly to support activities for the process of adopting non-accounting information systems in the Human Capital area and assessment of the best practices of reference. The services provided comply with the independence requirements of the legislation in force.

46. Off-balance sheet transactions

No off-balance sheet agreements, including between affiliates, as described in Article 2427, paragraph 1, no. 22-*ter*, or other regulations, were concluded during the year that could generate exposures or benefits for the Company, where knowledge of same would be useful for assessing the Company's financial position or operating results.

47. Consolidated financial statements

Pursuant to Article 2427, para. 1, no. 22-*quinquies*, the Company, as a subsidiary, is part of the 'larger' group of companies included in the consolidated financial statements of Lagfin S.C.A., Société en Commandite par Actions, with its registered office at Rue des Bains, 3, Luxembourg; a copy of the relevant consolidated financial statements may be obtained from this address.

48. Events taking place after the end of the period

Campari Red Diaries 2019

On 5 February 2019, the short movie of the Campari Red Diaries campaign for 2019, entitled *Entering Red*, directed by Matteo Garrone, was presented in Milan with the participation of star Ana De Armas and Italian actor Lorenzo Richelmy. The short movie describes an intriguing story in which Ana explores the charismatic city of Milan through the stimulating lens of Campari.

49. Proposal for the appropriation of profit

The total amount of the dividend distributed and, consequently, the residual amount of the profits carried forward, will vary according to the number of shares entitled, and these amounts will be defined when the dividend is actually paid on the basis of the shares outstanding at the coupon detachment date (therefore excluding the Company's own shares in portfolio at that date).

In view of the above, it is proposed to:

- approve the financial statements for the year ending 31 December 2018 and
- to allocate the profit for the year of €199,589,918.96 as follows:
  (i) to distribute a dividend of €0.05 per ordinary share outstanding, except for own shares held by the Company at the coupon detachment date (for information purposes, on the basis of 14,981,958 own shares held on 31 December 2018, the total dividend is €57,331 thousand);
  (ii) to carry forward the residual amount (for information purposes, amounting to €142,259 thousand on the basis of the outstanding shares mentioned above)

- to pay the aforesaid dividend per share starting from 25 April 2019 with detachment of coupon 3 on 23 April 2019 (the date of entitlement to payment, pursuant to Article 83-*terdecies* of the Consolidated Finance Act (TUF), being 24 April 2019)

Sesto San Giovanni (MI), 5 March 2019

Chairman of the Board of Directors

Luca Garavoglia

Certification of the consolidated financial statements pursuant to article 81-ter of Consob regulation 11971 of 14 May 1999 and subsequent revisions and amendments

1. We, Robert Kunze-Concewitz, as managing director, and Paolo Marchesini, as managing director and the director responsible for preparing the accounting documents of Davide Campari-Milano S.p.A., hereby certify, taking into account the provisions of paragraphs 3 and 4, TUF:

• the appropriateness, in relation to the nature of the business, and

• the effective application of the administrative and accounting procedures used to prepare the consolidated financial statements for 2018.

2. We further certify that

2.1. The consolidated financial statements at 31 December 2018:

a) were prepared in accordance with the applicable international accounting standards recognised in the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;

b) correspond to the figures contained in the accounting records;

c) provide a true and fair view of the financial position of the issuer and the group of companies included in the basis of consolidation.

2.2. The report on operations contains an accurate assessment of the company's performance and operating results, and on the position of the issuer and the group of companies included in the basis of consolidation, together with a description of the main risks and uncertainties to which it is exposed.

Sesto San Giovanni (MI), Tuesday 5 March 2019

Chief Executive Officer
Robert Kunze-Concewitz

Chief Executive Officer
and director responsible for preparing
the company's accounting statements
Paolo Marchesini

This report has been translated into English from the Italian original solely for the convenience of international readers.

