# DAVIDE CAMPARI-MILANO S.p.A.
# HALF-YEAR REPORT
# AT 30 JUNE 2016

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# Highlights

## INTRODUCTION

This half-year report at 30 June 2016, comprising the interim report on operations and the condensed half-year financial statements, was prepared in accordance with article 154-*ter* of Legislative Decree 58/1998 as subsequently amended (the 'TUF').
The report was prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and ratified by the European Union, and with the provisions of IAS 34-Interim Financial Reporting.

| | 2016 | 2015 | change | |
|---|---|---|---|---|
| | | | total | at constant exchange rates |
| | € million | € million | % | % |
| **Net sales** | **743.9** | **757.9** | **-1.8%** | **2.3%** |
| Contribution margin | 297.6 | 287.3 | 3.6% | 6.3% |
| Adjusted EBITDA [(1)] | 172.0 | 161.7 | 6.3% | 7.2% |
| **EBITDA** | **157.4** | **164.6** | **-4.4%** | **-3.7%** |
| **Result from recurring activities [(1)]** | 146.4 | 138.7 | 5.6% | 5.8% |
| **Operating result** | **131.9** | **141.6** | **-6.8%** | **-6.9%** |
| Profit before tax | 102.5 | 113.3 | -9.5% | |
| Net profit - Group and non-controlling interests | 67.2 | 78.3 | -14.2% | |
| **Group net profit** | **67.2** | **77.9** | **-13.8%** | |
| **Adjusted Group profit [(1)]** | **77.3** | **70.6** | **9.4%** | |
| *Free cash flow* | 203.8 | 67.2 | | |
| **Operating margin (operating result/net sales)** | **17.7%** | **18.7%** | | |
| **ROI % (operating result/fixed assets)** | **4.3%** | **5.9%** | | |
| Basic earnings per share (€) | 0.12 | 0.13 | | |
| Diluted earnings per share (€) | 0.12 | 0.13 | | |
| Average number of employees | 4,161 | 4,201 | | |
| | 30 June 2016 | 31 December 2015 | | |
| | € million | € million | | |
| Acquisitions and sales of companies or business divisions | 469.7 | (22.9) | | |
| Net debt | 1,342.9 | 825.8 | | |
| Shareholders' equity - Group and non-controlling interests | 1,725.7 | 1,745.8 | | |
| Fixed assets | 3,102.9 | 2,393.6 | | |
| Other assets and liabilities | (34.3) | 178.1 | | |

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

### Information on the figures presented

For ease of reference, all figures in this half-year report, in both the report on operations and the consolidated financial statements, 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 that relate to changes between two periods, rather than figures shown as a percentage of sales or other indicators, are always calculated on the basis of 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 interim half-year report.

# Corporate officers

| | |
|---|---|
| Marco P. Perelli-Cippo | Honorary Director |

**Board of Directors**[(1)]

| | |
|---|---|
| Luca Garavoglia | Chairman |
| Robert Kunze-Concewitz | Managing Director and Chief Executive Officer |
| Paolo Marchesini | Managing Director and Chief Financial Officer |
| Stefano Saccardi | Managing Director and General Counsel and Business Development 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 Loustou | Director[(5)] |
| Catherine Vautrin-Gérardin | Director[(5)] |

**Board of Statutory Auditors**[(2)]

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

**Independent auditors**[(3)]

PricewaterhouseCoopers S.p.A.

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

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

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

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

[(5)] Independent director.

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

# Half year report on operations

## Significant events during the period

### Acquisitions and sales of companies, brands and distribution rights

**Acquisition of Société des Produits Marnier Lapostolle S.A. ('SPML') and exclusive distribution of the Grand Marnier spirits portfolio at global level**

On 15 March 2016, the Group announced that it had reached an agreement with the members of the family that is the controlling shareholder of Société des Produits Marnier Lapostolle S.A. ('SPML').
The company has its registered office in Paris and is the parent company of the Marnier Lapostolle Group. At the acquisition announcement date, the company was listed on Euronext (Paris) with market capitalisation of € 427 million.

Agreements signed with members of the family that is the controlling shareholder of SPML called for the immediate acquisition of initial shares and agreements to acquire all remaining shares held by them by 2021.

Subsequently, on 18 May 2016, Davide Campari-Milano S.p.A. launched a friendly public purchase offer for the remaining shares of SPML with the intention of acquiring a total controlling interest in the company. This offer was promoted on the regulated French equity market according to applicable local regulations on the subject, and was completed on 21 June 2016.
At 30 June 2016, Davide Campari-Milano S.p.A. held, in its own name and together with other shareholders in the Marnier Lapostolle family (including commitments to purchase the remaining shares of the family by 2021), shares totalling 97.83% of SPML's share capital.
Since, in conjunction with some shareholders of the Marnier Lapostolle family, Davide Campari-Milano S.p.A. exceeded the 95% threshold of share capital and voting rights in SPML, the Company exercised its option on the remaining shares (so-called squeeze-out). This procedure was implemented on 14 July 2016, the date when the shares were withdrawn from the Euronext Paris regulated market.

The whole transaction, which is described in more detail in the following sections, was financed by Gruppo Campari out of available cash.

Lastly, on 15 March 2016 the Group signed an exclusive agreement with SPML for the global distribution of its Grand Marnier spirits portfolio. The distribution agreement comes into effect from 1 July 2016 and will remain in force for a period of five and a half years until 31 December 2021. The initial agreement may be renewed for further five-year periods after 2021.

- **The business**

Founded in 1827, SPML is one of the main spirits-producing companies in France, and the owner of the iconic, premium brand, Grand Marnier, the product of a precise and exclusive blend of distilled essence of bitter orange and fine Cognac. Grand Marnier, one of the most famous and well-recognised brands in the spirits industry, has a 150-year history and a strong presence in the premium on-trade channel. As a key ingredient of many classic cocktails, Grand Marnier enjoys premium positioning, and is also described as a 'must have' in the premium cocktails product range, due to its excellent quality and international recognition.
The Grand Marnier spirits portfolio is SPML's core business and accounted for around 85% of consolidated sales of finished products in 2015. The portfolio includes Grand Marnier Cordon Rouge, Cherry Marnier, Louis Alexandre, Cuvée du Centenaire, Cuvée du Cent Cinquantenaire and Quintessence.
Around 92% of SPML's consolidated sales are achieved outside France. Its main markets are the United States (approx. 60%), Germany, Canada and France. SPML products are currently distributed in over 150 countries by third-party distributors.
The main production operations are located in the Cognac area of France, while bottling and packaging operations are located in Normandy.

In the fiscal year ended 31 December 2015, SPML generated consolidated sales of € 151.7[1] million, of which sales of finished products amounted to € 129.5 million, and consolidated EBITDA of € 30.5 million[2]. It should be noted that SPML's EBITDA does not include profits made by distributors. Pro forma EBITDA**,** which includes the estimated impact of the global distribution agreement, but excludes any potential synergies, was € 47.4 million in 2015.

➢ **Structure of the operation**

Under the agreements signed with the members of the family that is the controlling shareholder of the French listed company, Gruppo Campari will acquire control structured as follows:

- acquisition on 15 March 2016 of the initial shares, equating to 17.19% in full ownership, 1.06% in bare ownership and 1.54% with right of usufruct over SPML's capital, with block transactions with some of the members of the family that is the controlling shareholder;
- agreement to allow the deferred acquisition at a stated price, by 2021, of all the remaining shares held by members of the family that is the controlling shareholder, equating to 26.6% in full ownership and 2.24% in bare ownership;
- launch of a public purchase offer on the French regulated equity market under the applicable French legislation on the subject, for the remaining shares of SPML, with a view to acquiring full control of the company;
- in the event of a favourable outcome for the public purchase offer and a Group investment in SPML of more than 95% (including shares covered by deferred purchase agreements), the purchase by Gruppo Campari of the remaining free float and the withdrawal of SPML from listing.

The structure of the transaction provided for an agreement with family shareholders whereby, if as a result of the public purchase offer the Group holds less than 50.01% of shares and voting rights of SPML, pursuant to mutual commitments to purchase and sell their shares by 2021, the shareholders will waive their double voting rights in such a way as to allow the Group to acquire a controlling interest in SPML.

At 30 June 2016, Davide Campari-Milano S.p.A. held the following:

- in its own name, shares equal to 69.76% of the share capital of SPML, 54.51% of voting rights at SPML's ordinary shareholders' meetings and 53.55% of voting rights at SPML's extraordinary shareholders' meetings; these shares reflect both the initial shares purchased in a block and shares included in the offering;
- in conjunction with several shareholders of the Marnier Lapostolle family, shares equal to 97.83% of the share capital of SPML, 95.81% of voting rights at ordinary shareholders' meetings and 98.32% of voting rights at extraordinary shareholders' meetings; these shares also reflect agreements signed for the acquisition, by 2021, of the remaining shares still held by several family members.

At the date of approval of the publication of this report (2 August 2016), the squeeze-out process was completed. The Group therefore holds, in its own name, 73.40% of the share capital of SPML (100% in conjunction with certain shareholders of the Marnier Lapostolle family as indicated above).

➢ **Cost of the transaction**

The public purchase offer was launched at a price of € 8.050[3] per share in cash (which incorporates a premium of 60.4%[4] over the price per share at the time the transaction was announced), plus an earn-out related to the potential sale of a property in St. Jean Cap Ferrat owned by SPML.

A maximum amount of € 80 million of the net proceeds from the sale of the property will be retained by the Group, while any excess, net of taxes and selling costs, will be distributed to all selling shareholders (including those who have subscribed to the public purchase offer).

Excluding the effects of the sale of the property and the related earn-out, the total implied equity value of 100% of SPML is € 683[5] million, while the implied enterprise value is € 648 million, taking account of the SPML Group's prositive net financial position[6]. The implied multiple calculated on the basis of this enterprise value, and thus based on the impact of the sale of the property and the related earn-out of pro-forma EBITDA (equal to € 47.4 million in 2015) is 13.7 times.

[1] Source: SPML press release '*COMMUNIQUE FINANCIER SUR LES COMPTES ANNUELS 2015'* (FINANCIAL PRESS RELEASE ON THE 2015 ANNUAL FINANCIAL STATEMENTS), published on 15 March 2016

[2] Source: SPML press release '*COMMUNIQUE FINANCIER SUR LES COMPTES ANNUELS 2015'* (CORRECTED FINANCIAL PRESS RELEASE ON THE 2015 ANNUAL FINANCIAL STATEMENTS), published on 5 April 2016

[3] With dividend balance for 2015

[4] Based on an SPML share price of € 5,020 at 11 March 2016

[5] Based on the 85,000 outstanding shares

[6] The difference between equity and enterprise value at 29 June 2016 (€ 34.5 million) is represented by the positive net financial position.

- **Impact on the Group's figures at 30 June 2016**

At 30 June 2016, the transaction described above had the following effects on the Group's statement of financial position and income statement:

- the cash consideration paid at 30 June 2016 totalled €472.7 million, which generated a corresponding reduction in the Group's financial resources; the price components are as follows:
  - the block acquisition of shares in March 2016, involving an outlay of € 125.5 million.
  - the purchase of shares through the launch of a friendly public purchase offer for SPML involving an outlay of € 347.2 million.

In addition, a financial payable of € 210.2 million was recorded for the shares not yet held by the Group, resulting in a total acquisition cost of € 682.9 million (without taking account of net financial resources acquired of € 35.0 million).

Since the acquisition was finalised on 29 June 2016, the Group's operating results do not include any impact from the business acquired. The only effects of the acquisition on the Group's income statement were the ancillary costs incurred for legal and financial consultancy associated with the transaction.
The Marnier Lapostolle Group was included solely for the purposes of the consolidated statement of financial position, which, at 30 June 2016, incorporated the best estimate of the fair value of the assets and liabilities acquired.
The portion consolidated by the Group was equal to 100% of the Marnier Lapostolle Group. The value of shares not yet held in the name of Gruppo Campari was recorded under financial payables.
For more information on the impact of the acquisition on the Group's financial position, please see the condensed half-year financial statements included in this report, in note 6-Business combinations.

It should be noted that since the distribution agreement started on 1 July 2016, the change in perimeter at 30 June 2016 did not include a value for the Grand Marnier portfolio.

**Sale of non-core businesses in Italy**

On 30 March 2016, the Group closed the sale of a non-strategic business belonging to Casoni Fabbricazione Liquori S.p.A., an Italian company wholly owned by Fratelli Averna S.p.A., that produces private-label alcoholic beverages and carries out bottling activities on behalf of third parties. The company had become part of the Group in 2014, following the acquisition of Gruppo Averna. This sale forms part of the Group's continuing rationalisation of its non-core, low-margin activities in line with the strategy announced at the time of the acquisition. As a result of the closing of the transaction, a price adjustment will need to be made to the net financial position at 30 March 2016. This will be determined by the end of the year.

## Innovation and new product launches

**New flavours of SKYY Vodka and SKYY Infusion**

In February 2016, two new flavours of SKYY Infusions, Honeycrisp Apple and Tropical Mango, were launched in the US.
In April 2016, a new limited edition bottle of SKYY Vodka was launched called "Starry SKYY" which glows when exposed to ultraviolet light. This limited edition was launched in Italy, Switzerland, South Africa, Nigeria, Guam, China, the Philippines, South Korea, Chile, Peru and the Global Travel Retail channel.

**Bourbon Whiskey**

In the first quarter of 2016, the Group continued with the redesign of the packaging of Wild Turkey products for all markets, including Wild Turkey 101 and Wild Turkey Rye.
In June 2016, the company launched Wild Turkey Decades, a new limited edition of super premium Wild Turkey based on a mix of Wild Turkey bourbon that has been aged for 10-20 years. The product was launched in Australia and Japan, and will be introduced into the United States in 2017.

**Other brands**

In March 2016, Baron Samedi, a new premium spicy rum containing 100% natural ingredients, including vanilla, cocoa, cinnamon and Haitian vetiver, a herb that adds earthy and woody notes to the rum, was launched in the US and Canada. Specially blended to be paired with cola or ginger beer, it may also be enjoyed on its own.

The Group continued, in the first three months of the year, with its redesign of the GlenGrant packaging, especially for the10-year-old single malt. A new 12-year-old product was also launched, exclusively for the Global Travel Retail channel.

## Other significant events

**Purchase of own shares**
Between 1 January and 30 June 2016, the Group bought 1,647,508 own shares at an average price of € 7.84, and sold 2,026,758 shares after the exercise of stock options.
At 30 June 2016, the Parent Company held 1,342,196 own shares, equivalent to 0.23% of the share capital.

# Group operating and financial results

## Sales performance

### Overall performance

In the first half of 2016, the Group's net sales totalled € 743.9 million, an overall decrease of -1.8% on the same period last year. The substantial organic growth of +5.0% during the period was more than offset by negative exchange rate fluctuations (-4.2%) and perimeter changes (-2.7%). The following table shows these effects on the various geographical regions.

| | 2016 | | 2015 | | total change | | organic change | | perimeter effect | | exchange rate effect | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Americas | 297.7 | 40.0% | 323.6 | 42.7% | -25.8 | -8.0% | 10.3 | 3.2% | -11.5 | -3.5% | -24.7 | -7.6% |
| Southern Europe, Middle East and Africa | 258.7 | 34.8% | 257.2 | 33.9% | 1.5 | 0.6% | 9.2 | 3.6% | -7.7 | -3.0% | 0.0 | 0.0% |
| North, Central and Eastern Europe | 139.5 | 18.7% | 127.8 | 16.9% | 11.7 | 9.1% | 16.5 | 12.9% | -1.2 | -1.0% | -3.6 | -2.8% |
| Asia-Pacific | 48.0 | 6.5% | 49.3 | 6.5% | -1.3 | -2.6% | 2.1 | 4.2% | 0.0 | -0.1% | -3.3 | -6.7% |
| **Total** | **743.9** | **100.0** | **757.9** | **100.0%** | **-13.9** | **-1.8%** | **38.1** | **5.0%** | **-20.5** | **-2.7%** | **-31.6** | **-4.2%** |

**Organic change**
The first half generated organic growth of +5.0%, thanks to an excellent first quarter (+7.2%) followed by what was also a highly satisfactory second quarter (+3.4%). This performance was particularly positive, given the expected second-quarter re-absorption of the timing effects of Easter and accelerated US sales, which had boosted first-quarter organic growth.
Over the six months as a whole, all geographical regions recorded growth, with the second-quarter figures confirming the positive trend already seen in the first quarter. Similarly, all the Group's global priority brands and virtually all its regional priority brands posted high growth in the first six months, outperforming the Group's average organic growth in both the first and second quarters. These results have therefore sustained the improved sales mix in terms of products and markets, in line with the Group's growth strategy.

The main trends by individual geographical region are shown below.
- The **Americas** region closed with organic growth of +3.2% for the half year (+0.2% in the second quarter); this performance was driven by the US (+8.6% in the first six months), which continued to make good progress in the second quarter (+4.1%) after a very strong first quarter driven in part by accelerated sales. Argentina, Canada and Mexico closed in the black, offsetting the negative performance of Brazil, whose ongoing political and economic crisis caused a double-digit contraction in the second quarter as well. Jamaica contracted due to the non-core sugar business; stripping this out, growth would have been high (+9.6%);
- The **Southern Europe, the Middle East and Africa** region posted organic growth of +3.6% in the first half year, with +2.7% in the second quarter; Italy's performance was positive (+0.8% in the first six months and -0.4% in the second quarter), driven by the positive trend during the half year by the aperitifs category and Averna and Braulio, which offset the dip in single-serve aperitifs. Growth continued in the region's other countries – France, Spain and South Africa – and markets, including the duty-free channel;
- The **Northern, Central and Eastern Europe** region registered double-digit organic growth (+12.9% in the first half, +12.7% in the second quarter), reflecting a positive performance in all the area's markets, in particular Germany, the UK and other northern and eastern European markets. Although Russia's results were positive, the Group forecast approach to macroeconomic trends and the country's outlook is maintained prudent;
- The **Asia-Pacific** region recorded growth of +4.2% in the first half (+2.7% in the second quarter), due to further growth in the Australian and New Zealand markets, which redressed the not positive trend in the region's other markets.

The main trends by brand are shown below.

- The **Group's global priority brands** posted organic growth of +9.0% (+7.0% in the second quarter), with all brands making a positive contribution. Looking specifically at aperitifs, **Campari** grew its main markets in the first six months, except for Brazil, and **Aperol** posted double-digit growth, due to a positive performance in all its markets; **SKYY** closed the half year on a positive note, due to the good performance of core brand SKYY Vodka in various markets, while SKYY Infusions suffered from the more general weakness in the flavoured vodka category in the US. The **Wild Turkey** portfolio posted growth in the first six months on the back of good results in the US and Australia, whereas the Japanese market remained weak. Growth in the **Jamaican rums portfolio** was mainly driven by Jamaica's positive performance, but also by its appeal in international markets, as well as good progress in the US;
- **Regional priority brands** recorded double-digit growth in the first half of +10.2%, and the second quarter was also positive (+2.0%). Growth was spread across virtually all the main brands, especially Frangelico, Averna, Espolòn and GlenGrant;
- **Local priority brands** confirmed the negative trend seen in the first quarter and, with the second quarter also contracting (-1.9%), closed the first half with a negative performance of -3.3%; this was mainly caused by Italian single-serve aperitifs and Brazilian brands, which were hit by the difficult macroeconomic environment locally.

**Perimeter effect**

The negative perimeter effect of -2.7% was the result of the sale of businesses and the conclusion of new distribution contracts, in line with the Group's strategy to rationalise non-core, low-margin activities and increase its focus on the core business.

Looking specifically at sales of non-core businesses, it should be noted that the Group sold a number of businesses in Jamaica in 2015. Furthermore, on 30 March 2016, Casoni Fabbricazione Liquori S.p.A., which joined the Group as part of the acquisition of Fratelli Averna S.p.A., was sold; it makes private-label alcoholic beverages and carries out bottling activities on behalf of third parties.

Regarding the termination of distribution contracts, the first half of 2016 reflected the effects of the completion of the Group's exit in 2015 from the distribution of general merchandise products in Jamaica and the distribution of agency wines in Italy.

It should be noted that the acquisition of Société des Produits Marnier Lapostolle (SPML), which was discussed in the Significant events during the period section above, had no impact on the perimeter in terms of sales, as corporate control was acquired on 29 June 2016 and the brand distribution contract came into effect on 1 July 2016.

The impact of these factors on sales in the period is analysed in the table below.

| breakdown of the perimeter effect | € million | % change on 2015 |
|---|---|---|
| disposals | -9.71 | -1.3% |
| **total acquisitions and sales** | **-9.71** | **-1.3%** |
| distribution contracts: | | |
| new agency brands distributed | 0.1 | 0.0% |
| discontinued agency brands | -10.9 | -1.4% |
| **total distribution contracts** | **-10.8** | **-1.4%** |
| **total perimeter effect** | **-20.5** | **-2.7%** |

**Exchange rate effects**

The negative exchange rate effect in the first half was -4.2% (-4.5% in the second quarter) and related to the depreciation of many of the Group's currencies against the Euro; only the US Dollar was stable compared with the first half of 2015. The currencies with the greatest impact on the decline in net sales were the Argentine Peso and the Brazilian Real, which depreciated 38.5% and 20.0% respectively.

The table below shows the average exchange rates for the first half of 2016 and spot rates at 30 June 2016 for the Group's most important currencies, together with the percentage change against the Euro, compared with the corresponding average exchange rates and spot rates in 2015 and the spot rates at 31 December 2015.

| | average exchange rates | | spot exchange rates | | |
|---|---|---|---|---|---|
| | 2016 | change compared with 2015 | 30 June 2016 | change compared with 30 June 2015 | change compared with 31 December 2015 |
| | : 1 Euro | % | : 1 Euro | % | % |
| US Dollar (USD) | 1.116 | 0.0% | 1.110 | 0.8% | -1.9% |
| Canadian Dollar (CAD) | 1.486 | -7.3% | 1.438 | -3.8% | 5.1% |
| Jamaican Dollar (JMD) | 136.743 | -5.8% | 140.113 | -6.9% | -6.8% |
| Mexican Peso (MXN) | 20.170 | -16.3% | 20.635 | -15.0% | -8.3% |
| Brazilian Real (BRL) | 4.134 | -20.0% | 3.590 | -3.3% | 20.1% |
| Argentine Peso (ARS) | 15.990 | -38.5% | 16.580 | -38.7% | -15.0% |
| Russian Rouble (RUB) | 78.436 | -17.6% | 71.520 | -12.8% | 12.8% |
| Australian Dollar (AUD) | 1.522 | -6.3% | 1.493 | -2.5% | -0.2% |
| Chinese Yuan (CNY) | 7.295 | -4.9% | 7.376 | -6.0% | -4.3% |
| UK Pound (GBP) | 0.779 | -6.0% | 0.827 | -13.9% | -11.2% |
| Swiss Franc (CHF) | 1.096 | -3.7% | 1.087 | -4.2% | -0.3% |

## Sales by region

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

- **Americas**

The region, broken down below into its main markets, recorded overall organic growth of +3.2%.

| | % of Group total | 2016 | | 2015 | | total change | | organic change | | perimeter effect | | exchange rate effect | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| US | 23.5% | 174.9 | 58.7% | 161.1 | 49.8% | 13.8 | 8.6% | 13.8 | 8.6% | 0.0 | 0.0% | 0.0 | 0.0% |
| Jamaica | 4.5% | 33.7 | 11.3% | 56.6 | 17.5% | -22.9 | -40.5% | -10.2 | -18.1% | -10.6 | -18.7% | -2.1 | -3.7% |
| Brazil | 2.4% | 17.6 | 5.9% | 30.5 | 9.4% | -12.9 | -42.4% | -8.1 | -26.5% | -0.5 | -1.7% | -4.3 | -14.2% |
| Argentina | 2.7% | 20.4 | 6.9% | 22.2 | 6.9% | -1.8 | -7.9% | 11.0 | 49.6% | 0.0 | 0.0% | -12.8 | -57.6% |
| Canada | 2.9% | 21.3 | 7.2% | 21.2 | 6.6% | 0.1 | 0.5% | 1.8 | 8.5% | 0.0 | 0.0% | -1.7 | -7.9% |
| Other countries | 4.0% | 29.8 | 10.0% | 32.0 | 9.9% | -2.1 | -6.7% | 2.0 | 6.2% | -0.3 | -1.1% | -3.8 | -11.8% |
| **Americas** | **40.0%** | **297.7** | **100.0%** | **323.6** | **100.0%** | **-25.8** | **-8.0%** | **10.3** | **3.2%** | **-11.5** | **-3.5%** | **-24.7** | **-7.6%** |

The **US** closed the first half with organic growth of +8.6%. First-quarter growth was 14.8%; this was partially impacted by temporary factors affecting both shipment levels and sales of bulk bourbon whisky. The second quarter closed with growth of +4.1%, which was fairly satisfactory given the partial re-absorption of these effects.
Excluding sales of bulk bourbon whisky, growth for the half year would have been +5.0%.
All the main brands performed well in this market, including Wild Turkey, Aperol, Campari, SKYY Vodka and Espolòn.
The Wild Turkey portfolio posted particularly high growth (+7.1%), thanks to the good performance of core bourbon, which more than offset the first-half weakness of American Honey.
The SKYY brand posted slight growth in the half year (+0.5%), driven by core vodka, while SKYY Infusions continued to labour under fierce competition within the flavoured vodka category, which hit both depletion and consumption levels.
Aperitifs and Italian specialities continued their solid growth in the second quarter, supported by good consumption and depletion levels.
The Espolòn brand continued its excellent performance with double-digit growth in the half year, confirming the excellent year-to-date results.
In general, these brands enjoyed healthy growth in shipments, with the latter outstripping growth in both depletion and consumption in the first half.