Certification of the annual financial statements

pursuant to article 81-*bis* of Legislative Decree 11971 of 14 May 1999 as subsequently amended and consolidated

1. We, the undersigned, Robert Kunze-Concewitz, as managing director, and Paolo Marchesini, as managing director and the director responsible for preparing the accounting documents of Davide Campari-Milano S.p.A., hereby certify, taking into account the provisions of paragraphs 3 and 4, article 154-*bis*, of the TUF:

• the appropriateness, in relation to the nature of the business, and

• the effective application

of the administrative and accounting procedures used to prepare the annual financial statements for 2017.

2. We further certify that:

2.1. The annual financial statements to 31 December 2018:

a) were prepared in accordance with the applicable international accounting standards recognized in the European Union pursuant to Regulation (EC) 1606/2002 of the European Parliament and of the Council of 19 July 2002;

b) correspond to the figures contained in the accounting records;

c) provide a true and fair view of the issuer's balance sheet, financial position and operating results.

2.2. The report on operations contains an accurate assessment of the company's performance and operating results, and on the position of the issuer, together with a description of the main risks and uncertainties to which it is exposed.

Sesto San Giovanni (MI), Tuesday, 5 March 2019

Managing Director
Robert Kunze-Concewitz

Managing Director
and Director responsible for preparing
the company's accounting statements
Paolo Marchesini

This report has been translated into English from the Italian original solely for the convenience of international readers.

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Independent auditor's report

in accordance with article 14 of Legislative Decree 39 of 27 January 2010 and article 10 of Regulation (EU) 537/2014

To the shareholders of Davide Campari-Milano SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Davide Campari-Milano SpA and its subsidiaries (Campari group), which comprise the statement of financial position as of 31 December 2018, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity and the statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Campari group as of 31 December 2018, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, and with the regulations issued to implement article 9 of Legislative Decree 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in section Auditor's Responsibilities for the Audit of the Consolidated Financial Statements of this report. We are independent of Davide Campari-Milano SpA (the Company) based on ethic and independence regulations and standards applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

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Key Audit Matter	*How our audit addressed the key audit matter*
Recoverability of goodwill and brands with indefinite useful life	
Note 23 "Goodwill and brands " and note 24 "Impairment" As of 31 December 2018 goodwill and brands with indefinite useful life amount to € 1,326 million and € 1,000 million, respectively. Recoverability of the carrying amount of goodwill and brands was tested for impairment at year-end, in accordance with IAS36 – Impairment of Assets. The recoverable amount of goodwill and brands is based on their value in use. The value in use of the groups of cash generating units – CGU, to which goodwill is allocated, is measured based on the expected future cash flows of the groups of CGU. The value in use of individual brands is measured based on the estimate of future earnings attributable to the brands, net of the contribution assigned to other supporting assets - multi-period excess earnings method. The value in use of the groups of CGU to which goodwill is allocated is compared with the carrying amount of the assets and liabilities directly attributable to the CGU, inclusive of brands and goodwill. The value in use of individual brands is compared with their carrying amount. Recoverability of goodwill and brands with indefinite useful life represented a key matter in the audit of the consolidated financial statements, considering the magnitude of the carrying amount and the judgment used in determining the assumptions underlying the value in use calculation.	We have performed an understanding and evaluation of the internal controls over the key matter identified. We have verified, with the support of PwC experts: • the adequacy of the impairment testing process in accordance with the requirement of the accounting standard; • the allocation of goodwill to the groups of CGU; • the reasonableness of the assumptions used in determining the value in use for goodwill and brands, with specific reference to growth rates and discount rates, including benchmarking and comparison with historical trend; • the accuracy of the amounts of assets and liabilities attributable to the groups of CGU to which goodwill is allocated; • the mathematical accuracy of the calculation models used. We have assessed variances between projections used in previous years and actual results to evaluate the reliability and consistency with the market trend. We have assessed the accuracy and completeness of the disclosure presented in the notes to the consolidated financial statements.

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Key Audit Matter	*How our audit addressed the key audit matter*
Revenue recognition	
Note 3 "Summary of accounting principles" Considering the high volume of sales transactions, carried out through a global distribution network, different channels, with variable conditions for different markets, revenue recognition represented a key matter in the audit of the consolidated financial statements, taking also into account the adoption of the new accounting standard IFRS15 "Revenue from contracts with customers".	We have performed, for the major revenues streams identified in accordance with the new accounting standard IFRS15, an understanding, evaluating and validating of the relevant controls over revenue and receivables process. We have focused our audit on existence, completeness, accuracy and proper period of sales transactions. We have tested, on a sample basis, the supporting documentation and the contractual terms regulating the revenue transactions. We have performed external confirmation procedures, to obtain supporting evidence of trade receivables, performing alternative procedures where no confirmation was obtained.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and with the regulations issued to implement article 9 of Legislative Decree 38/2005 and, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Management is responsible for assessing the group ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, management uses the going concern basis of accounting unless management intends either to liquidate Davide Campari-Milano SpA or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing, in the terms prescribed by law, the group financial reporting process.

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of an audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional scepticism throughout the audit. Furthermore:

- we identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we design and perform audit procedures responsive to those risks; we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control;
- we obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group internal control;
- we evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- we conclude on the appropriateness of management use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern;
- we evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- we obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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We also provide those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that are of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report.

Additional Disclosures required by Article 10 of Regulation (EU) 537/2014

We were appointed by the shareholders of Davide Campari-Milano SpA at the general meeting held on 30 April 2010 to perform the audit of the Company consolidated and separate financial statements for the years ending 31 December 2010 through 31 December 2018.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) 537/2014 and that we remained independent of the Company in conducting the audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to those charged with governance, in their capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree 39/2010 and Article 123-bis, paragraph 4, of Legislative Decree 58/1998

Management of Davide Campari-Milano SpA is responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the Campari group as of 31 December 2018, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) 720B to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree 58/1998, with the consolidated financial statements of the Campari group as of 31 December 2018 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of the Campari group as of 31 December 2018 and are prepared in compliance with the law.

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With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree 39/2010, issued on the basis of our knowledge and understanding of the group obtained in the course of the audit, we have nothing to report.

Statement in accordance with article 4 of Consob Regulation implementing Legislative Decree 254/2016

Management of Davide Campari-Milano SpA is responsible for the preparation of the non-financial disclosure pursuant to Legislative Decree 254/2016. We have verified that the non-financial disclosure was approved by the board of directors.

Pursuant to article 3, paragraph 10, of Legislative Decree 254/2016, the non-financial disclosure is subject to separate audit reporting by our firm.

Milan, 21 March 2019

PricewaterhouseCoopers SpA

Signed by

Paolo Caccini
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers

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Independent auditor's report
in accordance with article 14 of Legislative Decree 39 of 27 January 2010 and article 10 of Regulation (EU) 537/2014

To the shareholders of Davide Campari-Milano SpA

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the separate financial statements of Davide Campari-Milano SpA (the "Company"), which comprise the statement of financial position as of 31 December 2018, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity and the statement of cash flows for the year then ended, and the notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the separate financial statements give a true and fair view of the financial position of the Company as of 31 December 2018, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, and with the regulations issued to implement article 9 of Legislative Decree 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia).
Our responsibilities under those standards are further described in section Auditor's Responsibilities for the Audit of the Separate Financial Statements of this report. We are independent of the Company based on ethic and independence regulations and standards applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