Organic sales in **Jamaica** declined by -18.1% during the half year, due entirely to the contraction in the non-core sugar business. Stripping out this distortive effect, sales attributable entirely to the spirits and wines core business would have been higher than in the previous year (+9.6%). In particular, global priority brands grew by 28.2%, due to Campari and Jamaican rums, which made up the first-quarter weakness caused by the timing of price increases.

In **Brazil**, the contraction seen in organic sales in the first quarter continued, resulting in a half-year performance of -26.5% (-26.1% in the second quarter); this was caused by the economic recession and political crisis that the country is currently facing. The first half year, which is characterised by low seasonality in this market, and in particular during the first few months, was also affected by sales brought forward to the last quarter of 2015 ahead of a rise in excise duties. The above effects therefore caused sales to contract, hitting local brands in particular (Dreher, Sagatiba and Admix), but also global brands like Campari and SKYY. In contrast, Aperol performed very well, although with limited volumes.

**Argentina**, despite a first half marked by high inflation and general increases in local public service prices, which inevitably affected consumption, reported organic growth of +49.6% (+22.1% in the second quarter). This positive performance was boosted by the contributions of the Group's premium brands, especially Campari, Cinzano, SKYY, Aperol and Cynar, all of which recorded growth in the half year, thanks to the continuos increase in market share. However, growth in this market was offset by high negative exchange rate effects in the half year (-57.6%).

Sales in **Canada** rose by +8.5% in the first half, driven by Campari, Aperol and above all Forty Creek. The Campari and Aperol markets continued to grow, albeit from a low base in volume terms, confirming the positive trend seen in 2015 and in the first few months of 2016. SKYY Vodka and Appleton suffered during the half year from a slight slowdown in both shipments and depletions.

Lastly, **Mexico** performed well, up +23.4% on the back of excellent performances by Jamaican rums and SKYY ready-to-drink.

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

The region, which is broken down by main market in the table below, saw organic growth of +3.6%.

| | % of Group total | 2016 | | 2015 | | total change | | organic change | | perimeter effect | | exchange rate effect | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Italy | 27.0% | 200.6 | 77.5% | 203.7 | 79.2% | -3.1 | -1.5% | 1.5 | 0.8% | -4.7 | -2.3% | 0.0 | 0.0% |
| Other countries of the region (*) | 7.8% | 58.1 | 22.5% | 53.5 | 20.8% | 4.6 | 8.6% | 7.7 | 14.4% | -3.1 | -5.7% | 0.0 | 0.0% |
| **Southern Europe, Middle East and Africa** | **34.8%** | **258.7** | **100.0%** | **257.2** | **100.0%** | **1.5** | **0.6%** | **9.2** | **3.6%** | **-7.7** | **-3.0%** | **0.0** | **0.0%** |

(*) includes the duty free channel.

In **Italy**, the Group's main market, grew organically by +0.8% in the first half. As expected, performance in the second quarter (-0.4%) suffered, compared with the previous year, from the different timing of Easter.
Overall, the first half saw a positive performance by Campari and Aperol, which was confirmed by good sell-out data from Averna, due to the new advertising campaign and increased focus within the Group's sales force, and by Braulio, Cynar, GlenGrant and SKYY Vodka, which managed to make up the decline by single-dose aperitifs Crodino and Campari Soda.

The **region's other countries** reported double-digit growth of +14.4%, as a result of the healthy performance of many markets, including France, Spain, South Africa and Greece, and the upturn in the duty free channel after the temporary slowdown in the first quarter.
In France, growth was driven by Aperol, GlenGrant and Riccadonna, while the region's other markets enjoyed growth from Aperol, Campari, SKYY Vodka and GlenGrant.
These results fully offset shipment slow down in Nigeria.

- **Northern, Central and Eastern Europe**

The region posted overall organic growth of +12.9%, spread across its main markets.

| | % of Group total | 2016 | | 2015 | | total change | | organic change | | perimeter effect | | exchange rate effect | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Germany | 10.2% | 75.6 | 54.2% | 69.9 | 54.7% | 5.6 | 8.1% | 6.7 | 9.5% | -1.0 | -1.5% | 0.0 | 0.0% |
| Russia | 1.0% | 7.1 | 5.1% | 7.4 | 5.8% | -0.3 | -4.0% | 1.2 | 16.5% | 0.0 | 0.0% | -1.5 | -20.5% |
| Other countries of the region | 7.6% | 56.8 | 40.7% | 50.5 | 39.5% | 6.3 | 12.6% | 8.6 | 17.1% | -0.2 | -0.4% | -2.1 | -4.2% |
| **North, Central and Eastern Europe** | **18.7%** | **139.5** | **100.0%** | **127.8** | **100.0%** | **11.7** | **9.1%** | **16.5** | **12.9%** | **-1.2** | **-1.0%** | **-3.6** | **-2.8%** |

In **Germany**, the first half closed with growth of +9.5% (+8.8% in the second quarter), driven by global brands Aperol, Campari and SKYY Vodka, regional brand Frangelico and local brand Ouzo 12. Overall growth was partially offset by a fall in Cinzano sparkling wines and vermouth.

In **Russia**, the healthy performance seen in the first quarter continued, and the market closed the half year with growth of +16.5% (+4.9% in the second quarter). Mondoro and Cinzano vermouth posted growth, as did Aperol and Campari.
However, the comparison basis in 2015 was particularly positive given the severe crisis that had hit the market. Moreover, although consumption showed some signs of improvement, the overall macroeconomic environment in Russia is still

generally difficult, with the credit risk in distributor relationships remaining high. Competition remains fierce and macroeconomic instability is set to continue for the whole of 2016. Therefore, the Group's forecasts remain cautious.

The **region's other countries** grew by +17.1% in the first half, due especially to the contribution of the UK, where Aperol and Campari are developing constantly and both Jamaican rums and Wild Turkey are achieving good results. Aperitifs performed well in many countries in northern and Eastern Europe.

- **Asia-Pacific**

The table below shows the region, broken down into Australia and the other countries, with details of the changes during the period.

| | % of Group total | 2016 | | 2015 | | total change | | organic change | | perimeter effect | | exchange rate effect | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Australia | 4.8% | 35.8 | 74.5% | 33.9 | 68.8% | 1.9 | 5.5% | 4.3 | 12.6% | 0.0 | 0.0% | -2.4 | -7.1% |
| Other countries of the | 1.6% | 12.3 | 25.5% | 15.4 | 31.2% | -3.1 | -20.4% | -2.2 | -14.4% | 0.0 | -0.2% | -0.9 | -5.7% |
| **Asia-Pacific** | **6.5%** | **48.0** | **100.0%** | **49.3** | **100.0%** | **-1.3** | **-2.6%** | **2.1** | **4.2%** | **0.0** | **-0.1%** | **-3.3** | **-6.7%** |

The half year closed with organic growth for the area totalling +4.2%; this confirms the positive trend already seen in the first quarter, which was followed by second-quarter growth of +2.7%.

In **Australia**, organic growth was +12.6% (+4.8% in the second quarter), driven by the good performance of all main portfolio brands, which continued to outperform the market average and, in particular, of Wild Turkey ready-to-drink, Wild Turkey bourbon, Aperol, SKYY ready-to-drink and Espòlon. The phasing of local co-packing activities contributed to the region's excellent performance in the first few months of the year.

Sales in the **other countries** fell by -14.4%. The positive performance in this region by New Zealand was more than offset by contracting sales in China and Japan. Japanese sales fell due to order delays, while China is still experiencing a general economic slowdown, which has also affected the Group's main competitors. New Zealand's positive results were driven by Riccadonna, Aperol and Appleton Estate, whereas Coruba experienced a slight downturn in the half year.

## Sales by major brands at consolidated level

The following table summarises growth (organic and total) in the Group's main brands in the first half of the year, broken down into the main categories identified by the Group based on the priority (global, regional, local and other) assigned to them.

| | Percentage of Group sales | change in percentage sales, of which | | | |
|---|---|---|---|---|---|
| | | total | organic | perimeter | exchange rate |
| Campari | 10.5% | 2.3% | 9.5% | - | -7.3% |
| SKYY [(1)] | 11.8% | 0.4% | 2.7% | - | -2.2% |
| Aperol | 13.3% | 18.2% | 19.6% | - | -1.4% |
| Wild Turkey portfolio [(1)(2)] | 7.2% | 1.2% | 2.5% | - | -1.3% |
| Jamaican rums portfolio [(3)] | 5.4% | 1.8% | 7.9% | - | -6.1% |
| **global priority brands** | **48.3%** | **5.5%** | **9.0%** | **-** | **-3.5%** |
| Cinzano | 3.5% | -13.7% | -2.4% | - | -11.2% |
| Frangelico | 1.6% | 4.7% | 6.9% | - | -2.2% |
| Averna and Braulio | 1.9% | 28.5% | 28.8% | - | -0.4% |
| Forty Creek | 1.2% | -5.2% | 0.2% | - | -5.4% |
| Espolòn | 1.7% | 45.8% | 48.1% | - | -2.2% |
| other | 4.9% | 4.0% | 7.9% | - | -3.9% |
| **regional priority brands** | **14.8%** | **4.5%** | **10.2%** | **-** | **-5.7%** |
| Campari Soda | 4.4% | -3.3% | -3.3% | - | 0.0% |
| Crodino | 4.2% | -7.2% | -7.1% | - | -0.1% |
| Wild Turkey ready-to-drink | 2.1% | -0.1% | 6.7% | - | -6.8% |
| Brazilian brands Dreher and Sagatiba | 1.3% | -34.2% | -18.9% | - | -15.4% |
| other | 2.1% | 10.3% | 10.6% | - | -0.4% |
| **local priority brands** | **14.1%** | **-6.3%** | **-3.3%** | **-** | **-3.0%** |
| **rest of the portfolio** | **22.8%** | **-15.1%** | **0.3%** | **-10.2%** | **-5.2%** |
| **total** | **100.0%** | **-1.8%** | **5.0%** | **-2.7%** | **-4.2%** |

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

The **Group's global priority brands** (48.3% of Group sales) recorded organic sales growth of +9.0% (+7.0% in the second quarter), while exchange rate fluctuations had a minor negative effect in the half year (-3.5%).
After double-digit growth in the first quarter (+21.4%), boosted by one-off events (including the early Easter), **Campari** closed the second quarter with modest growth (+1.2%), generating half-year growth of +9.5%.
Various markets performed well during the period, including Italy, Germany, Argentina, France, Jamaica, the US and the UK, which made up for the slowdown in Brazil.
This organic growth was partly offset by a large negative exchange rate effect (-7.3%), most of which was recorded in Argentina.
**SKYY** closed the half year with organic growth of +2.7% (+0.4% in the second quarter), with good results from many markets (including Italy, Germany, Argentina and South Africa), apart from Brazil, which contracted during the period.
The US experienced a slight contraction in the second quarter but the half year performance ended with a slightly growth (+0.5%), thanks to the good performance of SKYY Vodka; SKYY Infusions experienced overall weakness in flavoured vodkas.
**Aperol**, which continued its strong organic growth (+19.6% in the half year and +17.1% in the second quarter), was the Group's top brand for net sales. The positive results were due to the healthy performances of its core markets – most notably, Italy and Germany – but also generally across all markets where the brand is currently being developed, especially France, the US, Brazil, the UK, Spain, Belgium, Switzerland, Australia, Chile, Czech Republic, Greece and the duty free channel.
Sales in the **Wild Turkey** portfolio, which includes American Honey, increased by +2.5% (+3.1% in the second quarter) on the back of a satisfactory result in the two main markets of the US (+7.1%) and Australia (+3.0%). Sales in Japan continued to decline, as outlined above.
Growth in the portfolio was mainly driven by Wild Turkey in the US and Australia.
It should be noted that the performance described does not include the Wild Turkey ready-to-drink portfolio which, given that it is an exclusively domestic business in the Australian market, is classified under local priority brands.
The **Jamaican rum portfolio** (Appleton Estate, J.Wray and Wray&Nephew Overproof) reported organic growth of 7.9% overall, due to an excellent second quarter (+13.8%) driven by Jamaica's positive performance. In the US and other main markets (Canada and the UK), portfolio growth over the six months was low. Sales enjoyed solid growth in many other international markets, including the UK, Mexico, Peru, Germany and New Zealand.

The **regional priority brands** (14.8% of Group sales) increased by +10.2% during the first half (+2.0% in the second quarter), due to many of the main brands, particularly Frangelico, Averna, Espolòn and GlenGrant.
**Frangelico** sales grew by +6.9% (+4.5% in the second quarter), with excellent results from Germany and positive performances by the US, the UK and Canada.
**Averna** and **Braulio**(+28.8% in the half year, +7.8% in the second quarter) achieved positive results in its main market of Italy, and its performance in the other markets was largely stable. However, the comparison basis in 2015 was impacted by adjustments to the distribution of the portfolio in various markets following its acquisition in 2014.
**Espolòn** (+48.1% in the first half, +38.6% in the second quarter) continued to report double-digit growth in the US, as well as good results in the markets in which the brand is currently being developed, including Australia and Italy.
**Cinzano** contracted in the half year as a whole (-2.4%), due to a second-quarter fall (-9.2%) compared with positive first-quarter growth.
This performance came about because the growth by Cinzano vermouth (+11.0% in the half year) was wholly offset by a contraction in Cinzano sparkling wines (-16.0%).
Sales of Cinzano vermouth grew in Argentina and Russia, while Cinzano sparkling wines, despite positive signs from the US, contracted in their two main markets of Germany and Russia.
**Forty Creek** made up in the second quarter (+3.1%) for the first quarter's negative performance, closing the first half on a par with 2015 (+0.2%). **Forty Creek**'s good performance in the Canadian market was, however, partially offset by a fall in US sales in the period.
All **other brands** in the category (GlenGrant, Cynar, Braulio and the other sparkling wines, Riccadonna and Mondoro) recorded good results in the first half, due to the positive performance of all their main markets, namely Italy, the US, France, Russia and Argentina. Carolans was the only brand to temporary contract in the US in the period.

In contrast to the previous categories, however, **local priority brands** (14.1% of the Group's portfolio) fell by 3.3% (-1.9% in the second quarter). With particular reference to the main brands, Campari Soda was slightly negative despite the consumptions exceed the shipments, and Crodino recorded a negative organic performance also due to a previous year negative comparison basis. The Brazilian brands came to a standstill, mainly due to the difficult local macroeconomic environment. These results were partly offset by the good performance of Wild Turkey ready-to-drink in Australia and Ouzo 12 in Germany.

The **rest of the portfolio**, which represents about one quarter of Group sales (including agency brands, which account for around 10% of Group sales), was broadly in line with the previous year (+0.3%) in terms of organic growth. The good performance in this category of SKYY ready-to-drink in Mexico and Australia and the agency brands in Germany and Argentina should be noted. Conversely, negative performances were recorded by Coruba in New Zealand and by Zedda Piras in Italy.

## Income statement

**Preliminary remarks**

Performance in the first half of the year was positive overall due to good growth in the second quarter, despite a number of effects that had brought forward a portion of first-quarter sales, including the early timing of Easter and certain sales generated in advance in the US.

Total sales were down slightly on the first half of the previous year (-1.8%), essentially due to negative perimeter and exchange rate effects which more than offset the positive organic growth (+5.0%). At the operating performance level, the gross margin increased by +3.4% (+7.1% at the organic level), the contribution margin by +3.6% (+7.4% at the organic level) and the result from recurring activities by +5.6% (+7.9% at the organic level) due to a favourable sales mix. In contrast, the Group's profit before tax and net profit decreased overall by -9.5% and -13.8% respectively. These contractions were wholly due to adjustments to operating income (charges), mainly relating to ancillary costs in the acquisition of SPML. Before deduction of these ancillary costs, the related tax effect and other positive tax adjustments, the Group's profit before tax and net profit would have been € 117.0 million (an increase of +6.3%) and € 77.3 million (an increase of +9.4%) respectively.

This change is composed of the following components:

- The trend of continuous sales growth seen in the first quarter continued in the second quarter in all geographical regions, as did the positive performance of all the Group's global priority brands, especially Aperol and Campari, and nearly all the regional priority brands, especially Frangelico, Averna, Espolòn and GlenGrant. These results drove the continuous improvement in the sales mix in terms of products and markets in line with the Group's growth strategy, and enabled the Group to improve gross profit by 110 basis points at the organic level, compared with the first half of the previous year. In terms of the result from recurring activities, profitability improved by 140 basis points overall, of which 50 related to organic growth.
- The exchange rate effect was -4.2% on sales and -0.2% on the result from recurring activities; the depreciation of all the Group's currencies against the euro, except for the US dollar, which remained unchanged, affected this result. Specifically, the Argentine and Brazilian currencies affected the results achieved in markets with lower-than-average profitability for the Group.
- The negative perimeter effect, which was not significant, was the result of the sale of non-core businesses and the conclusion of distribution contracts, in line with the Group's strategy to rationalise non-strategic, low-margin activities and increase its focus on the core business.

**Income statement**

The table below shows the income statement for the first half of 2016 and a breakdown of the total change by organic growth, and perimeter and exchange rate effects.

| | 2016 | | 2015 | | Total change | | Of which organic | | Of which external | | Of which due to exchange rates | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | € million | % | € million | % | € million | % | € million | % | € million | % | € million | % |
| **Net sales** | **743.9** | **100.0** | **757.9** | **100.0** | **(13.9)** | **-1.8%** | **38.1** | **5.0%** | **(20.5)** | **-2.7%** | **(31.6)** | **-4.2%** |
| Cost of goods sold | (317.9) | -42.7 | (345.7) | -45.6 | 27.8 | -8.0% | (8.9) | 2.6% | 17.3 | -5.0% | 19.4 | -5.6% |
| **Gross margin** | **426.0** | **57.3** | **412.2** | **54.4** | **13.8** | **3.4%** | **29.3** | **7.1%** | **(3.2)** | **-0.8%** | **(12.2)** | **-3.0%** |
| Advertising and promotional costs | (128.4) | -17.3 | (124.9) | -16.5 | (3.5) | 2.8% | (8.0) | 6.4% | 0.2 | -0.1% | 4.4 | -3.5% |
| **Contribution margin** | **297.6** | **40.0** | **287.3** | **37.9** | **10.3** | **3.6%** | **21.2** | **7.4%** | **(3.1)** | **-1.1%** | **(7.8)** | **-2.7%** |
| Overheads | (151.2) | -20.3 | (148.6) | -19.6 | (2.6) | 1.7% | (10.3) | 6.9% | 0.2 | -0.1% | 7.6 | -5.1% |
| **Result from recurring activities** | **146.4** | **19.7** | **138.7** | **18.3** | **7.8** | **5.6%** | **10.9** | **7.9%** | **(2.9)** | **-2.1%** | **(0.3)** | **-0.2%** |
| Adjustments to operating income (charges) [1] | (14.5) | -2.0 | 2.9 | 0.4 | (17.4) | | | | | | | |
| **Operating result [1]** | **131.9** | **17.7** | **141.6** | **18.7** | **(9.7)** | **-6.8%** | | | | | | |
| Net financial income (charges) | (29.4) | -4.0 | (28.2) | -3.7 | (1.2) | 4.3% | | | | | | |
| **Profit before tax and non-controlling interests** | **102.5** | **13.8** | **113.3** | **14.9** | **(10.8)** | **-9.5%** | **-** | **-** | **-** | **-** | **-** | **-** |
| Taxes | (35.3) | -4.7 | (35.0) | -4.6 | (0.3) | 0.8% | - | - | - | - | - | - |
| **Group net profit** | **67.2** | **9.0** | **77.9** | **10.3** | **(10.8)** | **-13.8%** | **-** | **-** | **-** | **-** | **-** | **-** |
| Total depreciation and amortisation | (25.5) | -3.4 | (23.1) | -3.0 | (2.5) | 10.8% | (3.8) | 16.6% | 0.1 | -0.6% | 1.2 | -5.2% |
| **Adjusted EBITDA [1]** | **172.0** | **23.1** | **161.7** | **21.3** | **10.2** | **6.3%** | **14.8** | **9.1%** | **(3.0)** | **-1.9%** | **(1.5)** | **-0.9%** |
| **EBITDA** | **157.4** | **21.2** | **164.6** | **21.7** | **(7.2)** | **-4.4%** | | | | | | |

[1] For information on the definition of alternative performance indicators, see the next section of this half-year report on operations in the section 'Alternative performance indicators'.

The resulting changes in the Group's total and organic profitability, calculated in basis points, were as follows:

| Dilution in basis points (*) | Total | Organic |
|---|---|---|
| Cost of goods sold after distribution costs | 290 | 110 |
| **Gross margin** | **290** | **110** |
| Advertising and promotional costs | -80 | -20 |
| **Contribution margin** | **210** | **90** |
| Overheads | -70 | -40 |
| **Result from recurring activities** | **140** | **50** |

(*) There may be rounding effects given that the basis points corresponding to the dilution have been rounded to the nearest ten

**Net sales** for the first half totalled € 743.9 million, broadly in line with the same period of the previous year. The organic growth component had a positive impact of +5.0%, although this was offset by negative exchange rate and perimeter effects of -4.2% and -2.7% respectively. For more details on these effects and on sales by region and brand, please refer to the section above.

The **gross margin** was € 426.0 million and, in absolute terms, increased by +3.4% compared with the first half of 2015. The organic growth, equal to 7.1%, has been partially impacted by the negative effect of the non-core sugar business in Jamaica. With reference to the profitability as a percentage of sales, it increased from 54.4% in 2015 to 57.3% in 2016, with an increase in profitability of 290 basis points. At the organic level, the improvement led to an increase of 110 basis points due to the favourable product/market mix of sales, attributable to various contrasting factors: there was strong organic growth in the first half-year in the United States, Italy, Germany and many other markets, which more than offset the dilution from growth in less profitable countries such as Argentina. It should be noted that the contraction took place in less profitable markets, such as Brazil.

**Advertising and promotional costs** were 17.3% of sales in the first half of 2016, an increase on the previous year's figure of 16.5%. At the organic level, however, these costs were in line with the previous year, and up by 6.4%, generating an insignificant dilution of 20 basis points.

The **contribution margin** for the first half was € 297.6 million, an increase of +3.6% compared with last year, due to a combination of positive effects due mainly to organic growth of +7.4%, which partially offset the negative exchange rate and perimeter effects, of -2.7% and -1.1% respectively. Consequently, profitability as a percentage of sales increased by 210 basis points in total and 90 basis points at the organic level.

**Overheads** increased by +1.7% in the first half to € 151.2 million, due to organic growth of +6.9%, offset by negative perimeter effects of -0.1% and exchange rate effects of -5.1%. In the two periods under comparison, overheads as a percentage of sales increased from 19.6% in 2015 to 20.3% in 2016, with a total dilutive effect of 70 basis points, of which 40 related to organic growth. The organic increase comes from the strengthening of the Group's direct distribution structures in newly established markets and of the on premise capacity the second quarter, in anticipation of the Grand Marnier integration, besides the inflation's effects in some emerging markets.

The **result from recurring activities** was € 146.4 million, an increase of +5.6% compared with the same period of last year. This equates to 19.7% of sales compared with 18.3% the previous year, an improvement of 140 basis points.
At the organic level, profitability improved by 50 basis points compared with the first half of 2015; it incorporated the effect of three contrasting factors which offset each other in the period:

- an improvement in the gross margin, which boosted profitability at the organic level by 110 basis points;
- a slight increase in advertising and promotional costs, which had a dilutive effect of 20 basis points on profitability;
- an increase in overheads, which were rising more quickly than organic sales, as a result of which profitability was diluted by 40 basis points at the organic level.

With reference to the perimeter effect on the result from recurring activities (-2.1%), the change is due to sales of non-core businesses and the termination of general merchandise distribution agreements in Jamaica and agency wine distribution agreements in Italy. It should be noted that these businesses have a lower profit margin than the Group's average.