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Key Audit Matter	*How our audit addressed the key audit matter*
Recoverability of goodwill and brands with indefinite useful life	
Note 19 "Goodwill and brands " and note 20 "Impairment" As of 31 December 2018 the goodwill and brands with indefinite useful life amounts to € 355 million and € 240 million, respectively. Recoverability of the carrying amount of goodwill and brands was tested for impairment at year-end, in accordance with IAS36 – Impairment of Assets. The recoverable amount of goodwill is based on its fair value, less disposal cost. The recoverable amount of brands is based on their value in use. The fair value of the group of cash generating units – CGU, to which the goodwill is allocated, representing the Company business, is calculated as a multiple of the gross operating income generated by the group of CGU. The value in use of individual brands is measured based on the estimate of future earnings attributable to the brands, net of the contribution assigned to other supporting assets - multi-period excess earnings method. The fair value of the group of CGU to which goodwill is allocated is compared with its carrying amount, inclusive of brands and goodwill. The value in use of individual brands is compared with their carrying amount. Recoverability of goodwill and brands with indefinite useful life represented a key matter in the audit of the separate financial statements, considering the magnitude of the carrying amount and the judgment used in determining the assumptions underlying the calculation of the recoverable amounts of goodwill and brands.	We have performed an understanding and evaluation of the internal controls over the key matter identified. We have verified, with the support of PwC experts: • the adequacy of the impairment testing process in accordance with the requirement of the accounting standard; • the allocation of goodwill; • the reasonableness of the assumptions used in determining the fair of the group of CGU to which goodwill is allocated and the value in use of brands, with specific reference to multiples of gross operating income, growth rates and discount rates, including benchmarking and comparison with historical trend; • the accuracy of the amounts of assets and liabilities attributable to the group of CGU to which goodwill is allocated; • the mathematical accuracy of the calculation models used. We have assessed variances between projections used in previous years and actual results to evaluate the reliability and consistency with the market trend. We have assessed the accuracy and completeness of the disclosure presented in the notes to the separate financial statements.

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Key Audit Matter	*How our audit addressed the key audit matter*
Revenue recognition *Note 3 " Summary of accounting principles"* Considering the high volume of sales transactions, through different channels, with variable conditions for different customers, revenue recognition represented a key matter in the audit of the separate financial statements, taking also into account the adoption of the new accounting standard IFRS15 "Revenue from contracts with customers".	We have performed, for the major revenues streams, identified in accordance with the new accounting standard IFRS15, an understanding, evaluating and validating of the relevant controls over revenue and receivables process. We have focused our audit on existence, completeness, accuracy and proper period of sales transactions. We have tested, on a sample basis, the supporting documentation and the contractual terms regulating the revenue transactions. We have performed external confirmation procedures, to obtain supporting evidence of trade receivables, performing alternative procedures where no confirmation was obtained.

Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements

Management is responsible for the preparation of separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and with the regulations issued to implement article 9 of Legislative Decree 38/2005 and, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

Management is responsible for assessing the Company ability to continue as a going concern and, in preparing the separate financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the separate financial statements, management uses the going concern basis of accounting unless management intends either to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing, in the terms prescribed by law, the Company financial reporting process.

Auditor's Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the separate financial statements.

As part of an audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional scepticism throughout the audit. Furthermore:

- we identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error; we design and perform audit procedures responsive to those risks; we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control;
- we obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company internal control;
- we evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- we conclude on the appropriateness of management use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- we evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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We also provide those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that are of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our report.

Additional Disclosures required by Article 10 of Regulation (EU) 537/2014

We were appointed by the shareholders of Davide Campari-Milano SpA at the general meeting held on 30 April 2010 to perform the audit of the Company consolidated and separate financial statements for the years ending 31 December 2010 through 31 December 2018.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) 537/2014 and that we remained independent of the Company in conducting the audit.

We confirm that the opinion on the separate financial statements expressed in this report is consistent with the additional report to those charged with governance, in their capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree 39/2010 and Article 123-bis, paragraph 4, of Legislative Decree 58/1998

Management of Davide Campari-Milano SpA is responsible for preparing a report on operations and a report on the corporate governance and ownership structure of Davide Campari-Milano SpA as of 31 December 2018, including their consistency with the relevant separate financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) 720B to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree 58/1998, with the separate financial statements of the Company as of 31 December 2018 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the separate financial statements of the Company as of 31 December 2018 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree 39/2010, issued on the basis of our knowledge and understanding of the Company obtained in the course of the audit, we have nothing to report.