**Adjustments to operating income (charges)** showed a net negative balance of € 14.5 million (of which € 8.0 million related to the acquisition of SPML and the rest to restructuring and sales of non-core businesses), while in 2015, the net balance was positive at € 2.9 million, due mainly to the sale of the non-core Federated Pharmaceutical division in Jamaica.

The **operating result** for the first half was € 131.9 million, a decrease of -6.8% compared with the first half of the previous year, entirely due to the adjustments to the operating income (charges) commented on above.
The return on sales, i.e. the operating result expressed as a percentage of net sales was 17.7% (slightly less than the figure of 18.7% in 2015), despite the negative impact of the adjustments in the period commented on in the previous section.

**Depreciation and amortisation** for the period totalled € 25.5 million, an increase of € 2.5 million compared with the first half of 2015, partly due to the effect of recognising amortisation on the income statement for the X-Rated brand, for which the useful life had been amended from 2016.

**Adjusted EBITDA** amounted to € 172.0 million, an increase of +6.3% (+9.1% at the organic level) compared with the same period of the previous year.
**EBITDA** came in at € 157.4 million, a decrease of -4.4%.

**Net financial charges** for the first half of 2016 stood at € 29.4 million, an increase of € 1.2 million on the € 28.2 million recorded in the same period of 2015. In 2016, they included ancillary costs of € 0.6 million relating to the acquisition of SPML, and non-recurring income achieved from the sale of financial assets following the closure of pension plans in Jamaica, which had been classified as available for sale at 31 December 2015, totalling € 5.2 million.
Average net debt for the first half of 2016 (€ 1,133.0 million) was slightly higher than in the same period in 2015 (€ 1,006.1 million), while the average cost of debt, excluding exchange rate effects and non-recurring financial components, was 6.8%, slightly higher than the figure of 6.0% in 2015.
It should be noted that the acquisition of SPML was financed entirely from the Group's available cash, for a total of € 472.7 million; the Group paid € 347.2 million of this on 29 June 2016 and € 125.5 million on 15 March 2016, with a resulting effect on the Group's financial position at 30 June 2016.

**Group profit before tax and non-controlling interests** was € 102.5 million for the first half of 2016, a decrease of -9.5% compared with the same period in 2015.

**Income taxes** for the period were € 35.3 million, broadly in line with the figure of € 35.0 million for the first half of 2015. This item also included deferred taxes of € 13.9 million in 2016 (€ 14.0 million in the first half of 2015), and reported for the purposes of cancelling out the effect of the tax-deductibility of amortisation on goodwill and brands, permitted under local legislation. The total tax rate, i.e. including deferred taxes, increased from 30.9% in the first half of 2015 to 34.4% in the first half of 2016, mainly due to adjustments to operating income (charges). The total tax rate excluding only the effect of deferred taxes decreased from 35.7% in the first half of 2015 to 34.0% in the first half of 2016. However, excluding the effect of deferred taxes, the tax effects of the income adjustment components recorded in the first half and the other positive tax adjustments, the normalised tax rate decreased from 23.1% in 2015 to 22.1% in 2016, mainly due to a more favourable geographical mix.

There were no portions of **profits relating to non-controlling interests** in the first half of 2016 (€ 0.3 million in the same period of the previous year).

**Group net profit** was € 67.2 million in the first half of 2016, a decrease of -13.8% on the first half of the previous year. Net profit as a percentage of sales was 9.0% (10.3% in the first half of 2015). Net profit excluding adjustments to operating income (charges) for the period (€ 14.5 million), the relative tax effects and other positive tax adjustments (€ 4.4 million) came to € 117.0 million, up 6.3% on the corresponding profit for the first half of 2015, which had also been adjusted accordingly.

## Profitability by business area

In 2016, the four geographical regions of the 'Americas', 'Southern Europe, Middle East and Africa', 'Northern, Central and Eastern Europe' and 'Asia-Pacific' contributed 35.5%, 39.5%, 22.8% and 2.2% respectively to the Group's operating result before adjustments to operating income (charges), which was in line with 2015.

The percentage of sales and the operating result of each segment in the two periods under comparison are shown below.

| | 2016 | | | | 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| | 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 | 297.7 | 40.0% | 51.9 | 35.5% | 323.6 | 42.7% | 54.3 | 39.2% |
| Southern Europe, Middle East and Africa | 258.7 | 34.8% | 57.9 | 39.5% | 257.2 | 33.9% | 55.3 | 39.9% |
| Northern, Central and Eastern Europe | 139.5 | 18.7% | 33.3 | 22.8% | 127.8 | 16.9% | 24.6 | 17.8% |
| Asia-Pacific | 48.0 | 6.5% | 3.3 | 2.2% | 49.3 | 6.5% | 4.4 | 3.2% |
| **Total** | **743.9** | **100.0%** | **146.4** | **100.0%** | **757.9** | **100.0%** | **138.7** | **100.0%** |

At the organic level, the Group's **result from recurring activities** as a percentage of sales benefited from a positive effect of 50 basis points, due to the following factors, which are analysed in detail in the following sections.

- The **gross margin** increased, at the organic level, across all regions by 110 basis points in total, due to a highly favourable market and product mix recorded in the first six months of the year in all the Group's regions except Asia-Pacific, where the increase in bottling activity diluted profitability.
- **Advertising and promotional costs** as a percentage of sales were broadly in line with the first half of 2015, generating a slight dilution in profitability of 20 basis points. Analysis by segment shows that the most significant changes were in the Southern Europe, Middle East and Africa region, in which substantial spending on advertising was incurred in the first half of the year.
- Group **overheads** increased by 40 basis points at the organic level; the main contributors to dilution were the Americas and Asia-Pacific, due to the strengthening of the Group's distribution structures.

The income statements for each geographical region are shown in the following sections, with a breakdown of the organic change and the related dilution of profitability.

- **Americas**

The Americas region comprises the direct markets of the US, Jamaica, Brazil, Argentina, Mexico and Canada, which together represent around 90% of the region's sales. This area makes the largest contribution to the Group's sales (40.0%) and the second-largest contribution to its result from recurring activities (35.5%).
The results for the first half were as follows:

| **Americas** | 2016 | | 2015 | | Total change | | Organic change | | Organic accretion/dilution of profitability |
|---|---|---|---|---|---|---|---|---|---|
| | € million | % | € million | % | € million | % | € million | % | Basis points |
| **Net sales** | **297.7** | **100.0** | **323.6** | **100.0** | **(25.8)** | **-8.0%** | **10.3** | **3.2%** | |
| **Gross margin** | **160.8** | **54.0** | **164.3** | **50.8** | **(3.5)** | **-2.1%** | **5.8** | **3.6%** | **20** |
| Advertising and promotional costs | (50.2) | -16.8 | (51.9) | -16.0 | 1.7 | -3.3% | (1.3) | 2.5% | 10 |
| Overheads | (58.7) | -19.7 | (58.1) | -18.0 | (0.6) | 1.1% | (5.8) | 10.0% | (120) |
| **Result from recurring activities** | **51.9** | **17.4** | **54.3** | **16.8** | **(2.4)** | **-4.4%** | **(1.2)** | **-2.3%** | **(90)** |

Overall, the region experienced a decrease in both sales (-8.0%) and the result from recurring activities (-4.4%).
As already shown in the section on sales, this region showed an exchange rate effect, which generated a decrease of -7.6% in sales, while at the level of the result from recurring activities, this effect was reversed (+0.7%). This was mainly attributable to the South American countries, such as Argentina and Brazil, where currency depreciation is heavily affected by the high inflation, an aspect that has a greater impact on sales than profitability as these markets have a lower profit margin than the Group average. It should be noted that the Group's production activity in these markets is managed in their own local structures.

Excluding both the exchange rate and perimeter effects, organic sales growth in the region was +3.2%, while the result from recurring activities decreased by -2.3%, generating profitability dilution of 90 basis points.
This was due to various contrasting factors, which are analysed below.

In terms of the **gross margin**, the results showed an organic increase of +3.6%, negatively impacted by the non-core sugar business in Jamaica. With reference to the profitability on sales, it should be noted an increase by 20 basis points. This was due, on the one hand, to a favourable product and market mix, with good growth in the US, a highly profitable market, in the first half.
This positive mix, to which has contributed the contraction deriving from low-margin markets such as Brazil, more than offset the dilution deriving from growth in countries with lower profitability than average for the Group, such as Argentina.

**Advertising and promotional costs** as a percentage of sales, at the organic level, were broadly in line with the first half of 2015, generating a slight increase in profitability of 10 basis points.
Any changes in this item are due to the timing of various investments during the year, which may generate distortive effects in individual quarters. These are subsequently reabsorbed at the end of the year.

**Overheads** increased by +10.0% at the organic level, generating a dilution of 120 basis points, due to the strengthening of the distribution structures of recent constitution, the improvement of distribution capabilities on premise for the Grand Marnier integration, and the inflation effect in emerging markets.

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

The Southern Europe, Middle East and Africa region, which includes the direct markets Italy and Spain, as well as markets served by third-party distributors, is the second-largest region in terms of sales, contributing 34.8% to the Group's sales, and the largest in terms of profitability, contributing 39.5% to the Group's result from recurring activities.
The results for the first half were as follows:

| Southern Europe, Middle East and Africa | 2016 | | 2015 | | Total change | | Organic change | | Organic accretion/dilution of profitability |
|---|---|---|---|---|---|---|---|---|---|
| | € million | % | € million | % | € million | % | € million | % | Basis points |
| **Net sales** | **258.7** | **100.0** | **257.2** | **100.0** | **1.5** | **0.6%** | **9.2** | **3.6%** | |
| **Gross margin** | **161.1** | **62.3** | **153.6** | **59.7** | **7.6** | **4.9%** | **8.9** | **5.8%** | **130** |
| Advertising and promotional costs | (47.0) | -18.2 | (42.5) | -16.5 | (4.5) | 10.7% | (4.7) | 11.0% | (120) |
| Overheads | (56.2) | -21.7 | (55.8) | -21.7 | (0.5) | 0.8% | (0.8) | 1.5% | 40 |
| **Result from recurring activities** | **57.9** | **22.4** | **55.3** | **21.5** | **2.6** | **4.7%** | **3.4** | **6.1%** | **50** |

In the first half, sales rose overall by +0.6% and the result from recurring activities by +4.7%.
Excluding both the exchange rate and the perimeter effect, the region recorded organic growth of +3.6% in sales and 6.1% in the result from recurring activities, which created an increase of 50 basis points in the latter.
This was due to various contrasting factors, which are analysed below.

In terms of the **gross margin**, the results showed an organic increase of +5.8%, increasing profitability by 130 basis points. This was due to a favourable product and market mix, with healthy growth in many global and regional priority brands in Italy, a highly profitable market, as well as in France, Spain, South Africa and the duty free channel.

**Advertising and promotional costs** increased as a percentage of sales compared with 2015, leading to a dilution of 120 basis points in organic profitability.
Apart from the phasing of advertising activity during the year, investment in Aperol in Italy and the new advertising campaigns of Averna and Campari Soda, which went on air in the first half, should be noted.
**Overheads** rose by +1.4% in absolute terms, at the organic level; this growth, which was lower than sales growth, led to an increase of 40 basis points in profitability.

- **Northern, Central and Eastern Europe**

The Northern, Central and Eastern Europe region, which includes the direct markets of Germany, Austria, Switzerland, Benelux, the UK, Russia and Ukraine, as well as areas served by third-party distributors, contributed 18.7% to the Group's sales and 22.8% to the result from recurring activities.

The results for the first half were as follows:

| Northern, Central and Eastern Europe | 2016 | | 2015 | | Total change | | Organic change | | Organic accretion/dilution of profitability |
|---|---|---|---|---|---|---|---|---|---|
| | € million | % | € million | % | € million | % | € million | % | Basis points |
| **Net sales** | **139.5** | **100.0** | **127.8** | **100.0** | **11.7** | **9.1%** | **16.5** | **12.9%** | |
| **Gross margin** | **82.4** | **59.0** | **71.3** | **55.7** | **11.1** | **15.6%** | **14.0** | **19.7%** | **330** |
| Advertising and promotional costs | (24.0) | -17.2 | (22.4) | -17.5 | (1.7) | 7.4% | (2.6) | 11.5% | 20 |
| Overheads | (25.0) | -17.9 | (24.2) | -19.0 | (0.8) | 3.1% | (2.2) | 9.1% | 60 |
| **Result from recurring activities** | **33.3** | **23.9** | **24.6** | **19.3** | **8.7** | **35.3%** | **9.2** | **37.5%** | **420** |

Overall, sales in the region increased by +9.1%, while the result from recurring activities rose by +35.3%.

Excluding the negative exchange rate and perimeter effects (although they were not significant), sales increased by +12.9% at the organic level, and the result from recurring activities by +37.5%, creating an increase of 420 basis points. This healthy performance was due to the following factors.

The **advertising and promotional costs** of the period increased proportionally to the sales, due to the investments made in those markets, maintaining costant the organic impact on net sales compared to last year.

At the **gross margin** level, profitability increased by 330 basis points, due to the effects of the favourable geographical and product mix. Specifically, as a percentage of sales, the gross margin benefited from the good performance of both the German market and other markets such as the UK.

**Overheads** increased by +9.1% at the organic level, especially due to the effect of the comparison basis in markets such as the UK, where the new sales structure was completed in the second half of 2015. However, as growth was less than sales growth, profitability increased by 60 basis points.

- **Asia-Pacific**

The Asia-Pacific region, which includes the direct markets of Australia, New Zealand and China, as well as areas served by third-party distributors, made a contribution of 6.5% to the Group's sales and 2.2% to the result from recurring activities. The results for the first half were as follows:

| Asia-Pacific | 2016 | | 2015 | | Total change | | Organic change | | Organic accretion/dilution of profitability |
|---|---|---|---|---|---|---|---|---|---|
| | € million | % | € million | % | € million | % | € million | % | Basis points |
| **Net sales** | **48.0** | **100.0** | **49.3** | **100.0** | **(1.3)** | **-2.6%** | **2.1** | **4.2%** | |
| **Gross margin** | **21.7** | **45.2** | **23.1** | **46.8** | **(1.4)** | **-6.0%** | **0.5** | **2.3%** | **(80)** |
| Advertising and promotional costs | (7.2) | -15.0 | (8.2) | -16.6 | 1.0 | -12.2% | 0.5 | -6.2% | 170 |
| Overheads | (11.2) | -23.4 | (10.5) | -21.3 | (0.7) | 7.0% | (1.5) | 14.1% | (200) |
| **Result from recurring activities** | **3.3** | **6.8** | **4.4** | **8.9** | **(1.1)** | **-25.5%** | **(0.4)** | **-10.2%** | **(120)** |

The region recorded an overall decrease in both sales (-2.6%) and the result from recurring activities (-25.5%).

Excluding the negative exchange rate and perimeter effects, the organic changes were +4.2% and -10.2% respectively. The most significant effects overall were the following.
The **gross margin** grew by +2.3% at the organic level, generating a dilution of 80 basis points; the bottling activities carried out in Australia, a less profitable activity, contributed more to this dilution.

As an organic percentage of sales, **advertising and promotional costs** were not as high as in 2015, generating an increase of 170 basis points; this was due to the phasing of promotional costs during the year.

**Overheads** increased by +14.1% at the organic level, mainly due to the strengthening of the structure in Australia and the Asian markets. The increase in these costs led to a dilution in the region's profitability of 120 basis points.

## Financial position

### Statement of cash flows

The table below shows a simplified and restated 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.

| | 2016<br>€ million | 2015<br>€ million | change<br>€ million |
|---|---|---|---|
| **EBITDA** | **157.4** | **164.6** | **(7.2)** |
| Other adjustments to operating profit | 10.4 | (10.4) | 20.7 |
| Changes in non-financial assets and liabilities | 3.5 | (8.0) | 11.5 |
| Taxes paid | (19.2) | (23.6) | 4.4 |
| **Cash flow from operating activities before changes in working capital** | **152.1** | **122.6** | **29.5** |
| Change in net operating working capital | 75.6 | (24.6) | 100.1 |
| **Cash flow from operating activities** | **227.6** | **98.0** | **129.6** |
| Net interest paid | (8.7) | (10.5) | 1.8 |
| Cash flow used for investment | (15.1) | (20.3) | 5.2 |
| **Free cash flow** | **203.8** | **67.2** | **136.6** |
| (Acquisition) and sale of companies or business divisions (2) | (469.7) | 26.1 | (495.8) |
| Financial position of acquired and sold companies (2) | 36.4 | - | 36.4 |
| Sales and purchases of brands and rights, and payments of put options and earn-outs | 0.2 | (0.3) | 0.5 |
| Dividend paid out by the Parent Company | (52.1) | (45.7) | (6.4) |
| Other changes | (2.7) | (48.4) | 45.7 |
| **Total cash flow used in other activities** | **(487.9)** | **(68.3)** | **(419.6)** |
| **Exchange rate differences and other changes** | **(22.9)** | **(30.8)** | **8.0** |
| **Change in net financial position due to operating activities** | **(306.9)** | **(31.9)** | **(275.1)** |
| Payable for the exercise of put options and earn-out payments | 0.1 | 0.1 | - |
| Payable generated in the period for the squeeze out and deferred purchases of SPML shares (2) | (210.2) | - | (210.2) |
| **Total net cash flow for the period = change in net financial position** | **(517.1)** | **(31.7)** | **(485.4)** |
| **Net financial position at the start of the period** | **(825.8)** | **(978.5)** | **152.7** |
| **Net financial position at the end of the period** | **(1,342.9)** | **(1,010.2)** | **(332.7)** |

(*) This item, which is a non-cash item, was included in order to reconcile the change in the net financial position due to operating activities with the overall change in the net financial position.
(2) These items included the total 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:

| | SPML Group<br>€ million | Non-core business of Casoni Fabbricazione Liquori S.p.A.<br>€ million | total for statement of cash flows<br>€ million |
|---|---|---|---|
| **Receipt/(payment) on closing date of transaction** | **(472.7)** | **3.0** | **(469.7)** |
| Payables relating to the squeeze out and deferred purchases of shares | (210.2) | - | (210.2) |
| **Total price of acquisitions/sales of companies** | **(682.9)** | **3.0** | **(680.0)** |
| **Net cash/(debt) of acquired/sold companies** | **35.0** | **1.5** | **36.4** |
| **Net asset value of acquisitions/sales** | **(648.0)** | **4.4** | **(643.5)** |

In the first half of 2016, **net cash flow** reflected the use of cash of € 517.1 million, mainly related to the acquisition of SPML; this compared with a negative cash flow of € 31.7 million in the first half of 2015.

More specifically, **free cash flow** of € 203.8 million was generated in 2016; cash flow from operating activities was € 152.1 million, which was partly used to pay net financial interest of € 8.7 million and make net investments of € 15.1 million.
A comparison of free cash flow with the figure for the first half of 2015 (€ 67.2 million) shows some contrasting factors that led to greater cash generation, totalling € 136.6 million.

- EBITDA decreased by € 7.2 million compared with 2015;
- other adjustments to operating profit led to a positive effect of € 20.7 million, mainly due to a decrease of € 9.8 million in the use of risk provisions, changes in the fair value of financial instruments (loans and derivative hedging agreements) totalling € 3.7 million, and a decrease of € 4.4 million in net capital gains from sales of fixed assets;

- changes in non-financial assets and liabilities, which increased cash generation by € 11.5 million compared with 2015, related to the settlement of non-financial and non-trade payables and receivables, such as indirect taxation and excise duties;
- income taxes paid in the year decreased by € 4.4 million, generating a positive effect on free cash flow;
- working capital showed an organic increase of € 75.6 million, which, compared with the decrease of € 24.6 million in 2015, increased free cash flow for the period by € 100.1 million. Please see the 'Operating working capital' section below for more details on this item;
- net interest paid was € 1.8 million lower than in the first half of 2015, generating a positive impact on free cash flow;
- investment spending was € 5.2 million lower than in the same period of the previous year but still related mainly to the maintenance of existing fixed assets.

**Cash flow used in other activities** was € 487.9 million, compared with € 68.3 million in the first half of 2015, generating a greater cash requirement of € 419.6 million.
The acquisition of SPML generated a total cash requirement of € 437.7 million (of which € 472.7 million was paid by the closing date of the transaction and € 35.0 million represented the Group's net cash at the date of acquisition), which was offset by the € 4.4 million generated by the sale of non-core businesses. For more information about the transaction, please see the section on 'Significant events during the period'.
The other businesses also generated a cash requirement due to the dividend of € 52.1 million paid by the Parent Company.
The 'other changes' item mainly includes payments for the purchase of own shares, net of sales for the exercise of stock options. The net cash outflow in 2016 was € 4.8 million, compared with € 48.6 million in 2015.

**Exchange rate differences** and **other changes** had a negative impact of € 22.9 million on net cash flow for the first half of 2016, mainly relating to positive exchange rate differences on operating working capital of € 12.3 million.
The remaining part of the change, (negative at € 35.2 million) was due to the recording of certain non-cash items under that item, which were included for the purpose of reconciling the change in cash flows and the change in net financial position, such as accrued interest on medium-/long-term loans that had not yet been paid.

The change in **financial payables relating to the exercise of put options and earn-out payments**, shown here purely for the purposes of reconciling the financial position for the period with the total net financial position, did not change significantly from 2015; the decrease due to payments made in the period, of € 0.1 million, was offset by an increase in debt due to exchange rate differences in the period.
A financial payable of € 210.2 million was recorded separately for the completion of the SPML squeeze-out operation and future commitments to purchase and sell the remaining shares with the previous majority shareholders.

To conclude, a net cash flow of € 517.1 million had been absorbed at 30 June 2016, corresponding to the increase in Group financial debt compared with 31 December 2015.

**Breakdown of net debt**
At 30 June 2016, the consolidated net financial position was negative for € 1,342.9 million, an increase of € 517.1 million on the negative amount of € 825.8 million reported at 31 December 2015.
The main cash inflows and outflows giving rise to the change in debt in the period have been analysed in the section above entitled 'Statement of cash flows'.
The table below shows how the debt structure changed between the beginning and end of the period.

| | 30 June 2016 | 31 December 2015 | change | | |
|---|---|---|---|---|---|
| | | | total | *of which perimeter effect due to the SPML acquisition* | *of which perimeter effect for sales of non-core businesses* |
| | € million | € million | € million | *€ million* | *€ million* |
| Cash and cash equivalents | 507.7 | 844.3 | (336.6) | *47.8* | *(0.9)* |
| Payables to banks | (38.3) | (29.3) | (9.1) | *(20.8)* | *0.5* |
| Real estate lease payables | - | (0.1) | 0.1 | - | *0.1* |
| Private placement and bond | (350.0) | (441.6) | 91.6 | - | - |
| Other financial receivables and payables | (14.5) | 50.1 | (64.6) | *2.1* | - |
| **Short-term net cash position** | **104.9** | **423.4** | **(318.6)** | ***29.2*** | ***(0.4)*** |
| Payables to banks | (2.9) | (4.4) | 1.5 | - | *0.6* |
| Real estate lease payables | (0.7) | (2.0) | 1.3 | - | *1.2* |
| Private placement and bond (*) | (1,264.6) | (1,266.5) | 1.9 | - | - |
| Other financial receivables and payables | 35.2 | 28.2 | 7.0 | *5.8* | |
| **Medium-/long-term net financial position** | **(1,233.0)** | **(1,244.7)** | **11.6** | ***5.8*** | ***1.8*** |
| **Debt relating to operating activities** | **(1,128.2)** | **(821.2)** | **(306.9)** | ***35.0*** | ***1.5*** |
| Payables for the exercise of put options, earn-out payments and the purchase of SPML shares | (214.7) | (4.6) | (210.1) | *(210.2)* | - |
| **Net financial position** | **(1,342.9)** | **(825.8)** | **(517.1)** | ***(175.3)*** | ***1.5*** |

(*) including the related derivatives

The increase in the Group's net debt at 30 June 2016 was mainly due to the acquisition of SPML. The transaction was carried out in various phases, which involved an initial payment of € 125.5 million, in March 2016, for the purchase of a first block of SPML shares, followed by the purchase of the majority of the Marnier Lapostolle Group's shares for € 347.2 million, in June 2016, via a public purchase offer. For more information about the transaction, please see the section on 'Significant events during the period'.

The effect of fluctuating exchange rates in the comparison period did not have a significant impact on the overall net financial position.
A breakdown of the net financial position at 30 June 2016 continued to show a positive split between short- and medium-/long-term debt.

The short-term final net cash position was € 104.9 million, a decrease of € 318.6 million compared with 31 December 2015, due to the payment for the SPML shares, as commented on above.
The short-term debt position breaks down as follows:

- cash and cash equivalents of € 507.7 million;
- payables for the Parent Company's bonds (nominal value of € 350 million maturing in October 2016). In June 2016, the maturing tranche of the private placement issued in America for a nominal value of USD 100 million was settled. The remaining tranches of the Parent Company's bonds and Campari America's private placement were all classified as medium-/long-term liabilities since they mature more than 12 months after the date of this Report;
- payables to banks totalling € 38.3 million;
- net current financial liabilities totalling € 14.5 million.

The medium-/long-term component, totalling € 1,233.0 million, was almost exclusively due to the outstanding bonds; exchange rate changes in the period were not significant (€ 3.7 million).
The other non-recurring financial receivables and payables item, amounting to € 35.2 million, mainly included cash investments by the Parent Company.

Separately, the Group's net financial position showed a financial payable of € 214.7 million, up € 210.1 million compared with 31 December 2015, due to the acquisition of SPML, as commented on above. The item also included € 4.5 million relating to earn-out payments on Sagatiba and the remaining debt for the purchase of non-controlling interests with respect to the Jamaican acquisition, which was broadly unchanged compared with the previous year.
It should be noted, lastly, that the agreements relating to a number of bond issues, the Parent Company's revolving credit facility and the Campari America private placement include negative pledges and covenants. The covenants include the Group's obligation to maintain particular levels for certain financial indicators, most notably the ratio of net debt to EBITDA. At 30 June 2016, this pro-forma multiple was 3.2 times (2.2 times at 31 December 2015).

**Group statement of financial position**

The table below is the consolidated Group balance sheet, reclassified and summarised to highlight the structure of invested capital and financing sources.

| | 30 June 2016 | 31 December 2015 | change |
|---|---|---|---|
| | € million | € million | € million |
| Fixed assets | 3,102.9 | 2,393.6 | 709.3 |
| Other non-current assets and liabilities | (505.8) | (313.0) | (192.8) |
| Operating working capital | 566.4 | 576.9 | (10.6) |
| Other current assets and liabilities | (94.9) | (85.9) | (9.0) |
| **Total invested capital** | **3,068.6** | **2,571.6** | **496.9** |
| Shareholders' equity | 1,725.7 | 1,745.8 | (20.1) |
| Net financial position | 1,342.9 | 825.8 | 517.1 |
| **Total financing sources** | **3,068.6** | **2,571.6** | **496.9** |

Invested capital at 30 June 2016 was € 3,068.0 million, € 496.9 million higher than at 31 December 2015.
This change was mainly due to the acquisition of SPML, which was first consolidated at 29 June 2016, resulting in an increase in all the invested capital items, with the recognition, albeit provisional, of the following entries:
- fixed assets of € 742.1 million;
- non-current liabilities (net of other non-current assets) of € 184.5 million;
- operating working capital of € 77.4 million;
- other current liabilities (net of other non-current assets) of € 12.9 million.

For more details on the figures recorded in relation to the acquisition, please see note 6-Business combinations of the condensed half-year financial statements.

Regarding financing sources, the change 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 euro. For details of the changes in the net financial position, totalling € 517.1 million, please see the preceding note 'Breakdown of net debt', where these are addressed in detail.
Please see the section below entitled 'Operating working capital' for further details of changes in net working capital.

As a result of the significant changes mentioned above, the Group's financial structure showed a ratio of debt to own funds at the end of the period of 77.8%, a sharp increase on the figure of 47.3% registered at 31 December 2015.

**Operating working capital**

The breakdown of the total change in operating working capital at 31 December 2015 is as follows.

| | 30 June 2016 | 31 December 2015 | change | | | |
|---|---|---|---|---|---|---|
| | | | total | of which organic | of which external | of which due to exchange rates |
| | € million | € million | € million | € million | € million | € million |
| Receivables from customers | 235.8 | 295.9 | (60.2) | (84.6) | 23.0 | 1.5 |
| Inventories, of which: | | | | | | |
| *- maturing inventory* | *259.6* | *269.8* | *(10.2)* | *3.0* | *0.0* | *(13.2)* |
| *- other inventory* | *334.4* | *228.4* | *106.0* | *38.8* | *70.2* | *(3.1)* |
| Total inventories | 594.0 | 498.2 | 95.8 | 41.8 | 70.2 | (16.3) |
| Payables to suppliers | (263.4) | (217.2) | (46.2) | (32.8) | (15.8) | 2.4 |
| **Operating working capital** | **566.4** | **576.9** | **(10.6)** | **(75.6)** | **77.4** | **(12.4)** |
| Sales in the previous 12 months (*) | 1,642.9 | 1,656.8 | | | | |
| Working capital as % of sales in the previous 12 months | 34.5% | 34.8% | | | | |

(*) Sales in the previous 12 months do not include any impact from the first consolidation of SPML on 29 June 2016.

At 30 June 2016, operating working capital totalled € 566.4 million, a decrease of € 10.6 million compared with the figure at 31 December 2015.

The exchange rate effect in the first half of 2016 led to a decrease in operating working capital of € 12.4 million, while the organic decrease of € 75.6 million was more than offset by the contribution of the change in perimeter due to the first consolidation of SPML (incremental effect of € 77.4 million).

Trade payables, which historically show higher absolute values at the end of the year than in the other quarters, decreased sharply in the first quarter (€ 84.6 million) compared with 31 December 2015.

The increase in the value of inventories (€ 41.8 million), which was also consistent with the seasonal peak in the second half, was almost entirely offset by the increase in payables to suppliers (€ 32.8 million).

The increase in inventories was attributable to a rise in finished product stocks and other merchandise of the Group, in the amount of € 106.0 million (€ 38.8 million at the organic level), while stocks of maturing inventory were broadly unchanged in organic terms. With specific reference to maturing inventory, located in the Americas and Scotland, the exchange rate effect was negative (€ 13.2 million), and had an impact on the overall reduction in stocks of maturing inventory.

At 30 June 2016, operating working capital amounted to 34.5% of net sales in the previous 12 months, in line with the figure at 31 December 2015.
However, the SPML acquisition affected the Group's statement of financial position, while at 30 June 2016, there were no financial data for the acquired companies as the transaction was closed in the last few days of the first half of the year. Therefore, where the balance sheet and income statement figures need to be adjusted for the effects of perimeter changes, the percentage would reduce to 29.8%.

## Transactions with related parties

It should be noted that transactions with related parties, including intragroup transactions, are not classed as atypical or unusual, as they are part of the normal business of Group companies. These transactions are carried out under market conditions, taking into account the characteristics of the goods and services provided.
Information on transactions with related parties, including that required by the Consob Communication of 27 July 2006, is presented in Note 34 of the condensed half-year financial statements at 30 June 2016.

## Events taking place after the end of the period

### Innovation and new product launches

**Espolòn Tequila**
In July 2016, Espolòn tequila was relaunched on the Mexican market with a new range of premium barrel-aged tequilas that will include the new Espolòn Reposado products, aged in Chardonnay or bourbon barrels.

**Forty Creek whisky**
In July 2016, the tenth limited edition of Forty Creek whisky was launched in the United States and Canada. Deep amber in colour with rich aromas of apricot and orange, Forty Creek Founder's Reserve exhibits bold flavours of exotic spices.

### Other significant events

**Ordinary shareholders' meeting of the Parent Company**
On 29 April 2016, the ordinary shareholders' meeting of Davide Campari-Milano S.p.A. approved the 2015 financial statements and agreed the distribution of a dividend of € 0.09 per share outstanding (an increase of 12.5% from the dividend paid for 2014).
The total dividend, calculated on the shares outstanding and excluding own shares (1,545,938 shares), was € 52,132,866.
The shareholders' meeting also:
- appointed the new Board of Directors for 2016-2018, comprising Eugenio Barcellona, Giovanni Cavallini, Camilla Cionini-Visani, Luca Garavoglia, Thomas Ingelfinger, Robert Kunze-Concewitz, Annalisa Elia Loustau, Paolo Marchesini, Stefano Saccardi, Francesca Tarabbo and Catherine Gérardin Vautrin;
- appointed Marco P. Perelli-Cippo as Honorary Chairman of Davide Campari S.p.A.;
- renewed Luca Garavoglia's mandate as Chairman for the three-year period 2016-2018;
- appointed the Board of Statutory Auditors, also for the three-year period 2016-2018, comprising Pellegrino Libroia as Chairman, and Enrico Colombo and Chiara Lazzarini as Statutory Auditors.

The Board of Directors' meeting on 29 April 2016 also appointed Karen Guerra as director to replace Francesca Tarabbo.

## Conclusion on the first half of 2016 and outlook

The first half of 2016 delivered a sustained organic growth of the business, driven by an excellent first quarter, followed by a very satisfactory second quarter as well. Notwithstanding the expected reversal of some one-off's, that have positively impacted the first quarter results, positive organic growth rates for net sales and profitability were confirmed in the second quarter. Moreover, in the first half of 2016 the positive operating margin expansion was confirmed, driven by the continued sales mix improvement by brand and market, in line with the Group's growth strategy. In particular, Global and Regional Priorities continued to outperform the Group's overall organic growth. At the same time the Group achieved a positive organic growth in all regions, particularly the high-margin developed markets (such as North America and Western Europe). It should also be noted that the very satisfactory first half results were achieved notwithstanding the negative impact of the non-core low-margin sugar business in Jamaica, due to one off events, which are not expected to reverse in the remainder of the year.

Looking at the second half year, the Group expects the outlook shared at the beginning of the year to remain broadly unchanged. In particular, with reference to the macroeconomic environment, the Group expects that the volatility in some emerging markets and the uncertainty on the movements of Group's key foreign currencies will continue. At the same time, the Group remains confident to deliver a positive and profitable business performance. With regards to the brand portfolio, the Group expects a continued growth of high-margin global priorities, particularly the aperitifs, American whiskies and Jamaican rums, also thanks to a further strengthening of brand building investments in the second half of the year to fuel long term growth. Moreover, the Group expects innovation to continue to drive the expansion of premium offerings. With regards to the markets, the Group remains confident to achieve a positive performance in the Group's core strategic regions, thanks to the continued contribution of the Group's strengthened route-to-market.
Finally, with respect to the external growth, it should be noted that in the second half of 2016 the Group will benefit from the positive effects of integration of the Grand Marnier business, consolidated as of the acquisition closing date on 29 June 2016, as described in the paragraph 'Significant events during the period'.

## Alternative performance indicators

This half-year report presents and comments upon certain financial indicators and restated financial statements (relating to the statement of financial position and statement of cash flows) that are not defined by the IFRS.
These indicators, which are described below, are used to analyse 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 consolidated (Consob communication 0092543 of 3 December 2015, which incorporates the Guidelines on Alternative Performance Measures (ESMA/2015/1415).
The alternative performance measures listed below should be used to supplement the information required by the IFRS to help users of the financial report come to a better understanding of the Group's economic, financial and capital position.
The method used by Gruppo Campari to calculate these adjustment measures has been consistent over the years. It should also be noted that these methods could be different from those used by other companies.

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

**Contribution margin**: calculated as the difference between net sales, the cost of goods sold (in its materials, production and distribution cost components) and advertising and promotional costs.
**Adjustments to operating income (charges):** defined as certain transactions or events, identified by the Group as adjustment components for the result from recurring activities.

- Capital gains/losses on the sale of tangible and intangible assets
- Penalties arising from the settlement of tax disputes
- Income/charges arising from distribution agreements
- Impairment losses on fixed assets
- Restructuring and reorganisation costs
- Ancillary costs associated with acquisitions/sales of businesses or companies
- Non-recurring income/charges

The above-mentioned items were deducted from or added to the following indicators: operating result, EBITDA, profit/loss before tax for the period, net profit/loss for the period after tax.
The Company believes that these indicators, appropriately adjusted, are useful to both management and investors in assessing the Group's financial and economic results against those of other companies in the sector, as they exclude the impact of some items that are not relevant for assessing operating performance.
**Net result from recurring activities**: the operating result for the period net of the above-mentioned adjustments to operating income (charges)
**EBITDA**: the operating result before depreciation and amortisation of tangible and intangible assets.
**Adjusted EBITDA**: EBITDA as defined above, excluding adjustments to operating income (charges) as described above.
**Group's adjusted profit/loss**: the profit/loss for the period, net of the above-mentioned adjustments to operating 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.
**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).

- **Reclassified statement of financial position**

The items included in the restated 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
- Provision 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 payables to tax authorities
- Other current payables, net of financial liabilities (classified under net debt)

**Net financial position**: calculated as the algebraic sum of:
- Cash and cash equivalents
- Non-current financial assets, posted to other non-current assets
- Current financial assets, posted to other receivables
- Payables to banks
- Other financial payables
- Bonds
- Non-current financial liabilities, posted to other non-current liabilities
-

- **Reclassified statement of cash flows**

***Free cash flow***: a cash flow that measures the Group's self-financing capacity calculated on the basis of cash flow from operations, adjusted for net interest paid and cash flow used in investments, net of income from realizing fixed assets.

## Investor information

### The international economy

The weakness in the global economy and international trade intensified at the start of the year. The outcome of the UK's referendum on Brexit in June, the impact of which is still difficult to assess, has increased the risks to the global growth outlook.

With regard to economic performance in the key areas for Gruppo Campari's activities, Italian economic activity continued to recover in the first half of the year. The main driver behind the strengthening of GDP was household consumption, which is benefiting from a sharp increase in disposable income and from labour market conditions and, to a lesser extent, investments. Before the Brexit referendum, the business confidence indicators were high and the outlook for investment spending had improved, in part due to better access to credit and tax incentives. Labour market conditions are improving: contractual arrangements are more stable and the number of people in employment in the first half is increasing, although more slowly than in 2015, when social security relief for new hires was fully applied.
The economic recovery is gradually boosting the pace and quality of lending. In the first half of the year, lending to the non-financial private sector and manufacturers increased, whereas lending to corporates stagnated. This trend was accompanied by a decline in the flow of non-performing loans as a percentage of total financing, which was the lowest since 2008.
GDP growth was hampered by falling foreign demand. Demand from emerging economies was particularly weak, reflecting the slowdown in world trade. Foreign trade contracted as a result, but also due to a slight fall in imports. The outlook for foreign trade remains uncertain, especially as it is influenced by the potential repercussions of the Brexit referendum (source: Bank of Italy). It is estimated that Italian GDP, which grew 0.4% in the first quarter of 2016, continued growing in the second quarter, albeit more slowly (source: Bank of Italy and ISTAT).
Before the Brexit referendum, the Italian economy was forecast to grow at 1.1% in 2016, with exports driven higher by the rise in demand, cheap funding conditions and tax incentives, as well as by higher household consumption, which has been supported by the recovery in real disposable income and improving labour market conditions. Inflation was set to rise only gradually, given the continuing high level of unutilised productive resources. This scenario was contingent on the Governing Council of the ECB maintaining expansionary monetary policy (source: Bank of Italy).
Following the UK referendum, the impact of which is difficult to assess, the uncertainty surrounding the above forecasts has increased considerably. The developments seen in the financial markets are not yet of a magnitude to change the outlook to any significant extent. However, repercussions could be felt in the Italian economy in the next few months if UK activity were to fall sharply (source: Bank of Italy).

In the Eurozone, cyclical expansion continued in the first half, supported by domestic demand, which confirmed its position as the main driver of the recovery. Household spending has strengthened, in tandem with a further rise in investments. Nevertheless, foreign trade has dampened growth. June's inflation figures were barely in the black, and the Eurosystem is expecting inflation to be only slightly positive in 2016. At the start of June, the ECB Governing Council confirmed its intention to maintain official rates at or below their current levels, maintaining its expansionary stance. Purchases of securities by the Eurosystem have continued, and from the start of June these also include euro-denominated corporate bonds. After the UK referendum, the Governing Council of the ECB reiterated that it would continue to fulfil its responsibilities to ensure price stability and financial stability in the Eurozone; this was also confirmed by the launch of the first targeted longer-term refinancing operation (TLTRO2).
GDP in all major Eurozone countries accelerated in the first half of the year. Economic activity in Germany continues to expand, supported by investment spending in the construction sector. Economic activity in France has been boosted by the recovery in household consumption, after the hiatus attributable to the terrorist attacks in the autumn, and by the acceleration in investments.
Eurozone economic growth, which rose by 0.2% in the first quarter (based on the available information), looks to have expanded further in the second quarter, but more slowly than in the previous period. The short-term outlook remains uncertain due to the continued weakness in demand from emerging markets, persistent geopolitical tensions and uncertainty about the impact of the Brexit referendum (source: Bank of Italy).

With regard to other international markets, economic activity in the US continued to grow more slowly, at 1.1% in the first quarter, due to the slowdown in consumption and declining investment in production. The US Federal Reserve (Fed) kept rates at their start-of-year levels, suggesting that monetary normalisation will be more gradual, given the uncertain outlook for global demand and May's less positive employment figures. Economic activity is expected to have accelerated in the second quarter, buoyed by expansionary signals from manufacturing.

The economic environment for the main emerging markets remains weak. The recession has worsened in Brazil, in part due to the political crisis, but has eased in Russia, thanks partly to higher oil production. In China, the stimulus measures implemented by the government and the central bank have counteracted the slowdown in economic activity, which increased by +6.7% in the first quarter, in part due to support from public investment.

Overall, according to the latest estimates from the OECD published before the Brexit referendum, global growth in 2016 is expected to be on a par with 2015 (+3.0%). This forecast has been downgraded due to the slowdown in a number of advanced countries at the start of the year and the deteriorating forecasts for Brazil and Russia.

## Financial markets

At the start of the year, share prices fell to two-year lows, due to downgraded global demand expectations and increased risk aversion. This trend eased in mid-February on the back of more reassuring growth expectations for advanced countries and the continuation of highly expansionary monetary policy in the main advanced economies. The UK referendum at the end of the first half triggered turbulence in the financial markets, causing volatility to spike and share prices to tumble, primarily securities in the sectors most exposed to economic slowdown, particularly the Eurozone banking sector.

The tension had a fairly moderate impact on sovereign debt yields in advanced economies, with central banks taking a highly expansionary approach and investors showing greater preference for safer financial assets. In the US, the fall in government bond yields reflected expectations of a more gradual rise in official rates. At the start of the year, risk premiums on Eurozone sovereign debt, although highly volatile, fell overall and subsequently, with support from the Eurosystem's securities purchase program, experienced a fairly moderate impact from post-referendum tension.
Corporate bond risk premiums, which had been falling since March, started rising post-referendum.

At the start of the year, share prices on the Italian financial markets fell sharply on the back of a deteriorating global economic environment and fears about banks' asset quality. After a period of improvement, in part due to the ECB's loosening monetary policy, the Brexit referendum triggered a sharp fall in share prices and an increase in expected volatility. Investors preferred safer financial assets, which hit the more vulnerable sectors and in particular banking, where the risk has been intensified by the high level of non-performing loans and by fears about banks' ability to sell these exposures or raise capital. Risk premiums on Italian government securities have risen only slightly, supported by the Eurosystem's corporate bond purchase program and refinancing operations.
In the first half of 2016, the FTSE MIB and FTSE Italia All Shares indices lost -24.4% and -23.5% respectively. The MSCI Europe shed -9.1%, while the S&P500 in the US closed +2.7% up.

With regard to exchange rates, the Euro, after rising in the first few months of the year, started depreciating from the end of March. Nel corso del primo semestre 2016, la maggior parte delle valute di riferimento di Gruppo Campari hanno subito una svalutazione nei confronti dell’Euro, a esclusione del Dollaro USA, che risulta stabile nel confronto con il primo semestre 2015. In the first half of 2016, the Argentine Peso, having de-pegged from the US Dollar on 17 December 2015, lost an average of -38.5%. Other currencies which depreciated against the Euro included the Brazilian Real, which shed -20.0%, the Russian Rouble (-17.6%), the Jamaican Dollar (-5.8%), the Swiss Franc (-3.7%) and the Mexican Peso (-16.3%). Following the referendum on 23 June, Sterling lost -5.9% against the Euro. Its depreciation over the first half was -6.0%.

## Settore *spirit*

In the first half of 2016, the Stoxx Europe 600 Food&Beverage benchmark fell by -1.4% but outperformed the MSCI Europe by +7.7%.
In the spirits sector, most of the main companies posted a positive performance in the first half of 2016. The sector benefited from the positive impact of the ongoing trend towards premium products, with support also coming from high-end product innovation, as well as a favourable environment for commodity costs, although to a lesser extent than in 2015. Overall, demand in the spirits sector continued to grow well, driven by the ongoing rise in demand for premium products featuring authenticity, origin and craftsmanship.
In the US, the most important market in the world in terms of size of profits, brown spirits continued to drive increases in volumes and prices. Specifically, the categories showing the strongest growth include American whiskey, which, along with Canadian and Scotch whisky, has been rediscovered. Strong growth is also being enjoyed by flavoured whiskies. Initially launched on the market in a limited number of versions, these whiskies are now available in a significantly expanded range of flavours. The other categories showing growth are tequilas and aged rum, in response to the trend for premium products, driven by increasing demand for such products. Cognacs have been showing signs of recovery in China and continue to grow globally, particularly in the US, thanks to growing demand for premium products. Bitter aperitifs are also showing growth, driven by a return of interest in traditional cocktails. Moreover, growth in the vodka category of the US market is

mainly being driven by demand for craft products, as described above, although prices remain under high pressure due to the market's competitiveness, which is also hitting the flavoured vodka segment. Anche in altri mercati sviluppati, sebbene più maturi rispetto al Nord America, quali Regno Unito ed Europa continentale, il consumo di *brown spirit* è in continua crescita. Moreover, emerging markets, such as China, India, Africa and Latin America, are witnessing growing demand for premium products, which has been generated by ongoing improvements in socio-economic conditions at a local level. In the Chinese market in particular, where imported premium products (mainly cognac and Scotch whisky) have suffered a sharp drop in consumption due to the austerity measures introduced at the end of 2012, activity is stabilising.
Emerging trends also include the development of craft spirits[7]. This phenomenon, which stems from the US beer market, is also developing in the spirits market, especially in the premium segment. Sales of craft whisky, vodka and gin are also expanding in other developed markets and in emerging markets. The major sector players have reacted to this trend by stepping up the creation of limited and craft editions, especially in the American whiskey category, fuelling the trend for premium products.
Medium- to long-term expectations regarding the performance of sector companies remain positive. Spirits stocks continue to benefit from better growth expectations than other consumer goods sectors; this is also reflected in valuations, which are at a premium to market indices. In addition, expectations regarding future M&As in the spirits industry remain positive, in line with past figures.

**Davide Campari-Milano S.p.A. stock**

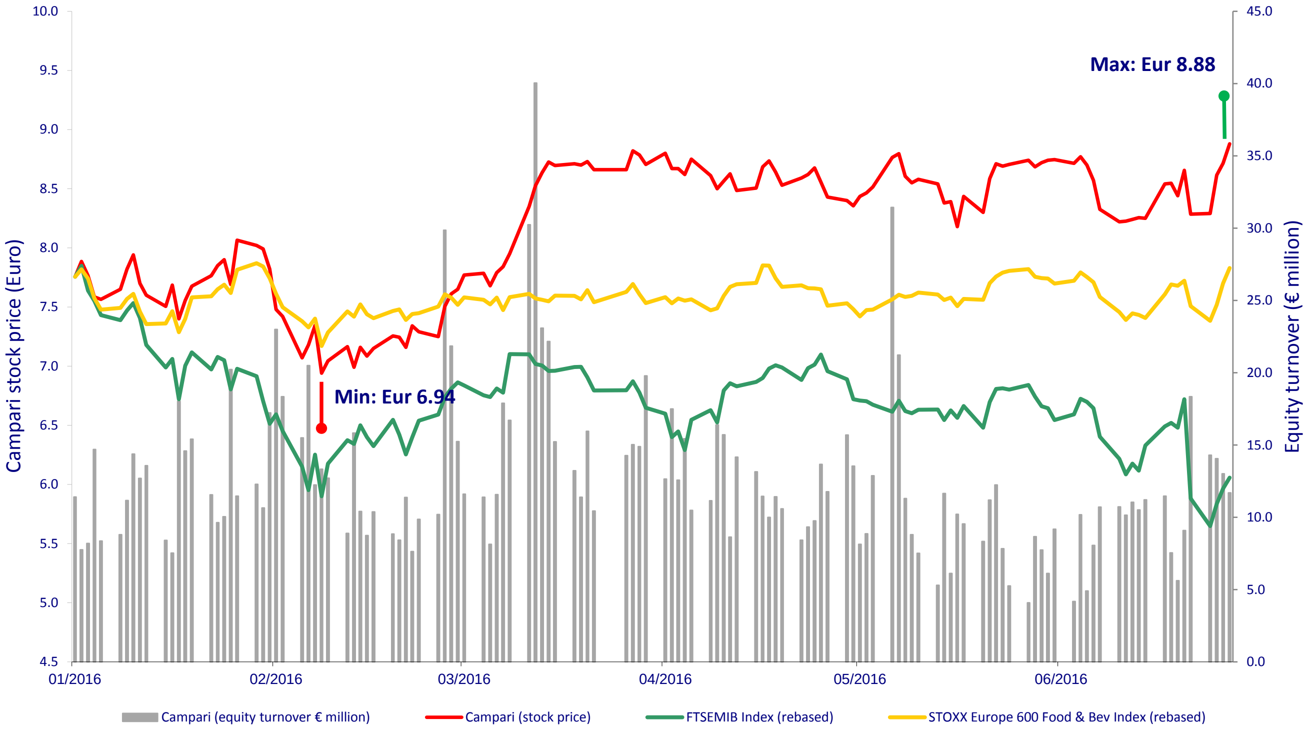
In the economic, industry and financial market context described above, the Campari stock benefited in the first half of 2016 from the announcement in March of positive results for all the main performance indicators in 2015. Added to this were the positive results for the first quarter of 2016, with operating margins boosted by the continuing positive performance and high profitability of global priority brands, and by developed markets. The other factors influencing the Campari stock included the agreement reached on 15 March 2016 by Gruppo Campari with the members of the family that is the controlling shareholder of the French listed company Société des Produits Marnier Lapostolle S.A. ('SPML') to acquire control of the company. At the same time as this agreement, Campari Gruppo signed an exclusive agreement with SPML for the global distribution of its Grand Marnier spirits portfolio, which took effect on 1 July 2016. Il perfezionamento dell'acquisto del controllo azionario è avvenuto il 29 giugno 2016 a seguito dell'esito positivo dell'offerta di acquisto amichevole. After the squeeze-out, Gruppo Campari holds 62,388 shares (including 1,905 shares with the right of usufruct) or 73.40% of SPML's share capital, which corresponds to a total outlay of € 489.8 million. On 15 March 2016, Gruppo Campari also signed an agreement to allow the acquisition, from 2021, via put and call options, of all the remaining shares held by members of the family that is the controlling shareholder, equating to 26.6% in full ownership and 2.24% in bare ownership. A more detailed description of the transaction can be found in the 'Significant events during the period' section.