Milan, 21 March 2019

PricewaterhouseCoopers SpA

Signed by

Paolo Caccini
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers

REPORT OF THE BOARD OF STATUTORY AUDITORS

pursuant to art. 153 of Legislative Decree 58/1998 and Article 2429 of the Italian Civil Code

Dear Shareholders,
This report refers to the activities performed by the Board of Statutory Auditors of Davide Campari-Milano S.p.A. (hereinafter the 'Company' and, jointly with its subsidiaries, the 'Group') for the financial year ended at 31 December 2018 (hereinafter the 'Financial year').

1. In carrying out supervisory and control activities, the Board of Statutory Auditors acknowledges that:

   a) it monitored compliance with the Law, Articles of Association and adherence to the principles of correct administration pursuant to legislation in force and taking into account the standards issued by the Italian Association of Chartered Accountants;

   b) it attended the meetings of the Board of Directors and the Control and Risks Committee and it has periodically received information from the directors about the general business and outlook, as well as the most significant economic, financial and capital transactions approved and implemented during the financial year by the Company and Group Companies, also in compliance with Article 150, paragraph 1 of Legislative Decree 58 of 24 February 1998 (hereinafter the 'T.U.F.'). Please refer to the Report on Operations where this information is very well explained.
   The Board of Statutory Auditors believes that the transactions approved and implemented comply with the law and the Articles of Association, and are not manifestly imprudent or risky, or in potential conflict of interest, or contrary to the resolutions approved by the Shareholders' Meeting, or such that would compromise the integrity of the share capital. The resolutions of the Board of Directors are executed with the utmost compliance by management and by the organization;

   c) it did not identify any atypical and/or unusual transactions with Group companies, third parties or related parties, nor did it receive any information to this effect from the Board of Directors, the independent auditors or the director of the internal control and risk management system. In its Report on Operations, the Board of Directors provided an appropriate description of the impact of the most significant operational, financial and balance-sheet transactions carried out as part of ordinary operations with Group companies under normal market conditions. Based on the results of the activities conducted by the Internal Audit Department, the Board of Statutory Auditors also believes that any related-party transactions were adequately managed. In this regard, the Board of Statutory Auditors wishes to point out that the Company adopted procedures for related-party transactions in compliance with the requirements of Consob Regulation 17221 of 12 March 2010 and Consob Communication of 24 September 2010, in addition to specific standards in the Group's Code of Ethics, in order to prevent or manage transactions in which there are situations of conflict of interest or personal interest of the directors. Pursuant to Article 4 of the above-mentioned Regulation, the Board of Statutory Auditors verified that the procedures adopted complied with the principles of this Regulation, and checked that they were being followed;

d) it reviewed and supervised the adequacy of the Company's organizational structure with regard to competence, compliance with principles of correct administration by gathering information from the heads of the competent corporate functions and holding meetings with representatives of the statutory audit firm, PricewaterhouseCoopers S.p.A. ('PWC'), including for the purpose of exchanging important data and information, from which no serious issues arose. In addition, no serious issues arose from the annual reports issued by the Board of Statutory Auditors, pursuant to Article 2429, Paragraph 2 of the Italian Civil Code, of the subsidiary Campari International S.r.l.;

e) it monitored and verified, to the extent of its responsibility:
- the adequacy of the administration and accounting systems, as well as its reliability for the purpose of providing a true and fair view of operations;
- the adequacy of the controls and processes for the preparation, reporting, measurement and representation of results and non-financial information, pursuant to Legislative Decree 254 of 30 December 2016, in order to allow a fair representation of non-financial information according to the decree; through:

i. the periodic exchange of information with the CEOs, and, specifically, with the director in charge of preparing corporate accounting documents pursuant to Article 154-bis of the T.U.F.;
ii. the examination of reports prepared by the head of the Internal Audit department, including information on the outcome of any corrective measures taken following the audit activities;
iii. the obtaining of information from the heads of corporate functions;
iv. meetings and exchanges of information with the administrative and control bodies of Italian subsidiaries pursuant to paragraphs 1 and 2 of Article 151 of the T.U.F., during which the Board of Statutory Auditors obtained information about administrative and control systems and the company's general business performance;
v. performing detailed analysis of activities carried out, and reviewing the results of the work of the external auditor;
vi. participating in the work of the Control and Risks Committee and, when specific issues so required, working with the committee on such issues.