In the first half of 2016, the Campari stock price increased by 11.0% in absolute terms, with total shareholder return (TSR) up 12.2%. The Campari stock price outperformed the FTSE MIB by +35.4%. The stock outperformed the STOXX Europe 600 Food&Beverage index by +12.4% in the period from 1 January to 30 June 2016, and outperformed the MSCI Europe sector index by +20.1% in the same period.
In the first six months of 2016, the minimum closing price recorded was €6.94 on 11 February 2016. The maximum closing price was €8.88 on 30 June 2016, which was the highest price achieved by the stock since the IPO in 2001. An average of 1.6 million Campari shares were traded daily on the market managed by Borsa Italiana S.p.A. in 2016, with an average daily value of € 12.6 million. At 30 June 2016, Campari's market capitalisation was €5.2 billion.

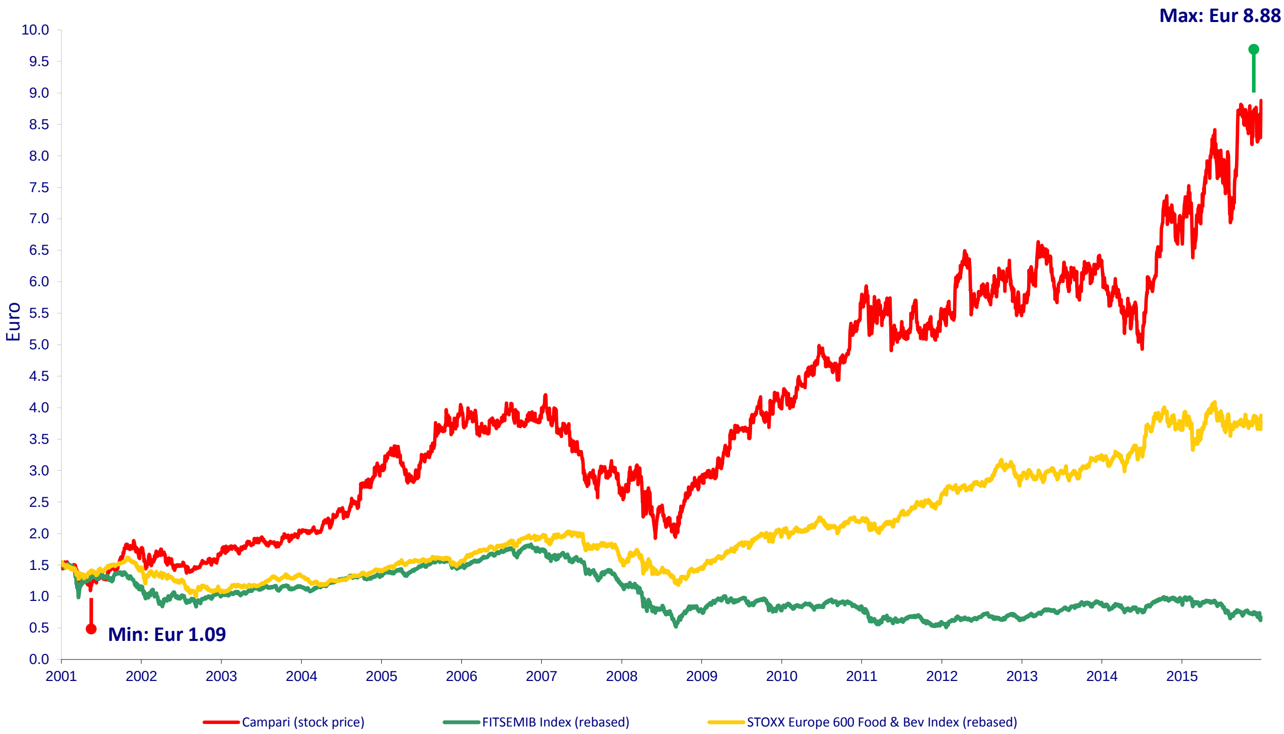
From the date of the initial public offering (IPO) to 30 June 2016, the Campari stock price has increased in absolute terms by 472.9% (an average of +12.3% per year), with total shareholder return (TSR) up 548.0% (an average of +13.3% per year). The Campari stock gained 529.9% against the FTSE MIB. The stock outperformed the STOXX Europe 600 Food&Beverage index by +322.7% in the period from the IPO to 30 June 2016, and outperformed the MSCI Europe sector index by 483.2% in the same period.

[7] The definition of craft spirit is not precisely regulated in the sector, but the leading institutions and associations, including the American Distilling Institute, agree that craft spirits are products that are distilled and bottled onsite by independent distilleries whose production process reflects the distiller's vision and craftsmanship and which produce fewer than 315,451 cases a year. An independent distillery is a distillery in which other non-craft distilleries have a stake of less than 25%.

**The performance of the Campari stock and the main benchmark indices from 1 January 2016 to 30 June 2016**




**The performance of the Campari stock and the main benchmark indices from listing (2001) to 30 June 2016**




**Notes:**

Figures up to 2009 have been adjusted to reflect the changes in share capital in 2005 and 2009.

The STOXX Europe 600 Food &Beverage Price Index is a capitalisation-weighted index which includes European companies operating in the food and beverage industry.

## Shareholder base

The table below shows the major shareholders at 30 June 2016.

| Shareholder[(1)] | Number of ordinary shares | % of share capital |
|---|---|---|
| Alicros S.p.A. | 296,208,000 | 51.00% |
| Cedar Rock Capital[(2)] | 62,936,560 | 10.84% |

[(1)] Shareholders who have notified Consob and Davide Campari-Milano S.p.A. that they have interests of over 3% (pursuant to article 117 of Consob Regulation 11971/99 on notification of significant investments).
[(2)] Andrew Brown, Chief Investment Officer of Cedar Rock Capital Ltd., informed Consob in accordance with article 120 of Legislative Decree 58/1998 (TUF).

## Dividend

On 29 April 2016, the shareholders' meeting approved the full-year results for 2016 and agreed the payment of a dividend of € 0.09 per share for 2015 (+12.5% compared to the dividend distributed for 2014). The dividend was paid on 25 May 2016 (with an ex-date for coupon no. 13 of 23 May 2016) in compliance with the Italian Stock Exchange calendar, and a record date of 24 May 2016.

### *Loyalty shares*

On 28 January 2015, the loyalty shares approved by the extraordinary shareholders' meeting of Davide Campari-Milano S.p.A. on 28 January 2015 were introduced. On 7 April 2016, pursuant to article 143-*quater*, paragraph 5, of Consob Regulation 11971/99, disclosure was made of the following list of shareholders with an interest of over 3% in the share capital of Davide Campari-Milano S.p.A. who were entered in the special register on 9 April 2015 for entitlement to increased voting rights (loyalty shares).

| Declarer | Date of registration on the list of shareholders with increased voting rights | Holding for which increased voting rights were requested | Total investment |
|---|---|---|---|
| Alicros S.p.A. | 09 April 2015 | 296,208,000 shares (51.000% of share capital) | 296,208,000 shares (51.000% of share capital) |
| Cedar Rock Capital | 09 April 2015 | 51,807,320 shares (8.920% of share capital) | 62,936,560 shares (10.836% of share capital) |

The new Article 6 of the articles of association and the related Regulation on the special list for double voting rights, approved by the Board of Directors, define the terms and conditions for registration on the list 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 list for double voting rights, which is published on the Company's website (www.camparigroup.com/it/governance/loyalty-shares).

## Information on the Campari stock and valuation indicators

The table below shows the performance of the Campari stock and the main valuation indicators used by Gruppo Campari since the IPO.

| Year | Minimum price | Maximum price | Average price | Price at 31 December | Change in the Campari stock | Change in FTSE MIB | Average daily trading volume | Average daily trading value | Stock market capitalisation at 31 December |
|---|---|---|---|---|---|---|---|---|---|
| | € | € | € | € | % | % | millions of shares | € million | € million |
| 2016 [(2)] | 6.94 | 8.88 | 8.17 | 8.88 | +11.0% | -24.4% | 1.6 | 16.6 | 5.158 |
| 2015 | 4.93 | 8.42 | 6.95 | 8.00 | +55.0% | +12.7% | 1.9 | 12.9 | 4.646 |
| 2014 | 5.04 | 6.42 | 5.89 | 5.16 | -15.1% | +0.2% | 1.4 | 8.0 | 2.997 |
| 2013 | 5.46 | 6.64 | 6.00 | 6.08 | +4.8% | +16.6% | 1.3 | 7.9 | 3,531 |
| 2012 | 5.08 | 6.50 | 5.55 | 5.80 | +12.7% | +7.8% | 1.7 | 9.6 | 3,369 |
| 2011 | 4.44 | 5.94 | 5.17 | 5.15 | +5.6% | -25.2% | 2.0 | 10.6 | 2,988 |
| 2010 | 3.51 | 4.99 | 4.15 | 4.87 | +33.5% | -13.2% | 1.9 | 7.6 | 2,828 |
| 2009 | 1.94 | 3.71 | 2.82 | 3.65 | +52.1% | +19.5% | 1.6 | 4.5 | 2,118 |
| 2008 | 1.93 | 3.30 | 2.78 | 2.40 | -26.8% | -49.5% | 1.3 | 3.7 | 1,394 |
| 2007 | 3.25 | 4.21 | 3.77 | 3.28 | -12.8% | -7.0% | 1.5 | 5.8 | 1,904 |
| 2006 | 3.14 | 4.05 | 3.66 | 3.76 | +20.5% | +16.0% | 1.2 | 4.4 | 2,183 |
| 2005 | 2.24 | 3.39 | 2.86 | 3.12 | +32.0% | +15.5% | 1.0 | 2.8 | 1,812 |
| 2004 | 1.79 | 2.39 | 2.02 | 2.37 | +22.9% | +14.9% | 0.9 | 1.7 | 1,374 |
| 2003 | 1.37 | 1.93 | 1.65 | 1.93 | +28.2% | +14.4% | 0.8 | 1.3 | 1,118 |
| 2002 | 1.27 | 1.89 | 1.58 | 1.50 | +13.8% | -27.3% | 1.1 | 1.7 | 871 |
| 2001 [(1)] | 1.09 | 1.55 | 1.36 | 1.32 | -14.9% | -14.1% | 1.4 | 2.1 | 767 |

[(1)] Listing on the Italian Stock exchange (MTA) took place on 6 July 2001. Average daily volume and average daily trading value excluding first week of trading.
[(2)] Figures as at 30 June 2016.

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

| Year | Number of shares authorised and issued at 31 December | Number of adjusted shares at 31 December (1) | Number of shares with dividend rights(2) | Gross dividend per share (€) (3) | Total dividend (€ million) (4) |
|---|---|---|---|---|---|
| 2015 | 580,800,000 | 580,800,000 | 579,254,062 | 0.090 | 52.1 |
| 2014 | 580,800,000 | 580,800,000 | 571,250,000 | 0.080 | 45.7 |
| 2013 | 580,800,000 | 580,800,000 | 576,009,862 | 0.080 | 46.1 |
| 2012 | 580,800,000 | 580,800,000 | 569,257,224 | 0.070 | 39.8 |
| 2011 | 580,800,000 | 580,800,000 | 578,636,980 | 0.070 | 40.5 |
| 2010 | 580,800,000 | 580,800,000 | 576,672,284 | 0.060 | 34.6 |
| 2009 | 290,400,000 | 580,800,000 | 576,380,506 | 0.060 | 34.6 |
| 2008 | 290,400,000 | 580,800,000 | 576,380,506 | 0.055 | 31.7 |
| 2007 | 290,400,000 | 580,800,000 | 578,711,092 | 0.055 | 31.8 |
| 2006 | 290,400,000 | 580,800,000 | 580,798,906 | 0.050 | 29.0 |
| 2005 | 290,400,000 | 580,800,000 | 562,712,026 | 0.050 | 28.1 |
| 2003 | 29,040,000 | 580,800,000 | 560,800,000 | 0.044 | 24.7 |
| 2002 | 29,040,000 | 580,800,000 | 560,800,000 | 0.044 | 24.7 |
| 2001 | 29,040,000 | 580,800,000 | 560,800,000 | 0.044 | 24.7 |

(1) Stock 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:

- Ten-for-one share split effective as at 9 May 2005;
- Bonus share issue via 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.

(2) Excluding own shares held by Davide Campari Milano S.p.A. (at ex-date).
(4) Total dividend distributed for the period excluding own shares (at the ex-date).

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

| Year | earnings per share(1) | price/Shareholders' equity | price/net profit | dividend/net profit(2) | dividend/price per share(2) |
|---|---|---|---|---|---|
| 2015 | 0.30 | 2.66 | 26.5 | 29.7% | 1.1% |
| 2014 | 0.22 | 1.90 | 23.2 | 35.4% | 1.6% |
| 2013 | 0.26 | 2.53 | 23.6 | 30.8% | 1.3% |
| 2012 | 0.27 | 2.35 | 21.4 | 25.4% | 1.2% |
| 2011 | 0.27 | 2.19 | 18.7 | 25.4% | 1.4% |
| 2010 | 0.27 | 2.26 | 18.0 | 22.1% | 1.2% |
| 2009 | 0.24 | 2.02 | 15.3 | 25.2% | 1.6% |
| 2008 | 0.22 | 1.46 | 11.0 | 25.1% | 2.3% |
| 2007 | 0.22 | 2.17 | 15.2 | 25.4% | 1.7% |
| 2006 | 0.21 | 2.74 | 18.3 | 24.8% | 1.3% |
| 2005 | 0.21 | 2.61 | 14.9 | 23.8% | 1.6% |
| 2004 | 0.17 | 2.20 | 13.7 | 29.0% | 2.1% |
| 2003 | 0.14 | 2.04 | 14.0 | 35.6% | 2.3% |
| 2002 | 0.15 | 1.82 | 10.1 | 30.9% | 2.9% |
| 2001 | 0.11 | 1.78 | 12.1 | 38.9% | 3.3% |

(1) Up to 2004, Italian Accounting Standards; from 2005 IAS/IFRS.
(2) For 2015, the dividend approved by the shareholders' meeting on 29 April 2016.

## Investor relations

Campari has adopted a communications policy aimed at financial market operators which is intended to provide complete, accurate and timely information on the Company's results, corporate initiatives and strategies, while complying with the relevant confidentiality requirements for certain types of information.

The investor section of the website, a key tool for distributing information on the Company, including financial results, corporate governance, stock market listing and the calendar of events, can also be viewed using new interactive tools. A new Governance section provides all the information relating to the Company's corporate governance system, corporate bodies and shareholders' meetings. Specifically, following approval of the proposed changes to the articles of association in order to introduce loyalty shares, a dedicated section on loyalty shares was created, containing all documentation relating to this topic. The new website was developed to be compatible with any electronic communications device, in order to allow increasingly wider and immediate access through new technologies. With reference to activities aimed at the institutional investor category, in 2016 the Company continued to communicate information to institutional investors and financial analysts, through numerous meetings organised in Milan and at the main stock exchanges in Europe and outside Europe, including in the US, Canada, Singapore and Hong Kong.
Information of interest to shareholders and investors is available on the website, and may also be requested by sending an email to the dedicated email address investor.relations@campari.com.

# Condensed half-year report

## Financial statements

For ease of reference, all figures in these condensed half-year financial statements are expressed in millions of Euro to one decimal place, while the original data is recorded and consolidated by the Group in thousands of Euro.
In certain cases, this can result in apparent discrepancies, as there may be a difference between the sum of the individual figures and the total, amounting to no more than € 0.1 million.

### Consolidated income statement

| | Notes | 2016 € million | *Of which: related parties € million* | 2015 € million | *Of which: related parties € million* |
|---|---|---|---|---|---|
| **Net sales** | 8 | **743.9** | | **757.9** | |
| Cost of goods sold | 9 | (317.9) | | (345.7) | |
| **Gross margin** | | **426.0** | | **412.2** | |
| Advertising and promotional costs | | (128.4) | | (124.9) | |
| **Contribution margin** | | **297.6** | | **287.3** | |
| Overheads | 10 | (165.7) | *0.1* | (145.7) | *0.1* |
| *of which adjustments to operating income (charges) [(1)]* | 11 | *(14.5)* | | *2.9* | |
| **Operating result [(1)]** | | **131.9** | | **141.6** | |
| Financial income (charges) | 13 | (29.4) | | (28.2) | |
| **Profit before tax** | | **102.5** | | **113.3** | |
| Taxes | 15 | (35.3) | | (35.0) | |
| **Profit for the period** | | **67.2** | | **78.3** | |
| **Profit attributable to:** | | | | | |
| Parent Company shareholders | | 67.2 | | 77.9 | |
| Non-controlling interests | | - | | 0.3 | |
| Basic earnings per share (€) | | 0.12 | | 0.13 | |
| Diluted earnings per share (€) | | 0.12 | | 0.13 | |

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

### Consolidated statement of comprehensive income

| | Notes | First half 2016 € million | First half 2015 € million |
|---|---|---|---|
| **Profit for the period (A)** | | **67.2** | **78.3** |
| B1) Items that may be subsequently reclassified to profit or loss | | | |
| Cash flow hedge*:* | | | |
| Profit (loss) for the period | | 0.9 | 4.1 |
| Less: Profits (losses) reclassified to the separate income statement | | 0.1 | 0.2 |
| Net gains (losses) from cash flow hedge | | 0.8 | 3.9 |
| Tax effect | | (0.3) | (1.1) |
| Total cash flow hedge | 26 | 0.5 | 2.8 |
| Assets available for sale | | | |
| Profit (loss) for the period | | (6.2) | - |
| Total assets available for sale | | (6.2) | - |
| Translation difference | 26 | (25.7) | 90.9 |
| **Total items that may be subsequently reclassified to profit or loss (B1)** | | **(31.3)** | **93.8** |
| B2) Items that may not be subsequently reclassified to profit or loss | | | |
| Remeasurement reserve for defined benefit plans | | | |
| Profit (loss) for the period | | - | 1.0 |
| Tax effect | | - | - |
| Remeasurement reserve for defined benefit plans | 26 | - | 1.0 |
| **Total items that may not be subsequently reclassified to profit or loss (B2)** | | **-** | **1.0** |
| **Other comprehensive income (expense) (B=B1+B2)** | | (31.3) | 94.8 |
| **Total comprehensive income (A+B)** | | **35.9** | **173.1** |
| Attributable to: | | | |
| Parent Company shareholders | | 35.9 | 172.8 |
| Non-controlling interests | | - | 0.3 |

## Consolidated statement of financial position

| | Notes | 30 June 2016 | *Of which: related parties* | 31 December 2015 | *Of which: related parties* |
|---|---|---|---|---|---|
| | | € million | *€ million* | € million | *€ million* |
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Net tangible assets | 16 | 488.2 | | 444.1 | |
| Biological assets | 17 | 21.7 | | 16.8 | |
| Investment property | 18 | 122.6 | | 0.4 | |
| Goodwill and brands | 19 | 2,445.2 | | 1,906.6 | |
| Intangible assets with a finite life | 20 | 25.2 | | 25.6 | |
| Deferred tax assets | 15 | 34.0 | | 12.6 | |
| Other non-current assets | 21 | 51.4 | *2.2* | 47.9 | *2.1* |
| **Total non-current assets** | | **3,188.3** | | **2,454.1** | |
| **Current assets** | | | | | |
| Inventories | 22 | 592.2 | | 496.2 | |
| Current biological assets | 22 | 1.8 | | 2.1 | |
| Trade receivables | | 235.8 | | 295.9 | |
| Short-term financial receivables | 23 | 32.0 | | 69.9 | |
| Cash and cash equivalents | 24 | 507.7 | | 844.3 | |
| Current tax receivables | 30 | 9.6 | *0.3* | 16.3 | *2.4* |
| Other receivables | | 38.3 | | 21.6 | |
| **Total current assets** | | **1,417.4** | | **1,746.3** | |
| Assets held for sale | 25 | 1.0 | | 23.6 | |
| **Total assets** | | **4,606.7** | | **4,224.0** | |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | | | |
| **Shareholders' equity** | 26 | | | | |
| Share capital | | 58.1 | | 58.1 | |
| Reserves | | 1,667.6 | | 1,687.4 | |
| Parent Company's portion of shareholders' equity | | 1,725.7 | | 1,745.5 | |
| Non-controlling interests' portion of shareholders' equity | | - | | 0.3 | |
| **Total shareholders' equity** | | **1,725.7** | | **1,745.8** | |
| **Non-current liabilities** | | | | | |
| Bonds | 27 | 1,272.0 | *9.6* | 1,276.1 | *9.6* |
| Other non-current liabilities | 27 | 200.3 | | 10.5 | |
| Defined benefit plans | | 47.6 | | 8.3 | |
| Provisions for risks and charges | 29 | 65.5 | | 32.8 | |
| Deferred tax liabilities | 15 | 430.6 | | 291.5 | |
| **Total non-current liabilities** | | **2,016.0** | | **1,619.3** | |
| **Current liabilities** | | | | | |
| Payables to banks | 28 | 38.3 | | 29.3 | |
| Other financial payables | 28 | 419.5 | | 465.1 | |
| Trade payables | | 263.4 | | 217.2 | |
| Current payables to tax authorities | 30 | 16.9 | *2.4* | 13.3 | *0.2* |
| Other current liabilities | | 126.9 | *6.3* | 124.0 | *4.1* |
| **Total current liabilities** | | **865.0** | | **848.9** | |
| Liabilities held for sale | 25 | - | | 10.0 | |
| **Total liabilities** | | **2,881.0** | | **2,478.2** | |
| **Total liabilities and shareholders' equity** | | **4,606.7** | | **4,224.0** | |

## Consolidated statement of cash flows

| | Notes | 2016 € million | 2015 € million |
|---|---|---|---|
| **Operating result** | | **131.9** | **141.6** |
| Adjustments to reconcile operating profit and cash flow: | | | |
| Depreciation/amortisation | 16-17-19-20 | 25.5 | 23.1 |
| Gains on sales of fixed assets | 11 | (0.7) | (5.2) |
| Write-downs of tangible assets | 11 | 0.2 | 0.2 |
| Accruals of provisions | | 1.8 | 0.4 |
| Utilisation of provisions | | (0.6) | (10.4) |
| Other non-cash items | | 9.8 | 4.6 |
| Change in net operating working capital | | 75.6 | (24.6) |
| Other changes in non-financial assets and liabilities | | 3.5 | (8.0) |
| Income taxes paid | | (19.2) | (23.6) |
| **Cash flow from (used in) operating activities** | | **227.6** | **98.0** |
| Purchase of tangible and intangible assets | 16-17-20 | (20.1) | (22.0) |
| Capital grants received | | - | 0.2 |
| Proceeds from disposals of tangible assets | | 6.4 | 1.7 |
| Changes in receivables and payables from investments in fixed assets | | (1.4) | (0.2) |
| Acquisitions and sales of companies or business divisions | 6 | (469.7) | 26.1 |
| Cash and cash equivalents at acquired companies | 6 | 46.9 | - |
| Purchase and sale of brands and rights | | (0.1) | - |
| Put option and earn-out payments | | 0.3 | (0.3) |
| Interest income | | 3.5 | 2.6 |
| Net change in securities | 23 | 41.5 | 1.8 |
| Dividends received | | 0.7 | 0.3 |
| Other changes | | 1.4 | (0.1) |
| **Cash flow from (used in) investing activities** | | **(390.7)** | **10.2** |
| Other new medium- and long-term loans | | - | 40.0 |
| Repayment of Campari America private placement | | (90.1) | - |
| Other repayments of medium- and long-term debt | | (0.8) | (12.4) |
| Net change in short-term payables and bank loans | | (11.3) | 12.5 |
| Interest expenses | | (12.2) | (13.2) |
| Change in other financial payables and receivables | | (2.1) | 2.7 |
| Purchase and sale of own shares | 26 | (4.8) | (48.6) |
| Dividends paid to non-controlling interests | | (0.3) | - |
| Dividends paid out by the Parent Company | 26 | (52.1) | (45.7) |
| **Cash flow from (used in) financing activities** | | **(173.8)** | **(64.7)** |
| Effect of exchange rate differences on net operating working capital | | 12.4 | (27.6) |
| Other exchange rate differences and other changes in shareholders' equity | | (12.2) | 23.3 |
| **Exchange rate differences and other changes in shareholders' equity** | | **0.2** | **(4.3)** |
| **Net change in cash and cash equivalents: increase (decrease)** | | **(336.6)** | **39.2** |
| **Cash and cash equivalents at start of period** | 24 | **844.3** | **230.9** |
| **Cash and cash equivalents at end of period** | 24 | **507.7** | **270.1** |

## Statement of changes in consolidated 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 2015** | | **58.1** | **11.6** | **1,650.7** | **25.1** | **1,745.5** | **0.3** | **1,745.8** |
| Reimbursement of share capital to non-controlling interests | | - | - | 0.3 | - | 0.3 | (0.3) | - |
| Dividend payout to Parent Company shareholders | 26 | - | - | (52.1) | - | (52.1) | - | (52.1) |
| Dividend payout to non-controlling interests | | - | - | (1.3) | - | (1.3) | - | (1.3) |
| Own shares acquired | 26 | - | - | (12.9) | - | (12.9) | - | (12.9) |
| Own shares sold | 26 | - | - | 8.1 | - | 8.1 | - | 8.1 |
| Stock options | 26 | - | - | - | 3.2 | 3.2 | - | 3.2 |
| Other changes | | - | - | (1.1) | - | (1.1) | - | (1.1) |
| Profit for the period | | - | - | 67.2 | - | 67.2 | - | 67.2 |
| Other comprehensive income (expense) | | - | - | (6.2) | (25.1) | (31.2) | - | (31.2) |
| **Total comprehensive income** | | **-** | **-** | **61.0** | **(25.1)** | **35.9** | **-** | **35.9** |
| **Balance at 30 June 2016** | | **58.1** | **11.6** | **1,655.4** | **0.6** | **1,725.7** | **-** | **1,725.7** |

| | 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 2014** | **58.1** | **11.6** | **1,532.5** | **(27.3)** | **1,574.8** | **5.1** | **1,579.9** |
| Reimbursement of share capital to non-controlling interests | - | - | - | - | - | - | - |
| Dividend payout to Parent Company shareholders | - | - | (45.7) | - | (45.7) | - | (45.7) |
| Own shares acquired | - | - | (70.1) | - | (70.1) | - | (70.1) |
| Own shares sold | - | - | 21.5 | - | 21.5 | - | 21.5 |
| Stock options | - | - | 5.8 | (1.0) | 4.7 | - | 4.7 |
| Other changes | - | - | 0.5 | (0.3) | 0.2 | - | 0.2 |
| Profit for the period | - | - | 77.9 | - | 77.9 | 0.3 | 78.3 |
| Other comprehensive income (expense) | - | - | - | 94.8 | 94.8 | - | 94.8 |
| Total comprehensive income | - | - | 77.9 | 94.8 | 172.8 | 0.3 | 173.1 |
| **Balance at 30 June 2015** | **58.1** | **11.6** | **1,522.3** | **66.2** | **1,658.2** | **5.4** | **1,663.6** |

## Notes to the financial statements

### 1. General information

Davide Campari-Milano S.p.A. is a company listed on the Mercato Telematico (screen-based market) of Borsa Italiana, with registered office at Via Franco Sacchetti 20, 20099 Sesto San Giovanni (Milan), Italy.
The publication of this half-year report at 30 June 2016, which was subject to a limited audit, was authorised by the Board of Directors on 2 August 2016.
This report is presented in Euro, the reference currency of the Parent Company and many of its subsidiaries.

### 2. Preparation criteria

These condensed half-year financial statements were prepared in consolidated format pursuant to article 154-*ter* of the Consolidated Law on Finance (TUF) as amended, and were drafted in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and ratified by the European Union.
The term IFRS also includes the International Accounting Standards (IAS) still in force, as well as all interpretation documents issued by the International Financial Reporting Interpretations Committee (IFRIC).
The condensed half-year financial statements were drafted in accordance with IAS 34-Interim Financial Reporting, using the same principles as those applied in the preparation of the consolidated financial statements at 31 December 2015, except for the changes described in Note 3 below, entitled ‘Changes in accounting standards’.
The condensed half-year financial statements do not include all the information and notes required for the consolidated annual financial statements, and as such should be read in conjunction with the consolidated financial statements at 31 December 2015.
Unless otherwise indicated, the amounts shown in the following explanatory notes are expressed in millions of Euro.

#### Form and content

In accordance with the format selected by Gruppo Campari, the income statement is classified by function, and the statement of financial position shows current and non-current assets and liabilities separately.
The management considers that this format provides a more meaningful representation of the items that have contributed to the Group’s results.
In the income statement, have been separately identified income and charges not relevant for the performance assessment such as capital gains/losses on the sale of fixed assets, restructuring and reorganization costs, financial charges and any other non-recurring income/expenses are shown separately; this provides a clearer picture of the company’s operating performance. Those items are also discussed in detail in these notes.
Such disclosure is compliance with the Consob Communication DEM/6064293 of 28 July 2006 and subsequent amendments and integrations (Consob Communication no. 0092543 of December 3, 2015 which incorporates the guidelines ESMA / 2015/1415).
In the first half of 2016, the Group did not carry out any atypical and/or unusual transactions, as defined in the same communication.
The cash flow statement was prepared using the indirect method.
Taxes for the first six months of the year have been accounted for on the basis of the best estimate of the expected tax rate for 2016.
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.

#### Use of estimates

The preparation of the condensed half-year financial statements requires the management to make estimates and assumptions that have an impact on the value of revenues, costs, assets and liabilities 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 write-downs, 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.
However, also pursuant to IAS 36 – Impairment of Assets, some valuation procedures, especially those relating to the more complex valuations, such as the determination of any impairment of non-current assets, are generally carried out only at

the time of preparing the annual financial statements, when all the required information is available, except where there are indications of impairment requiring an immediate assessment.
Similarly, the actuarial valuations required to determine employee benefit funds are normally obtained at the time the annual financial statements are prepared.

## Basis of consolidation

The following changes in the basis of consolidation, resulting from company creations, acquisitions and sales, described in the Report on operations in the section 'Significant events':

- As part of the ongoing streamlining of the Group's structure, Casoni Fabbricazione Liquori S.p.A. and Stepanow S.R.O. were sold on 30 March 2016 and are therefore excluded from the scope of consolidation from the same date.
- In June 2016, the merger of Red Fire Mexico, S. de R.L. de C.V. (non operating company and brand owner) and Campari Mexico S.A. de C.V. was completed;
- On 27 June 2016, the results of the public purchase offer for the Société des Produits Marnier Lapostolle S.A. (SPML), listed on the French stock exchange that thanks to the agreements with members of the controlling family shareholders, has led the Group to holding a controlling interest. At 30 June 2016, the Group owns 69.76% of SPML's capital; considering the agreements for deferred purchases signed with some of the family members, the share held directly by the Group and with them is equal to 97.83%. Moreover, taking into account the obligations under the squeeze-out process, the actual consolidated share from Campari Group at 30 June 2016 is equal to 100% of the SPML capital, see note '6-Business Combinations' for further details.

The table below lists the companies included in the basis of consolidation at 30 June 2016.

| Name, activity | Head office | Share capital at 30 June 2016 | | | % owned by Parent Company | | |
|---|---|---|---|---|---|---|---|
| | | Currency | Amount | | 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 | | |
| **Campari Services S.r.l.**, services company | Via Franco Sacchetti, 20 Sesto San Giovanni | € | 160,000 | | 100.00 | | |
| **Sella & Mosca S.p.A.**, manufacturing, trading and holding company | Località I Piani, Alghero | € | 6,180,000 | | 100.00 | | |
| **Campari Wines S.r.l.**, trading company | Località I Piani, Alghero | € | 100,000 | | 100.00 | | |
| **Zedda Piras S.r.l.**, manufacturing company | Località I Piani, Alghero | € | 90,440 | | 100.00 | | |
| **Teruzzi & Puthod S.r.l.**, manufacturing company | Località Casale 19, San Gimignano | € | 90,440 | | 100.00 | | |
| **Fratelli Averna S.p.A.**, manufacturing and trading company | Via Xiboli, 345, Caltanisetta | € | 3,900,000 | | 100.00 | | |
| ***Europe*** | | | | | | | |
| **Campari Austria GmbH,** trading company | Naglergasse 1/Top 13 A, Vienna | € | 500,000 | | | 100.00 | DI.CI.E. Holding B.V. |
| **Campari Benelux S.A.**, finance and trading company | Avenue de la Méterologie, 10, Brussels | € | 246,926,407 | | 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, Barcelona | € | 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, 5th 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 | DI.CI.E. Holding B.V. |
| **Grand Marques Nederland B.V.,** financial company (trading) | 91, Boulevard Haussmann, Paris | € | 189,000 | | | 85.71 | Société des Produits Marnier Lapostolle S.A. |
| **J. Wray & Nephew (UK) Ltd.**, trading company | 82, St. John Street, London | GBP | 10,000 | (1) | | 100.00 | Glen Grant Ltd. |
| **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.(75%), O. DODECA (25%) |
| **Marnier Investissement S.A.,** holding company | 12. Av. Rosemont, Geneva | CHF | 37,900,000 | | | 99.78 | Société des Produits Marnier Lapostolle S.A. |
| **Marnier Management S.A.,** financial and trading company | 12. Av. Rosemont, Geneva | CHF | 100,000 | (1) | | 100.00 | Marnier Investissement |

| Name, activity | Head office | Share capital at 30 June 2016 | | % owned by Parent Company | | |
|---|---|---|---|---|---|---|
| | | Currency | Amount | Direct | Indirect | Direct shareholder |
| **O. DODECA N.V.**, holding company | Luna Arena, Herikerbergweg 238, Zuidoost, Amsterdam | € | 2,000,000 | | 100.00 | DI.CI.E. Holding B.V. |
| **SCI DU VAL,** property company | 91, Boulevard Haussmann, Paris | € | 16,769,392 | | 100.00 | Société des Produits Marnier Lapostolle S.A. |
| **Société des Produits Marnier Lapostolle S.A.,** holding and manufacturing company | 91, Boulevard Haussmann, Paris | € | 85,000,000 | 69.76 | | |
| **TJ Carolan & Son Ltd.**, trading company | Ormond Building, Suite 1,05, 31-36 Upper Ormond Quay, Dublin | € | 2,600 | 100.00 | | |
| ***Americas*** | | | | | | |
| **Campari America LLC**, manufacturing and trading company | 1255 Battery Street, Suite 500, San Francisco | USD | 566,321,274 | 100.00 | | |
| **Campari Argentina S.A.**, manufacturing and trading company | Olga Cossettini, 243 Piso 3, Puerto Madeo, CABA | ARS | 344,528,430 | | 100.00 | DI.CI.E. Holding B.V. (98.02%), Campari do Brasil Ltda. (1.98%) |
| **Campari do Brasil Ltda.,** manufacturing and trading company | Alameda Rio Negro 585, Edificio Demini, Conjunto 62, Alphaville-Barueri-SP | BRL | 239,778,071 | 100.00 | | |
| **Campari Mexico S.A. de C.V.**, manufacturing and trading company | Avenida Americas 1592 3er Piso ol. Country Club, Guadalajara, Jalisco | MXN | 820,187,150 | | 100.00 | DI.CI.E. Holding B.V. |
| **Campari Peru SAC**, trading company | Avenida Santo Toribio 115, Edificio Tempus, Piso 5, San Isidro, Lima | PEN | 2,907,752 | | 100.00 | Campari Espãna S.L. (99,00%), Campari do Brasil Ltda. (1.00%) |
| **Forty Creek Distillery Ltd.**, manufacturing and trading company | 297 South Service Road West, Grimsby | CAD | 100 | | 100.00 | DI.CI.E. Holding B.V. |
| **Gregson's S.A.** (in liquidation) | Andes 1365, Piso 14, Montevideo | UYU | 0 (1) | | 100.00 | Campari do Brasil Ltda. |
| **J. Wray & Nephew Ltd.**, manufacturing and trading company | 234, Spanish Town Road, Kingston | JMD | 600,000 | | 100.00 | Campari Espãna S.L. |
| **Lapostolle S.A.,** manufacturing company | Alonso de Cordova, 3287, Vitacure, Santiago | CLP | 18,530,210,085 | | 100.00 | Marnier Chile S.A (99.45%), Marnier Investissement (0.55%) |
| **Marnier Investissement S.A.,** holding company | Alonso de Cordova, 3287, Vitacure, Santiago | CLP | 26,117,822,494 | | 100.00 | Marnier Investissement S.A. |
| **Marnier Lapostolle Chile S.p.A.,** trading company | Alonso de Cordova, 3287, Vitacure, Santiago | CLP | 1,000,000 | | 100.00 | Marnier Chile S.A |
| **Marnier Lapostolle Chile S.p.A.,** trading company | 183, Madison Avenue, New York | USD | 500,000 | | 97.00 | Société des Produits Marnier Lapostolle S.A. |
| **Marnier Lapostolle Chile S.p.A.,** property company | Alonso de Cordova, 3287, Vitacure, Santiago | CLP | 1,000,000 | | 100.00 | Marnier Chile S.A |
| **Perigee Spirits S.A.,** manufacturing company | Alonso de Cordova, 3287, Vitacure, Santiago | CLP | 4,491,754,795 | | 100.00 | Marnier Chile S.A |
| ***Other*** | | | | | | |
| **Campari (Beijing) Trading Co. Ltd.**, trading company | Xingfu Dasha Building, Block B, Room 511, 3 Dongsanhuan BeiLu, Chaoyang District, Beijing | RMB | 65,300,430 | | 100.00 | DI.CI.E. Holding B.V. |
| **Campari Australia Pty Ltd.**, manufacturing and trading company | Level 10, Tower B, 207 Pacific Highway, St Leonards, Sydney | AUD | 21,500,000 | | 100.00 | DI.CI.E. Holding B.V. |
| **Campari India Private Ltd.,** services company | 311B, DLF South Court, Saket, New Delhi | INR | 100,000 | | 100.00 | DI.CI.E. Holding B.V. |
| **Campari Japan Ltd.**, trading company | 6-17-15, Jingumae Shibuya-ku, Tokyo | JPY | 3,000,000 | | 100.00 | DI.CI.E. Holding B.V. |
| **Campari New Zealand Ltd.**, trading company | c/o KPMG 18, Viaduct Harbour Av., Maritime Suar | NZD | 10,000 | | 100.00 | Campari Australia Pty Ltd. |
| **Campari Singapore Pte Ltd.**, trading company | 16 Raffles Quay # 10-00, Hong Leong Building, Singapore | SGD | 100,000 | | 100.00 | Campari Australia Pty Ltd. |
| **Campari South Africa Pty Ltd.**, trading company | 12th Floor, Cliffe Deker Hofmeyr 11 Buitengracht street, Cape Town | ZAR | 5,747,750 | | 100.00 | DI.CI.E. Holding B.V. |

(1) company in liquidation.

***Exchange rates used to convert financial statements in foreign currency***

The exchange rates used for conversion transactions are shown below.

| | 30 June 2016 | | 31 December 2015 | | 30 June 2015 | |
|---|---|---|---|---|---|---|
| | average rate | end-of-period rate | average rate | end-of-period rate | average rate | end-of-period rate |
| Australian Dollar | 1.522 | 1.493 | 1.476 | 1.490 | 1.426 | 1.455 |
| Canadian Dollar | 1.486 | 1.438 | 1.418 | 1.512 | 1.377 | 1.384 |
| Singapore Dollar | 1.540 | 1.496 | 1.525 | 1.542 | 1.506 | 1.507 |
| Jamaican Dollar | 136.743 | 140.113 | 129.757 | 130.618 | 128.749 | 130,511 |
| New Zealand Dollar | 1.649 | 1.562 | 1.591 | 1.592 | 1.506 | 1.655 |
| US Dollar | 1.116 | 1.110 | 1.110 | 1.089 | 1.116 | 1.119 |
| Swiss Franc | 1.096 | 1.087 | 1.067 | 1.084 | 1.056 | 1.041 |
| Ukrainian Hryvnia | 28.418 | 27.564 | 24.292 | 26.159 | 23.902 | 23.541 |
| Peruvian Sol | 3.775 | 3.654 | 3.531 | 3.708 | 3.458 | 3.553 |
| Argentine Peso | 15.990 | 16.580 | 10.256 | 14.097 | 9.839 | 10.165 |
| Chilean Peso | 735.500 | 735.500 | - | - | - | - |
| Mexican Peso | 20.170 | 20.635 | 17.598 | 18.915 | 16.883 | 17.533 |
| South African Rand | 17.210 | 16.446 | 14.153 | 16.953 | 13.297 | 13.642 |
| Brazilian Real | 4.134 | 3.590 | 3.691 | 4.312 | 3.307 | 3.470 |
| Chinese Renminbi | 7.295 | 7.376 | 6.973 | 7.061 | 6.941 | 6.937 |
| Russian Rouble | 78.436 | 71.520 | 68.020 | 80.674 | 64.625 | 62.355 |
| UK Pound | 0.779 | 0.827 | 0.726 | 0.734 | 0.732 | 0.711 |
| Japanese Yen | 124.478 | 114.050 | 134.269 | 131.070 | 134.139 | 137.010 |

## 3. Changes in accounting standards

The accounting standards adopted by the Group are the same as those applied to the annual financial statements at 31 December 2015, with the exception of those set out below.

**a. Accounting standards, amendments and interpretations applied/not applied since 1 January 2016**

IAS 16-IAS 38 – Clarification of Acceptable Methods of Depreciation

The amendment was issued in May 2014 to clarify that depreciation calculated according to the revenue-based method is not considered appropriate as it reflects only the revenue generated by the asset and not the consumption of the expected future economic benefits embodied in the asset. This amendment did not affect the Company's financial position or profitability.

IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations

The amendment was issued in May 2014 to clarify the accounting treatment for the acquisition of interests in a joint operation that constitutes a business. The amendment stipulates that the IFRS 3 standard relating to business combinations must be applied. Specifically, at the time of acquisition of a joint operation, an investor will need to measure the acquired assets and liabilities at fair value, determine the acquisition-related costs, define the deferred tax effects arising from the allocation of the price paid on the values acquired, and identify the residual element after exercising the purchase price allocation as goodwill. This amendment did not affect the Company's financial position or profitability.

IAS 16-IAS 41 – Amendments to the standard applicable to assets represented by bearer plants

The amendment, published in June 2014, changes the measurement method for assets represented by bearer plants, such as grapevines, rubber trees and oil palms. The amendment applies the same accounting method used for property, plant and equipment, and therefore abandons the fair value model pursuant to IAS 41 originally applied to all biological assets. Bearer plants are accounted for in the same way as other productive assets or plant. This amendment did not affect significantly the Company's financial position or profitability, as illustrated in note 17-'Biological assets'.

IAS 1 – Clarifications on Disclosure

The amendment, published in December 2014, introduces a series of clarifications on the concepts of materiality and aggregation, ways to present partial results in addition to those provided for by IAS 1, the structure of the notes, and disclosure regarding significant accounting policies. This amendment did not affect the Company's financial position or profitability.

IFRS 10-IAS 28 – Sales or contributions of assets between an investor and its associate/joint venture (applicable from 1 January 2016)

The amendment, published in September 2014, is intended to resolve a conflict between the requirements of IFRS 10 and IAS 28 in the event that an investor sells or contributes a business to an associate or joint venture. The main change introduced by the amendment is that the gain or loss resulting from the loss of control must be recognised in full at the time of the sale or contribution of the business. A partial gain or loss is only recorded in the event of a sale or contribution involving individual assets only. The amendment is not applicable to the Group.

IFRS 10-12-IAS 28 – Investment Entities: Applying the Consolidation Exception (applicable from 1 January 2016)
The amendment, published in December 2014, provides that entities meeting the definition of 'investment entity' established by the standard are exempt from presenting consolidated financial statements, and should rather measure subsidiaries at fair value as provided for in IFRS 9. The amendment is not applicable to the Group.

IFRS 14 – Regulatory Deferral Accounts (applicable from 1 January 2016)
Under the new standard, only first-time adopters of IFRS are allowed to continue to recognise amounts relating to the rate regulation according to the previous accounting principles adopted. In order to improve comparability with entities that already apply IFRS and hence do not recognise such amounts, the standard requires the rate regulation effect to be presented separately from the other items. The new standard is not applicable to the consolidated financial statements.

**b. Accounting standards, amendments and interpretations that have not been adopted in advance**

**Accounting standards, amendments and interpretations that have not yet been harmonised**
IFRS 16 – Leases (applicable from 1 January 2019 with the option for early application)
On 13 January 2016, the IASB published the new accounting standard IFRS 16 - Leases. The new standard replaces IAS 17 and provides methods of accounting presentation that more appropriately reflect the type of leases in the balance sheet. The new IFRS 16 is applicable from 1 January 2019, but early adoption is permitted for companies that also apply IFRS 15 – Revenues from Contracts with Customers. The Group is still assessing the impact of adopting the new standard on its financial position and profitability.

IAS 12 – Leases (applicable from 1 January 2017 with the option for early application)
On 19 January 2016, the IASB published some amendments to IAS 12. These amendments are intended to clarify how to account for deferred financial assets relating to debt instruments measured at fair value. The Group is still assessing the impact of adopting the new standard on its financial position and profitability.

IFRS 9 – Financial Instruments (applicable from 1 January 2018)
The new document represents the first part of the process intended to wholly replace IAS 39. IFRS 9 introduces new criteria for the classification and measurement of financial assets and liabilities and for the derecognition of financial assets. Specifically, the recognition and measurement criteria for financial assets and their related classification in the financial statements have been modified. The new provisions establish a classification and measurement model for financial assets, based exclusively on the following categories: assets measured at amortised cost or assets measured at fair value. The new provisions also establish that investments other than those in subsidiaries, associates and joint ventures are measured at fair value and recognised in the income statement. Where such investments are not held for trading purposes, changes to fair value may be reported in the statement of comprehensive income, with only the effects of paying out dividends recognised in profit or loss. When the investment is sold, the amounts recorded in the statement of comprehensive income should not be recognised in profit or loss. On 28 October 2010, the IASB included in the provisions of IFRS 9 the recognition and measurement criteria for financial liabilities. Specifically, the new provisions require that, when a financial liability is measured at fair value and recognised in profit or loss, changes in fair value relating to changes in the issuer's own credit risk are recorded in the statement of comprehensive income; this component is allocated directly to the income statement to ensure symmetry with other accounting items related to the liability, avoiding an accounting mismatch.
In addition, an amendment was published in November 2013 which introduced three important changes. The most important change relates to hedge accounting, and introduces a new model that incorporates a number of improvements intended to harmonise accounting treatment with the risk management policy operated by the company. The other two changes relate to the period of first-time application of the standard, giving companies the option to adopt the standard immediately and directly record the effects of changes in own credit risk on the statement of comprehensive income. The Group is still assessing the potential impact of the new standard and related amendment on its financial assets and liabilities.

IFRS 15 – Revenue from Contracts with Customers (applicable from 1 January 2018)
The aim of the new standard is to improve the quality and uniformity of revenue recognition and of 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 assets-liabilities method, which focuses on the date that control of the sold asset was transferred. The Group is still assessing the impact of adopting the new standard on its consolidated financial position and profitability.