From the work carried out, no irregularities were found that indicated inadequacies in the internal control and risk management system;

f) it held meetings with managers of the appointed independent auditors, PWC, for sharing of document and relevant information, and it was informed of the main risks to which the Company is exposed and of the controls put in place, as well as of the procedures performed with reference to the regular keeping of accounts and the true and fair view of operations in the accounting records. No significant comments emerged from the meetings, either on their part or on our part;

g) it monitored the implementation methods of the Code of Conduct for Listed Companies, adopted by the Company, under the terms illustrated in the Report on Corporate Governance and Ownership Structure approved by the Board of Directors on 5 March 2019. The Board of Statutory Auditors verified, *inter alia*, that the criteria and assessment procedures adopted by the Board of Directors to

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evaluate the independence and professionalism of its members were correctly applied. The Board of Statutory Auditors has also verified compliance with the criteria of independence of its members, as required by the current legislation, also acknowledging compliance with the limit on simultaneous offices as set out in Article 144-*terdecies* of the Regulation adopted by Consob resolution 11971 of 14 May 1999 ('Issuers Regulation');

h) it looked over and gathered information on the management activities and procedures implemented in accordance with Italian Legislative Decree 231 of 8 January 2001 regarding the administrative responsibilities of Bodies.
The Board of Statutory Auditors notes that the meeting of the Board of Directors, exercising its right granted by Article 6, paragraph 4-*bis* of Legislative Decree 231/2001, conferred on the Board of Statutory Auditors the functions pertaining to the Supervisory Body pursuant to Article 6, paragraph 1(b) of the above-mentioned decree. The Board of Statutory Auditors monitored the operation and the effectiveness of the organizational, management and control model adopted by the Company, also with reference to its update and appropriateness, without highlighting any facts or situations relevant for this Report.

i) it ensured that the information flows provided by the non-EU subsidiaries are adequate to conduct audits of the annual and interim financial statements pursuant to Article 15 of the Market Regulation adopted through Consob Resolution 20249 of 28 December 2017;

j) it monitored the implementation of organizational measures related to the development of corporate activities.

As Audit Committee pursuant to Article 19 of Legislative Decree 39 of 27 January 2010 as amended by Legislative Decree 135 of 17 July 2016, in implementation of Directive 2014/56/EU, the Board of Statutory Auditors during the financial year:

a) monitored the financial reporting process, in compliance with reference to its integrity;
b) verified the effectiveness of the internal control of the quality and of the risk management systems of the company as well as of the internal audit, as regards the financial information, without violating its independence;
c) monitored the statutory audit of the financial statements;
d) verified and monitored the independence of the audit firm pursuant to the provisions of the law, and, in particular, with regard to the adequacy of the provision of services other than auditing, pursuant to Article 5 of Regulation (EU) N. 537/2014;
e) expressed an opinion pursuant to Article 2389, Paragraph 3, of the Italian Civil Code, on compensations for Directors holding particular offices.

The Board of Statutory Auditors met twelve times during the financial year, attending as well the meetings of the Board of Directors and the Control and Risk Committee.

Taking into account the information obtained, the Board of Statutory Auditors believes that activities were performed in compliance with the principles of correct administration, and that the organizational structure, internal control system and the administrative and accounting system are fully adequate for corporate requirements.