## 4. Seasonal factors

Sales of some Gruppo Campari products are more affected than others by seasonal factors, because of different consumption patterns or consumer habits.
In particular, soft drink consumption tends to be concentrated in the hottest months of the year (May-September), and summer temperature variations from one year to the next may have a significant effect on comparative sales figures.
For other products, such as sparkling wines, sales in some countries are concentrated in certain periods of the year, mainly around Christmas.
While external factors do not affect sales of these products, the commercial risk for the Group is higher, since the full-year sales result is determined in just two months.
In general, the Group’s diversified product portfolio, which includes spirits, soft drinks and wines, and the geographical spread of its sales help to substantially reduce any risks relating to seasonal factors.

## 5. Default risk: negative pledges and debt covenants

The agreements relating to Parent Company bond issues, the Parent Company’s revolving credit facility and the Campari America private placement include negative pledges and covenants. If the Group does not comply with the clauses described below, after an observation period in which a breach has not been rectified, it may be served with notice to repay the residual debt. The ratios are monitored by the Group at the end of each quarter.

The negative pledge clauses are intended to limit the Group’s ability to grant significant rights over the Group’s assets to third parties, in particular by establishing specific restrictions on selling or pledging assets.
The covenants include the Group’s obligation to maintain particular levels for certain financial indicators, most notably the ratio of net debt to EBITDA. Net debt is the Group’s net financial position calculated at average exchange rates for the previous 12 months; EBITDA is the Group’s operating result before depreciation, amortisation and non-controlling interests, pro-rated to take account of acquisitions in the past 12 months. At 30 June 2016, this multiple was 3.2 (2.4 and 2.2 respectively at 31 March 2016 and 31 December 2015).

## 6. Business combinations (acquisitions)

As fully detailed in the 'Significant events during the period' section, on 29 June 2016, Gruppo Campari completed the acquisition of Société des Produits Marnier Lapostolle S.A.

The financial impact of the acquisition on the Group's financial position at 30 June 2016, net of the sales of non-core businesses, is shown below.

| | SPML Group<br>€ million | Non-core business of Casoni Fabbricazione Liquori S.p.A.<br>€ million | Total for statement of cash flows<br>€ million |
|---|---|---|---|
| **Acquisitions and sales of companies or business divisions** | **(472.7)** | **3.0** | **(469.7)** |
| **Cash and cash equivalents acquired** | **47.8** | **(0.9)** | **46.9** |
| Current financial receivables | 3.5 | | 3.5 |
| Non-current financial receivables | 5.8 | | 5.8 |
| Financial debt acquired | (22.1) | 2.4 | (19.7) |
| **Total net financial assets acquired or sold** | **35.0** | **1.5** | **36.4** |
| **Net impact on cash and cash equivalents** | **(424.9)** | **2.0** | **(422.8)** |
| **Payables arising from future purchase commitments** | **(210.2)** | **0.0** | **(210.2)** |
| **Net effect on net financial position** | **(648.0)** | **4.4** | **(643.5)** |

We set out below the relevant information to aid understanding of the income statement and balance sheet values relating to the acquisition of Société des Produits Marnier Lapostolle S.A., included in the Group's consolidated financial statements at 30 June 2016.

**Cost of the transaction**

The total cost was € 682.9 million (not including the net financial position acquired), and comprised the following:

- the price paid in March and June 2016 totalled € 472.7 million;
- the Group recorded payables arising from the purchase and sale commitments with the previous majority shareholders of SPML and for the completion of the squeeze-out operations, totalling € 210.2 million, which are shown under the Group's other financial payables.

A breakdown of the costs of the transaction is given below.

| | Purchase of initial shares (15 March 2016) | Public purchase offer (27 June 2016) | Subsequent purchases at 30 June 2016 | Total |
|---|---|---|---|---|
| | € million | € million | € million | € million |
| **Payment on closing date of phases of the transaction** | 125.5 | 347.2 | | 472.7 |
| Purchase of shares from members of the family that was the former controlling shareholder of SPML | | | 6.4 | 6.4 |
| Residual squeeze-out shares on the market | | | 10.7 | 10.7 |
| Commitments to purchase the family's ex SPML majority shareholders remaining shares by 2021 | | | 193.1 | 193.1 |
| **Total price of company acquisitions** | **125.5** | **347.2** | **210.2** | **682.9** |
| Cash, cash equivalents and financial assets at 30 June 2016 | | | | 57.1 |
| Other financial liabilities at 30 June 2016 | | | | (21.1) |
| **Net cash and cash equivalents acquired** | **-** | **-** | **-** | **35.0** |
| **Total cost of the acquisition** | **125.5** | **347.2** | **210.2** | **648.0** |

The ancillary costs attributable to the acquisition amounted to € 8.6 million and were classified in the half-year income statement under non-recurring financial costs and overheads for the period (€ 8.0 million and € 0.6 million at 30 June 2016 respectively).

**Basis of consolidation**

SPML is the parent company of the Marnier Lapostolle Group and, at 30 June 2016, directly or indirectly controlled 11 companies based mainly in France, the US and Chile.

Since the acquisition was finalised on 29 June 2016, for the purposes of consolidating the financial statements, the acquired group was only incorporated to show the consolidated income and asset position, which at 30 June 2016 included the assets and liabilities acquired at the closing date. These assets and liabilities were incorporated in the Group's consolidated statement of financial position based on their fair value, as provisionally estimated at the closing date. These values did not change significantly between the closing date (29 June 2016) and 30 June 2016.

The Group's consolidated portion equates to 100% of the acquired group, due to the recording of financial payables relating to deferred purchase agreements signed with some family members and the squeeze-out right to the remaining shares held by non-controlling interests that did not subscribe to the public purchase offer.

The economic effects of the acquisition were not considered at 30 June 2016, as they were not significant, except for the ancillary costs attributable to the transaction, which were recorded by the Parent Company.

**Provisional purchase price allocation**

The provisional purchase price allocation at the fair values of the assets acquired is shown below.

It should be emphasised that this allocation is provisional. Once further information on facts and events existing at the closing date is obtained, recognised and restated, the estimates made at the date of this report will be updated. This analysis will be carried out, in part, with the assistance of an independent expert within 12 months of the closing date.

Goodwill was deemed to be fully reportable due to the synergies expected to be generated by integrating these brands into the Group’s commercial structure. This tax treatment of the goodwill is under analysis based on the relevant 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.

| | Book values at acquisition date € million | adjustments and reclassifications € million | Provisional fair values at 30 June 2016 € million |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Net tangible assets | 48.9 | 9.9 | 58.9 |
| Biological assets | 4.7 | - | 4.7 |
| Investment property | 6.3 | 114.9 | 121.1 |
| Brands | - | 256.0 | 256.0 |
| Intangible assets with a finite life | 0.6 | - | 0.6 |
| Equity investments in other companies | 0.2 | - | 0.2 |
| Deferred tax assets | 11.4 | 5.9 | 17.4 |
| Other non-current financial assets | 5.8 | - | 5.8 |
| **Total non-current assets** | **78.1** | **386.7** | **464.8** |
| **Current assets** | | | |
| Inventories | 70.3 | - | 70.3 |
| Trade receivables | 23.0 | - | 23.0 |
| Short-term financial receivables | 3.5 | - | 3.5 |
| Cash and cash equivalents | 47.8 | - | 47.8 |
| Current tax receivables | 2.9 | - | 2.9 |
| Other receivables | 18.8 | - | 18.8 |
| **Total current assets** | **166.1** | **-** | **166.1** |
| **Total assets** | **244.2** | **386.7** | **630.9** |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Defined benefit plans | 36.5 | 2.8 | 39.3 |
| Provisions for risks and charges | 1.0 | 31.0 | 32.0 |
| Deferred tax liabilities | 3.9 | 126.8 | 130.7 |
| **Total non-current liabilities** | **41.5** | **160.6** | **202.1** |
| **Current liabilities** | | | |
| Current payables to banks | 20.8 | - | 20.8 |
| Other financial liabilities | 1.3 | - | 1.3 |
| Trade payables | 15.8 | - | 15.8 |
| Current payables to tax authorities | 1.8 | - | 1.8 |
| Other current liabilities | 6.9 | - | 6.9 |
| **Total current liabilities** | **46.6** | **-** | **46.6** |
| **Total liabilities** | **88.1** | **160.6** | **248.7** |
| **Net assets acquired** | 156.1 | 226.1 | 382.2 |
| **Goodwill generated by acquisition** | | 300.7 | 300.7 |
| **Total cost, of which:** | | | **682.9** |
| *Price paid in cash, excluding ancillary costs* | - | | 472.7 |
| *Payables for squeeze-out* | - | | 17.1 |
| *Payables for the exercise of future purchase rights* | - | | 193.1 |
| **Net cash position acquired, of which:** | **35.0** | | **35.0** |
| *- Cash, cash equivalents and financial assets* | 57.1 | | 57.1 |
| *- Financial debt acquired* | (22.1) | - | (22.1) |

If the business had been consolidated from the start of the half year, the effect on net sales and EBITDA for the period would have been around € 56.0 million and € 15.0 million respectively (whithout including the impact of the distributor's profit margin).

## 7. Operating segments

The Group's management analysis is mainly based on geographical regions; the four regions identified as operating segments, for which profitability is analysed, are: Americas; Southern Europe, Middle East and Africa; Northern, Central and Eastern Europe; and Asia-Pacific.

Profitability is analysed at the level of profit/loss before recurring activities, equivalent to the operating result before non-recurring income and charges.
In addition, the profitability of each region reflects the profit generated by the Group through sales to third parties in that region, thereby neutralising the effects of inter-company margins.

| First half 2016 | Americas € million | Southern Europe, Middle East and Africa € million | Northern, Central and Eastern Europe € million | Asia-Pacific € million | Total allocated € million | Non-allocated items and adjustments € million | Consolidated € million |
|---|---|---|---|---|---|---|---|
| Net sales to third parties | 297.7 | 258.7 | 139.5 | 48.0 | 743.9 | - | 743.9 |
| Net sales between segments | 18.0 | 77.3 | 21.6 | 0.1 | 116.9 | (116.9) | - |
| **Total net sales** | **315.7** | **336.0** | **161.0** | **48.1** | **860.8** | **(116.9)** | **743.9** |
| **Segment result** | **51.9** | **57.9** | **33.3** | **3.3** | **146.4** | **-** | **146.4** |
| Adjustments to operating income (charges) [1] | | | | | | (14.5) | (14.5) |
| **Operating result** | | | | | | | **131.9** |
| Financial income (charges) | | | | | | (29.4) | (29.4) |
| Taxes | | | | | | (35.3) | (35.3) |
| **Group profit for the period** | | | | | | | **67.2** |

[1] For information on the definition of alternative performance indicators, see the prevous section of this half-year report on operations ('Alternative performance indicators').

| First half 2015 | Americas € million | Southern Europe, Middle East and Africa € million | Northern, Central and Eastern Europe € million | Asia-Pacific € million | Total allocated € million | Non-allocated items and adjustments € million | Consolidated € million |
|---|---|---|---|---|---|---|---|
| Net sales to third parties | 323.6 | 257.2 | 127.8 | 49.3 | 757.9 | - | 757.9 |
| Net sales between segments | 19.0 | 73.6 | 23.6 | 0.2 | 116.4 | (116.4) | - |
| **Total net sales** | **342.5** | **330.8** | **151.4** | **49.5** | **874.2** | **(116.4)** | **757.9** |
| **Segment result** | **54.3** | **55.3** | **24.7** | **4.4** | **138.7** | **-** | **138.7** |
| Adjustments to operating income (charges) [1] | | | | | | 2.9 | 2.9 |
| **Operating result** | | | | | | | **141.6** |
| Financial income (charges) | | | | | | (28.2) | (28.2) |
| Taxes | | | | | | (35.0) | (35.0) |
| Non-controlling interests | | | | | | (0.3) | (0.3) |
| **Group profit for the period** | | | | | | - | **77.9** |

[1] For information on the definition of alternative performance indicators, see the previuos section of this half-year report on operations ('Alternative performance indicators').

## 8. Net sales

| | First half 2016 € million | First half 2015 € million |
|---|---|---|
| Sale of goods | 735.0 | 749.7 |
| Provision of services | 8.9 | 8.2 |
| **Total net sales** | **743.9** | **757.9** |

For more detailed analysis of net sales, please refer to the information in the report on operations in the 'Sales performance' section. The provision of services relates to bottling the products of third parties.

## 9. Cost of goods sold

A breakdown of the cost of goods sold is shown by function and by nature in the table below.

| | First half 2016 € million | First half 2015 € million |
|---|---|---|
| Materials and manufacturing costs | 281.9 | 304.6 |
| Distribution costs | 36.0 | 41.1 |
| **Total cost of goods sold** | **317.9** | **345.7** |
| Raw materials and finished goods acquired from third parties | 198.7 | 214.6 |
| Inventory write-downs | 1.3 | 2.7 |
| Personnel costs | 36.3 | 37.7 |
| Depreciation/amortisation [*] | 18.3 | 16.3 |
| Utilities | 6.4 | 8.1 |
| External production and maintenance costs | 18.9 | 22.8 |
| Variable transport costs | 25.0 | 28.3 |
| Other costs | 12.9 | 15.3 |
| **Total cost of goods sold** | **317.9** | **345.7** |

[*] Depreciation and amortisation is net of € 0.9 million (€ 1.9 million in the first half of 2015) pending for final stocks of maturing inventory.

The decrease in the cost of goods sold is commented upon in the report on operations, where the change in the percentage of net sales accounted for by these costs is analysed.

Depreciation and amortisation included in the cost of goods sold is reported net of € 0.9 million (€ 1.9 million in the first half of 2015) for depreciation of the tangible assets of the Campari America distillery that was entirely pending on stock during the six-month period, since the liquid produced undergoes a maturing process; on average, the product is matured for between five and seven years. For a breakdown of personnel costs, see note 12 - 'Personnel costs'.

## 10. Overheads

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

| | First half 2016<br>€ million | First half 2015<br>€ million |
|---|---|---|
| Sales costs | 67.3 | 67.3 |
| General and administrative expenses | 98.4 | 78.4 |
| **Total overheads** | **165.7** | **145.7** |
| Agents and other variable sales costs | 9.1 | 9.0 |
| Depreciation/amortisation | 6.9 | 6.5 |
| Personnel costs | 87.0 | 84.1 |
| Travel, business trips, training and meetings | 12.5 | 12.3 |
| Utilities | 0.7 | 0.7 |
| Services, maintenance and insurance | 20.2 | 20.6 |
| Operating leases and rental expenses | 5.6 | 5.9 |
| Other | 9.2 | 9.6 |
| Adjustments to operating income (charges) [1] | 14.5 | (2.9) |
| **Total overheads** | **165.7** | **145.7** |

[1] For information on the definition of alternative performance indicators, see the next section of this half-year report on operations ('Alternative performance indicators').

The increase in overheads, before adjustments to operating income (charges), is due mainly to an increase in personnel costs. For a breakdown of personnel costs, see note 12 - 'Personnel costs'.
A breakdown of adjustments to operating income (charges) is provided in the next section.

## 11. Adjustments to operating income (charges) [1]

The operating result for the period was affected by the following transactions or events.

| | First half 2016<br>€ million | First half 2015<br>€ million |
|---|---|---|
| Capital gains from the sale of buildings | 0.7 | - |
| Other capital gains on the sale of tangible assets | 0.2 | - |
| Capital gains on the sale of intangible assets | - | 5.5 |
| Other income | 1.7 | 0.1 |
| **Total income adjustment items** | **2.6** | **5.6** |
| Capital losses on sale of businesses | (2.9) | - |
| Write-downs of tangible assets | (0.2) | (0.2) |
| Accruals to provisions for staff restructuring | (1.6) | (0.4) |
| Personnel restructuring costs | (4.0) | (1.8) |
| Acquisition costs | (8.0) | - |
| Other expense | (0.5) | (0.3) |
| **Total expense adjustment items** | **(17.1)** | **(2.8)** |

The positive adjustment items for the period included total income of € 2.6 million, of which € 0.7 million was due to the sale of fixed assets and € 1.3 million to the accounting effect of provisions made in previous years and released in the current year.

The negative adjustment items included € 8.0 million in consultancy costs for the SPML acquisition and € 2.9 million following the sale of the non-strategic business belonging to Casoni Fabbricazione Liquori S.p.A. Lastly, restructuring costs were € 5.6 million, of which € 1.6 million was allocated to provisions for risks and charges, due to the reorganisations under way in Group companies.

[1] For information on the definition of alternative performance indicators, see the next section of this half-year report on operations ('Alternative performance indicators').

## 12. Personnel costs

| | First half 2016 € million | First half 2015 € million |
|---|---|---|
| Salaries and wages | 93.4 | 93.9 |
| Social security contributions | 21.6 | 20.1 |
| Cost of defined contribution plans | 3.4 | 3.2 |
| Cost of defined benefit plans | 0.2 | 0.2 |
| Other costs relating to long-term benefits | 2.1 | 0.1 |
| Cost of share-based payments | 3.2 | 4.8 |
| **Total personnel costs** | **123.9** | **122.3** |
| of which: | | |
| Included in cost of goods sold | 36.3 | 37.7 |
| Included in overheads: | 87.0 | 84.1 |
| Included in advertising and promotional expenses: | 0.6 | 0.5 |
| **Total** | **123.9** | **122.3** |

The allocation of personnel costs to the cost of goods sold and overheads was explained in the two previous notes. Personnel costs increased by 1.3% compared with the first half of 2015, mainly due to the issue of medium- to long-term incentive-based plans.

## 13. Financial income and charges

Net financial charges for the period break down as follows.

| | First half 2016 € million | First half 2015 € million |
|---|---|---|
| Bank and term deposit interest | 3.5 | 2.6 |
| Dividends from third parties | 0.7 | 0.3 |
| Other income | 0.1 | 2.4 |
| Income from financial assets | 5.2 | - |
| **Total financial income** | **9.4** | **5.3** |
| Net interest payable on bonds and private placements | (36.0) | (28.8) |
| Interest payable to banks | (2.0) | (2.3) |
| **Total interest payable** | **(37.9)** | **(31.2)** |
| Bank charges | (1.7) | (1.0) |
| Other charges and exchange rate differences | 1.4 | (1.1) |
| Financial charges relating to tax inspections | 0.0 | (0.2) |
| Acquisition costs | (0.6) | - |
| **Total financial charges** | **(1.0)** | **(2.4)** |
| **Net financial income (charges)** | **(29.4)** | **(28.3)** |

Net financial charges, which included the effects of exchange rate differences, stood at € 29.4 million, in line with the previous year's figure of € 28.3 million. The average cost of debt, excluding the effects of exchange rate differences, non-recurring financial components and financial ancillary costs relating to the SPML acquisition, was 6.8%, in line with the average cost in the first half of 2015 (6.0%). It still included the effects of a significant negative carry on interest generated by cash and cash equivalents, compared with interest paid on medium- and long-term debt.

Financial income for the period included non-recurring income from the sale of financial assets following the closure of pension plans in Jamaica, which had been classified as available for sale at 31 December 2015, totalling € 5.2 million. Financial charges included ancillary costs relating to the SPML acquisition of € 0.6 million.

## 14. Income and charges relating to put options and earn-outs

The charges reported at 30 June 2016 were due to an update of the estimate of the earn-outs relating to the acquisition of Sagatiba.

## 15. Income taxes

Taxes are calculated based on existing regulations, applying the tax rates in force in each country.
Deferred tax income and expense is calculated each year based on the rates in force at the time the temporary differences are reversed; appropriate adjustments are made if the rate is different 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 comprehensive income or expense 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.

| | 2016 | 2015 |
|---|---|---|
| | € million | € million |
| - Current taxes for the period | (26.8) | (27.1) |
| - Taxes relating to previous years and tax rate changes | (1.0) | 0.1 |
| - Deferred tax liabilities | (7.5) | (8.0) |
| **Taxes recorded in the income statement** | **(35.3)** | **(35.0)** |
| **Taxes recorded in the statement of comprehensive income** | **(0.3)** | **(1.1)** |

A breakdown of deferred tax assets and liabilities is shown in the table below.

| | 30 June 2016 | *Of which perimeter effect* | 31 December 2015 |
|---|---|---|---|
| | € million | € million | € million |
| Deferred tax assets | 34.0 | *17.4* | 23.9 |
| Deferred tax liabilities | 430.6 | *130.7* | 291.1 |
| **Net deferred tax** | **396.6** | ***113.3*** | **267.2** |

## 16. Net tangible assets

Changes in this item are shown in the table below.

| | Land and buildings | Plant and machinery | Other | Total |
|---|---|---|---|---|
| | € million | € million | € million | € million |
| Carrying amount at start of period | 318.0 | 374.0 | 146.8 | 838.8 |
| Accumulated amortisation at start of period | (91.1) | (231.5) | (72.1) | (394.7) |
| **Balance at 31 December 2015** | **226.9** | **142.5** | **74.8** | **444.1** |
| Perimeter effect for acquisitions | 48.6 | 6.5 | 3.8 | 58.9 |
| Investments | 1.3 | 2.7 | 12.1 | 16.1 |
| Disposals | - | (0.1) | (2.3) | (2.4) |
| Depreciation and amortisation(*) | (4.6) | (9.8) | (5.6) | (20.0) |
| Exchange rate differences and other changes | 2.2 | (7.2) | (3.4) | (8.5) |
| **Balance at 30 June 2016** | **274.4** | **134.5** | **79.3** | **488.2** |
| Carrying amount at end of period | 391.4 | 389.5 | 174.6 | 955.5 |
| Accumulated amortisation at end of period | (117.0) | (254.9) | (95.3) | (467.2) |

(*) Depreciation and amortisation is net of € 0.9 million pending for final stocks of maturing inventory.

The change in the basis of consolidation (€ 58.9 million) relates to the assets arising from the acquisition of SPML, which are mainly located in France and Chile.

The investment of € 16.1 million made in the period relates to the following new projects and the completion of some that were started in previous years:

- in Jamaica, the refurbishment of premises, production facilities and the head office in Kingston, totalling € 1.3 million;
- in Italy, activities relating to the central herbs warehouse at the Novi Ligure plant, totalling € 0.3 million;
- in the US, € 0.3 million was invested in the completion of the project to build a warehouse at the Lawrenceburg plant to store barrels of maturing inventory;
- improvements to the efficiency and production capacity of the Group's facilities in North America (€ 0.9 million, excluding Jamaica), Australia (€ 0.6 million), South America (€ 0.5 million) and other European sites (€ 2.6 million);
- the purchase of barrels for the maturing inventory of Bourbons, whiskies and rums, totalling € 9.0 million;
- other interventions which are insignificant individually but together amount to € 0.6 million, supported by recurring maintenance work at the Group's sites.

Disposals, amounting to € 2.4 million, mainly related to the sale of barrels for maturing inventory in America.

## 17. Biological assets

This item includes biological assets consisting of fruit-bearing and mature vines that provide grapes for wine production and pre-production vineyards.

Sella & Mosca S.p.A. owns vineyards covering approximately 563 hectares north of Alghero in Sardinia while Terruzi & Pernod owns a 96-hectare vineyard in San Gimignano.

Changes in this item are shown in the table below.

| | Assets measured at fair value | Assets measured at cost | Total |
|---|---|---|---|
| | € million | € million | € million |
| Opening value | 2.8 | 26.0 | 28.8 |
| Accumulated amortisation at start of period | - | (12.0) | (12.0) |
| **Balance at 31 December 2015** | **2.8** | **14.0** | **16.9** |
| Reclassifications | (2.8) | 2.8 | - |
| Change in basis of consolidation | - | 4.7 | 4.7 |
| Investments | - | 0.6 | 0.6 |
| Depreciation/amortisation | - | (0.5) | (0.5) |
| **Balance at 30 June 2016** | **-** | **21.7** | **21.7** |
| Closing value | - | 34.1 | 34.1 |
| Accumulated amortisation at end of period | - | (12.5) | (12.5) |

The change in the basis of consolidation was entirely due to the SPML acquisition, and related to vineyards owned by the acquired group in France and Chile.

The capital expenditure of € 0.6 million for the period mainly related to vineyard equipment that came on stream during the period.
The reclassification of € 2.8 million refers to the application of the IAS41 amendement, as illustrated in paragraph 3-'Changes in accounting standards'.

## 18. Investment property

At 30 June 2016, investment property, totalling € 122.6 million, related to the investment property of SPML (of which € 80,0 million releted to the St. Jean Cap Ferrat investment property, net of the deferred tax effect), and for insignificant amounts, assets owned by the Parent Company.
These buildings were recorded in the financial statements at their approximate fair value at the reporting date.