2. As far as relations with the independent auditors PWC are concerned, the Board of Statutory Auditors, as Audit Committee, reports that:

   a) the independent auditors issued today, pursuant to Articles 14 and 16 of Legislative Decree 39 of 27 January 2010 and Article 10 of the Regulation (EU) N.537/2014, the unqualified audit reports on the separate and consolidated financial statements as at 31 December 2018.
   From the opinions and attestations released in the audit reports, it results:
      i. the annual and consolidated financial statements of Davide Campari-Milano S.p.A. provide a true and fair view of the Company's and Group's balance sheet, financial situation, operating results and cash flows as at 31 December 2018 in accordance with the International Financial Reporting Standards adopted by the European Union, as well as the requirements issued in the implementation of Article 9 of Legislative Decree 38 of 28 February 2005;
      ii. the consistency of the Reports on Operations and the information required by Article123-*bis* paragraph 4) T.U.F., included in the Report on corporate governance and ownership structure, with the consolidated and separate financial statements;
      iii. regarding to possible significant errors in the Report on Operations, based on the knowledge and understanding of the company and the related context acquired during the audit, nothing is reported.

   b) the audit company PWC also issued today, the additional report for the Board of Statutory Auditors in its role of Audit Committee pursuant to Article 11 of the aforementioned Regulation (EU). This report will be sent to the Board of Directors as required by current legislation.

   c) the audit company also issued today, the report on the consolidated non-financial declaration pursuant to Article 3 of Legislative Decree 254 of 30 December 2016 and Article 5 of Consob Regulation N. 20267 of 18 January 2018, in which the same audit company did not report any evidence suggesting that the consolidated non-financial declaration of the Campari Group, for the financial year ended 31 December 2018, has not been prepared, in all the significant aspects, in compliance with the requirements of Articles 3 and 4 of the aforementioned decree.

   d) finally, the audit company issued today, the declaration regarding independence, as required by Article 6 of the Regulation (EU) N. 537/2014, from which no circumstances that could compromise their independence were identified. In addition, the Board of Statutory Auditors took note of the Transparency Report prepared by the audit company and published on its website pursuant to Article 18 of Legislative Decree 39 of 27 January 2010.

   e) in addition to the tasks required by the regulations for listed companies, the independent auditors PWC and the companies belonging to the PWC network were appointed to carry out services other than auditing, whose fees are shown in the notes of the annual financial statements as required by Article 149-duodecies of the Issuer Regulations. The services other than auditing allowed, were preapproved by the Board of Statutory Auditors that evaluated them to be adequate and consistent with the standards set out in the Regulation (EU) 537/2014.

Taking into account the declaration regarding independence and the Transparency Report prepared by PWC, as well as the appointments of both PWC and the companies belonging to the PWC network, the Board of Statutory Auditors believes that there are no critical issues with regard to the independence of PricewaterhouseCoopers S.p.A..

3. The Board of Statutory Auditors is not aware of any facts or statements that should be reported to the Shareholders' Meeting. During the course of the work carried out, and on the basis of information obtained, no omissions, non-conformities, irregularities or other circumstances were identified that would require notification to the Supervisory Body or mention in this report.

4. The Board of Directors provided the financial statements and report on operations to the Board of Statutory Auditors in a timely manner. To the extent of its authority, the Board of Statutory Auditors reports that the layouts used are in compliance with the law, that the accounting principles used, which are described in the notes to the financial statements, are appropriate for the activities and transactions carried out by the Company, that the procedure adopted (impairment test) to identify any impairment losses on assets reported in the financial statements has been approved by the Board of Directors in autonomy and advance with respect to the approval of the Annual Report, and that the financial statements correspond to the facts and the information as identified by the Board of Statutory Auditors following its participation in meetings with corporate bodies and the supervisory activities undertaken.

5. Taking into account the results of the specific tasks performed by the external auditors in its audit of the accounting records and of the reliability of the company financial statements, as well as its own supervisory activities, the Board of Statutory Auditors expresses its favorable opinion concerning both the approval of the separate financial statements at 31 December 2018, and the proposed resolutions approved by the Board of Directors.

Milan, 21 March 2019

The Board of Statutory Auditors

Pellegrino Libroia

Enrico Maria Colombo

Chiara Lazzarini

This report has been translated into English from the Italian original solely for the convenience of international readers.

Davide Campari - Milano S.p.A.

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