## 19. Goodwill and brands

Changes during the year are indicated in the table below.

| | Goodwill | Brands with an indefinite life | Brands with a finite life | Total |
|---|---|---|---|---|
| | € million | € million | € million | € million |
| Carrying amount at start of period | 1,165.7 | 784.6 | - | 1,950.2 |
| Opening impairment | (19.2) | (24.4) | - | (43.7) |
| **Balance at 31 December 2015** | **1,146.4** | **760.1** | **-** | **1,906.6** |
| Reclassification of values of brands with a finite life: | - | - | - | - |
| -Carrying amount at start of period | - | (46.5) | 46.5 | - |
| -Opening impairment | - | 24.4 | (24.4) | - |
| **Balance at 31 December 2015 - post-reclassifications** | **1,146.4** | **738.1** | **22.1** | **1,906.6** |
| Change in basis of consolidation | 300.7 | 256.0 | - | 556.7 |
| Amortisation for the period | - | - | (1.1) | (1.1) |
| Other changes | 0.0 | (0.4) | - | (0.4) |
| Exchange rate differences | (6.7) | (9.5) | (0.4) | (16.7) |
| **Balance at 30 June 2016** | **1,440.4** | **984.2** | **20.6** | **2,445.2** |
| Carrying amount at end of period | 1,459.6 | 984.2 | 45.4 | 2,488.8 |
| Closing impairment | (19.2) | - | (24.4) | (43.6) |

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 brand which, in previous years, had suffered an impairment loss. During 2015, its useful life was reviewed and determined as a period of 10 years from 2016.

The positive exchange rate differences, of € 16.7 million, were due to the adjustment of values recorded in local currency to end-of-year exchange rates, and included:
- negative exchange rate differences on goodwill, of € 6.7 million, determined by negative differences on the US dollar of € 12.8 million and on the Jamaican dollar of € 5.6 million, which were partially offset by positive differences on other currencies of € 11.7 million, attributable to the values denominated in Brazilian reals, totalling € 10.3 million;
- negative exchange rate differences on brands of € 9.9 million, resulting from amounts denominated in US dollars of € 4.9 million and in Jamaican dollars of € 8.0 million, which were partially offset by positive differences of € 3.5 million relating to the Canadian dollar.

## 20. Intangible assets with a finite life

Changes during the period are shown in the table below.

| | Software € million | Other € million | Total € million |
|---|---|---|---|
| Carrying amount at start of period | 48.4 | 18.3 | 66.8 |
| Accumulated amortisation at start of period | (31.4) | (9.8) | (41.1) |
| **Balance at 31 December 2015** | **17.1** | **8.6** | **25.6** |
| Change in basis of consolidation | 0.1 | 0.5 | 0.6 |
| Investments | 0.6 | 2.7 | 3.3 |
| Amortisation for the period | (3.4) | (1.5) | (4.9) |
| Exchange rate differences and other changes | 0.4 | 0.1 | 0.5 |
| **Balance at 30 June 2016** | **14.9** | **10.3** | **25.2** |
| Carrying amount at end of period | 54.2 | 21.4 | 75.6 |
| Accumulated amortisation at end of period | (39.3) | (11.1) | (50.4) |

Intangible assets with a finite life are amortised on a straight-line basis according to their remaining useful life.
The investment of € 3.3 million in the period mainly relates to projects under way by the Parent Company focusing on improvement and the processes of collection and financial data management.

## 21. Other non-current assets

This item breaks down as follows.

| | 30 June 2016 € million | *Of which perimeter effect € million* | 31 December 2015 € million |
|---|---|---|---|
| Financial receivables | 3.0 | - | 2.1 |
| Term deposits | 32.1 | *5.8* | 26.0 |
| Derivatives on Parent Company bond (Eurobond) | 7.4 | - | 9.6 |
| Non-current financial assets | **42.6** | ***5.8*** | **37.8** |
| Equity investments in other companies | 1.6 | *0.2* | 1.4 |
| Security deposits | 1.1 | - | 2.6 |
| Other non-current receivables from main shareholders | 2.2 | - | 2.2 |
| Other non-current tax receivables | 4.0 | - | 3.9 |
| Other non-current assets | **8.9** | **-** | **10.1** |
| **Other non-current assets** | **51.5** | ***6.0*** | **47.9** |

At 30 June 2016, deposits, totalling € 32.1 million, related to a cash investment by the Parent Company maturing in 2019. The increase compared with 31 December 2015 related to cash investments relating to some of the Marnier Lapostolle Group's companies.

Financial receivables included an amount of € 0.8 million for expenses incurred by the Parent Company in taking out the revolving credit facility; these were recorded on the income statement as a financial liability throughout the duration of the credit line. The item also included restricted deposits of € 2.2 million.

Derivatives on the Parent Company bond, totalling € 7.4 million, included the fair values of derivatives on the USD-denominated bond issued in 2003.

Other non-current tax receivables mainly related to receivables due to the Group’s Italian companies from the Italian tax authorities (€ 3.7 million, of which € 2.5 related to the Parent Company). The tax receivables recorded by the Italian companies mainly related to the entitlement to refunds of the higher income taxes paid in previous years due to the non-

deductibility of IRAP relating to personnel and similar costs following recent legislative changes introduced by article 2, para 1, of Legislative Decree 201/2011, supplemented by article 4, para 12, of Legislative Decree 16 of 2 March 2012.
The receivables of the Group's Italian companies were recorded as due from the ultimate shareholder Alicros S.p.A. (€ 2.2 million) for the periods from 2007 to 2011 subject to tax consolidation.
Please see note 34 - 'Related Parties' for details on the relationships with ultimate shareholder Alicros S.p.A.

## 22. Inventories and current biological assets

This item breaks down as follows.

| | 30 June 2016 € million | *Of which perimeter effect € million* | 31 December 2015 € million |
|---|---|---|---|
| Raw materials, supplies and consumables | 75.0 | *41.8* | 30.4 |
| Work in progress | 74.2 | *19.3* | 70.4 |
| Ageing inventory | 269.8 | - | 269.8 |
| Finished products and goods for resale | 173.2 | *10.2* | 125.6 |
| **Inventories** | **592.2** | ***71.3*** | **496.2** |
| Current biological assets | 1.8 | - | 2.1 |
| **Current biological assets** | **1.8** | **-** | **2.1** |
| **Total** | **594.0** | ***71.3*** | **498.2** |

The perimeter effect related to the acquisition of SPML for € 71.3 million. For more information, see note 6–'Business combinations'.

Excluding the components described above, organic growth in stock on hand was € 25.5 million, partially offset by negative exchange rate effects of € 16.3 million. Before taking the exchange rate effect and the perimeter effect into account, stock at hand rose by € 41.8 million, the combined effect of a reduction in finished products and raw materials totalling € 43.9 million, which was partially offset by a decrease in stocks of work in progress and maturing inventory totalling € 2.1 million.
Current biological assets represent the fair value of the harvest of sugar cane plantations. 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 provisions for write-downs. The changes are shown in the table below.

| | |
|---|---|
| **Balance at 31 December 2015** | **16.1** |
| Change in basis of consolidation | 1.0 |
| Accruals | 1.9 |
| Utilisations | (2.2) |
| Exchange rate differences and other changes | (0.4) |
| **Balance at 30 June 2016** | **16.4** |

## 23. Current financial receivables

This item breaks down as follows.

| | 30 June 2016 € million | *Of which perimeter effect € million* | 31 December 2015 € million |
|---|---|---|---|
| **Securities and term deposits** | **2.4** | | **59.1** |
| Net accrued swap interest income/expense on bonds | 1.2 | | 1.2 |
| Valuation at fair value of forward contracts | 0.2 | | 0.5 |
| Other financial assets and liabilities | 9.6 | *3.5* | 5.7 |
| Restricted deposits | 18.6 | | 3.4 |
| **Other current financial receivables** | **29.6** | ***3.5*** | **10.8** |
| **Current financial receivables** | **32.0** | ***3.5*** | **69.9** |

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 change in securities in the period mainly related to investments by the Parent Company (€ 50.0 million) that matured in April 2016, and financial assets of € 6.7 million following the closure of pension plans in Jamaica, which were liquidated during the half year. These financial assets had been classified as available for sale in 2015, with the change in fair value recorded in the statement of comprehensive income. The cumulative change in fair value was released to the income statement in the first half of 2016 as financial income.

The other financial assets comprised the current portion (€ 4.9 million) of the receivable arising from the termination of a number of hedging agreements on the Parent Company's bond issued in 2009 (€ 4.9 million at 31 December 2015). The termination of these agreements led to the recording of a financial receivable, which will be collected over the remaining duration of the underlying issue, until October 2016. The perimeter effect relates to securities belonging to the Marnier Lapostolle Group.

Restricted deposits at 30 June 2016 included funds earmarked to be available at any time, totalling € 3.3 million, to purchase the residual shares of J. Wray & Nephew Ltd. Current financial payables included a liability of the same amount, as shown under note 28-'Payables to banks and other current financial payables'. The change compared with the previous year was due to the settlement of the purchase price holdback relating to the acquisition of Forty Creek Distillery Ltd., for which there was a liability of the same value (see note 28 - 'Payables to banks and other current financial payables'), which was then eliminated. It also included financial resources for the completion of the squeeze-out transactions connected with the SPML acquisition.

All financial receivables are current and due within a year.

## 24. Cash and cash equivalents

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

| | 30 June 2016<br>€ million | *Of which perimeter effect<br>€/000* | 31 December 2015<br>€ million |
|---|---|---|---|
| Bank current accounts and cash | 398.6 | *23.5* | 817.7 |
| Term deposits maturing within 3 months | 109.1 | *23.4* | 26.6 |
| **Cash and cash equivalents** | **507.7** | ***46.9*** | **844.3** |

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 rates depending on the currency and period concerned.
The change compared with 31 December 2015, of € 419.1 million, was mainly due to the SPML acquisition, net of a perimeter effect generated by said acquisition, and represented by the cash resulting from the integration of the Marnier Lapostolle Group at 30 June 2016 (bank current accounts and cash of € 24.4 million). Lastly, it should be noted that the perimeter effect is shown net of the cash belonging to the unbranded business sold during the period.
For more details, see the 'Significant events during the period' section of the report on operations and note 6-Business combinations, in the condensed half-year financial statements.

'Cash and cash equivalents' also includes securities that can be readily converted to cash consisting of short-term, highly liquid financial investments that can be quickly converted to known cash instruments, with an insignificant risk of a change in value. Of the increase, € 23.4 million was due cash investments available at the Marnier Lapostolle Group at 30 June 2016.

***Reconciliation with net financial position***

The table below shows the reconciliation between cash and the net financial position.

| | 30 June 2016 € million | 31 December 2015 € million |
|---|---|---|
| Cash and cash equivalents | 507.7 | 844.3 |
| **Cash (A)** | **507.7** | **844.3** |
| Securities | 2.4 | 59.1 |
| Other current financial receivables | 29.6 | 10.8 |
| **Current financial receivables (B)** | **32.0** | **69.9** |
| Current bank payables | (38.3) | (29.3) |
| Current portion of lease payables | - | (0.1) |
| Current portion of private placement and bonds | (350.0) | (441.6) |
| Other current financial payables | (46.5) | (19.9) |
| Current portion of payables for put options and earn-outs | (23.0) | (3.5) |
| **Current financial payables (C)** | **(457.8)** | **(494.4)** |
| **Net current financial position (A+B+C)** | **81.9** | **419.9** |
| Non-current bank payables | (2.9) | (4.4) |
| Current portion of lease payables | (0.7) | (2.0) |
| Non-current portion of private placement and bonds | (1,272.0) | (1,276.1) |
| Non-current portion of payables for put options and earn-outs | (191.7) | (1.0) |
| **Non-current financial debt (D)** | **(1,467.3)** | **(1,283.5)** |
| **Net debt (A+B+C+D)** (*) | **(1,385.4)** | **(863.6)** |
| Reconciliation with the Group's financial position, as shown in the Directors' report: | | |
| Assets for derivatives on bonds, non-current portion | 7.4 | 9.6 |
| Term deposits | 25.6 | 25.6 |
| Non-current financial receivables | 9.6 | 2.6 |
| **Group net financial position** | **(1,342.9)** | **(825.8)** |

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

## 25. Net assets held for sale

Net assets held for sale are valued at the lower of their carrying amount and fair value less selling costs. At 30 June 2016, this item included surplus real estate assets relating to a residual portion of the Termoli site (value unchanged from 31 December 2015), for which concrete but complex sale negotiations are ongoing with potential buyers, including the definition of the difficult sales program. The change compared with 31 December 2015 related to the sale of the business belonging to Casoni Fabbricazione Liquori S.p.A. and its subsidiary Stepanow S.R.O., for which an agreement was signed on 29 December 2015, and the transaction was completed on 30 March 2016.

| | 30 June 2016 € million | 31 December 2015 € million |
|---|---|---|
| **Assets** | | |
| Net tangible assets | 1.0 | 4.7 |
| Other non-current assets | - | 2.8 |
| Inventories | - | 3.8 |
| Trade receivables | - | 11.3 |
| Other current assets | - | 1.1 |
| **Total assets held for sale** | **1.0** | **23.6** |
| **Liabilities** | | |
| Other non-current liabilities | - | (1.2) |
| Trade payables | - | (5.9) |
| Other current liabilities | - | (2.9) |
| **Total liabilities held for sale** | **-** | **(10.0)** |
| **Total net assets** | **1.0** | **13.7** |

## 26. Shareholders' equity

The Group 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 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 operating result before depreciation, amortisation and non-controlling interests, pro-rated to take account of acquisitions in the past 12 months.
At 30 June 2016, this multiple was 3.2 (compared with 2.2 at 31 December 2015).

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 30 June 2016, the share capital of Davide Campari-Milano S.p.A. was € 58,080,000, comprising 580,800,000 ordinary shares with a nominal value of € 0.10 each, fully paid-up.

**Outstanding shares and own shares**

The following table shows the reconciliation between the number of outstanding shares at 30 June 2016 and in the two prior years.

| | No. of shares | | | Nominal value | | |
|---|---|---|---|---|---|---|
| | 30 June 2016 | 31 December 2015 | 31 December 2014 | 30 June 2016 | 31 December 2015 | 31 December 2014 |
| | | | | € | € | € |
| Outstanding shares at the beginning of the period | 579,078,554 | 576,918,717 | 575,683,176 | 57,907,855 | 57,691,872 | 57,568,318 |
| Purchases for the stock option plan | (1,647,508) | (11,518,418) | (3,704,964) | (164,751) | (1,151,842) | (370,496) |
| Disposals | 2,026,758 | 13,678,255 | 4,940,505 | 202,676 | 1,367,826 | 494,051 |
| Outstanding shares at the end of the period | 579,457,804 | 579,078,554 | 576,918,717 | 57,945,780 | 57,907,855 | 57,691,872 |
| Total own shares held | 1,342,196 | 1,721,446 | 3,881,283 | 134,220 | 172,145 | 388,128 |
| Own shares as a % of share capital | 0.2% | 0.3% | 0.7% | | | |

In 2016, 1,647,508 own shares were acquired at a purchase price of € 12.9 million, which equates to an average price of € 7.84 per share. In the same period, 2,026,758 shares were sold for a sum of € 8.1 million.

**Dividends paid and proposed**

Dividends to the value of € 52.1 million relating to 2015 were approved by the shareholders’ meeting of the Parent Company on 29 April 2016 and paid in May 2016.

| | Total amount | | Dividend per share | |
|---|---|---|---|---|
| | 30 June 2016 | 31 December 2015 | 30 June 2016 | 31 December 2015 |
| | € million | € million | € | € |
| Dividends approved and paid during the year on ordinary shares | 52.1 | 45.7 | 0.09 | 0.08 |
| Dividends proposed on ordinary shares | | 52.0 | | 0.09 |

**Other reserves**

| | Stock options | Cash flow hedging | Foreign currency translation reserves | Remeasurement reserve for actuarial effects relating to defined benefit plans | Total |
|---|---|---|---|---|---|
| | € million | € million | € million | € million | € million |
| **Balance at 31 December 2015** | **22.2** | **(3.3)** | **10.3** | **(4.1)** | **25.1** |
| Cost of stock options for the period | 3.2 | | | | 3.2 |
| Stock options exercised | (2.7) | | | | (2.7) |
| Losses (profits) reclassified in the income statement | | 0.9 | | | 0.9 |
| Profits (losses) allocated to shareholders' equity | | (0.1) | | | (0.1) |
| Tax effect recognised in shareholders’ equity | | (0.3) | | | (0.3) |
| Translation difference | | | (25.7) | | (25.7) |
| **Balance at 30 June 2016** | **22.7** | **(2.8)** | **(15.4)** | **(4.0)** | **0.6** |

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 31 – '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 32 – '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 net obligations for defined benefits.

## 27. Bonds and other non-current liabilities

The table below shows a breakdown of the Group's bonds and other non-current liabilities.

| | 30 June 2016 € million | *Of which perimeter effect € million* | 31 December 2015 € million |
|---|---|---|---|
| Parent Company bond (USD) issued in 2003 | 182.2 | - | 185.6 |
| Parent Company bond (Eurobond) issued in 2012 | 396.7 | - | 396.2 |
| Parent Company bond (Eurobond) issued in 2015 | 594.7 | - | 594.1 |
| Private placement issued in 2009 | 98.4 | - | 100.2 |
| **Total bonds and private placements** | **1,272.0** | **-** | **1,276.1** |
| Payables and loans due to banks | 2.9 | *(0.6)* | 4.4 |
| Property leases | 0.7 | *(1.2)* | 2.0 |
| Payables for put options and earn-outs | 191.7 | *190.8* | 1.0 |
| Other debt | - | *0.1* | - |
| **Non-current financial liabilities** | **195.3** | ***189.1*** | **7.4** |
| Other non-financial liabilities | 5.0 | - | 3.1 |
| **Other non-current liabilities** | **200.3** | ***189.1*** | **10.5** |

**Bonds**

The bonds item includes the following issues placed by the Parent Company.

- The first, with a residual nominal value of USD 200 million, was placed on the US institutional market in 2003. The transaction was structured in two tranches of USD 100 million and USD 200 million, maturing in 2015 and 2018 respectively, with a bullet repayment at maturity and interest paid six-monthly at an original fixed rate of 4.63%.
- The second issue (Eurobond 2009) was launched on the European market in October 2009, and was aimed solely at institutional investors, with most of the bonds being placed with investors in Italy, the UK, France, Germany and Switzerland. The nominal value of this issue is € 350 million; it matures on 14 October 2016 and was placed at an agreed price of 99.431%. The coupons are paid annually at a fixed rate of 5.375%. The gross return on the bond is therefore 5.475%. The balance at 30 June 2016 was classified under short-term liabilities.
- The third bond (Eurobond 2012) was issued on 18 October 2012 in order to finance the acquisition of J. Wray & Nephew Ltd. It has a duration of seven years and a nominal value of € 400 million, with maturity 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 4.659%.
- The fourth euro-denominated issue (Eurobond 2015) was placed on the European market and matures on 30 September 2020. The offer, which was aimed solely at institutional investors, was placed at 99.715% of par. Coupons are payable at a nominal fixed interest rate of 2.75%. The gross return on the bond is therefore 2.81%.

The Parent Company has put in place various instruments to hedge exchange rate and interest rate risks.

- A cross currency swap hedging instrument was taken out on the 2003 issue to offset the risks related to fluctuations in the US dollar and movements in interest rates, which changes the US dollar-based fixed interest rate to a variable euro rate (6-month Euribor + 60 basis points).
- On the same issue, various interest rate swaps were put in place involving the payment of an average fixed rate of 4.25% on underlyings of USD 150 million (maturing in 2018).

The change in the value of this liability compared with 31 December 2015 was mainly due to the effects resulting from the amortised cost of the debt and the change in the fair value of the related hedging derivatives.

The change in the payables for derivatives on the Parent Company's bond loans is due to the valuation of existing hedges, which had a net positive impact in the first half of 2016: the position at 30 June 2016 was positive and classified under financial receivables.

**Private placement**

The private placement item represents a bond issue placed by Campari America on the US institutional market in June 2009 with an original nominal value of USD 250 million.

The transaction was structured in three tranches with bullet maturities of USD 40 million and USD 100 million, which matured and were regularly settled in the first half of 2014 and in June 2016 respectively, and USD 110 million, maturing in 2019. The six-monthly coupons are based on fixed rates of 7.50% and 7.99%.

Changes in value during the period were mainly due to the strengthening of the US dollar, the subsidiary's functional currency, which led to an increase in the payable of € 1.9 million.

**Payables and loans due to banks**

This item includes euro-denominated loans entered into with leading banks and maturing at the end of 2019; interest is mainly due at floating market rates. The portion of these loans falling due within 12 months (€ 2.8 million) was classified under short-term bank loans; further details are given in note 28 – 'Payables to banks and other current financial payables'. These loans are secured by mortgages on properties in Caltanissetta for an amount of € 4.3 million. The perimeter effect relates to the sale of the unbranded business of Casoni Fabbricazione Liquori S.p.A.

**Leases**

The item includes payables for the purchase of vehicles. The perimeter effect relates to the sale of the unbranded business of Casoni Fabbricazione Liquori S.p.A.

**Payable for put options and earn-outs**

At 30 June 2016, the long-term portion of the item 'Payables for put options and earn-outs' included the best estimate of the payment of an annual earn-out agreed as part of the purchase of the Sagatiba brand, to be paid during an eight-year period after the closing. The perimeter effect of € 190.8 million related entirely to the agreements signed with members of the family that was the controlling shareholder of SPML, which stipulated binding agreements to purchase all the remaining shares held by them by 2021, as well as a payable for completion of the squeeze-out transactions. The current portion of the obligation arising from these agreements (€ 19.4 million) was classified under current financial liabilities.

**Other non-financial liabilities**

Other non-financial liabilities at 30 June 2016 mainly included long-term liabilities accrued on behalf of employees, totalling € 4.4 million.

## 28. 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:

| | 30 June 2016 € million | *Of which perimeter effect € million* | 31 December 2015 € million |
|---|---|---|---|
| **Payables and loans due to banks** | **38.3** | ***20.3*** | **29.3** |
| Short-term portion of private placement issued in 2009 | - | | 91.6 |
| Parent Company bond (Eurobond) issued in 2009 | 350.0 | | 350.0 |
| Amortised cost effect on short-term loans and bonds | 1.1 | | 3.2 |
| Accrued interest on bonds | 42.1 | - | 16.0 |
| Property leases | - | *(0.1)* | 0.1 |
| Financial liabilities on hedging contracts | 1.8 | *0.2* | 0.6 |
| Non-current liabilities for hedging derivatives, not reported using hedge accounting procedures | - | - | 0.1 |
| Payables for put options and earn-outs | 23.0 | *19.4* | 3.5 |
| Other financial payables | 1.4 | *1.4* | - |
| **Total other financial payables** | **419.5** | ***21.0*** | **465.1** |

**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. The total change was mainly caused by perimeter effects represented by bank payables belonging to Marnier

Lapostolle Group companies, totalling € 20.8 million, net of liabilities transferred when the unbranded business was sold, totalling € 0.5 million.

**Bonds and private placements**
The amount shown under short-term liabilities represents the total value of the Parent Company bond (Eurobond) issued in 2009 and maturing in October 2016. In addition, the liability arising from the valuation of the loan at fair value made in previous years, of € 1.1 million, was also reclassified under current liabilities. The change compared with the previous period relates to the payment of USD 100 million made in June 2016 for one of the tranches of the private placement by Campari America on the US market in 2009.

**Payable for put options and earn-outs**
The short-term portion of these payables (€ 23.0 million) included payables for put options (€ 22.7 million) and earn-outs (€ 0.4 million).
The payable of € 3.2 million for the put option related to the purchase of residual non-controlling shares in J. Wray & Nephew Ltd., for which the Group holds restricted cash and cash equivalents guaranteeing the above-mentioned obligation, as described in note 23 – 'Current financial receivables'. The increase of € 19.4 million relates to the payable for completion of the squeeze-out transactions of the SPML Group, and the short-term portion of the payable arising from the agreements signed with members of the family that was the controlling shareholder of SPML for the purchase, by 2021, of all the remaining shares held by them.
The earn-out payables relate to the fourth annual tranche to be paid on Sagatiba. During the year, annual earn-outs of € 0.3 million were paid.

**Other financial payables**
The change compared with the previous year was due to the perimeter effect arising from the SPML acquisition. Specifically, the payable of € 1.4 million includes € 1.3 million related to the dividends approved by the company, Société des Produits Marnier Lapostolle S.A., on 29 June 2016, due to the shareholders that did not subscribe to the public purchase offer by that date.

**Accrued interest on bonds**
The change in accrued interest on bonds was due to the timing of coupon payments. Specifically, coupons are paid in the second half of the year on the Eurobonds issued in 2009, 2012 and 2015.

## 29. Provisions for risks and charges

The table below indicates 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 2015** | **21.6** | **1.2** | **1.8** | **8.2** | **32.8** |
| Perimeter effect for acquisitions | 16.3 | - | - | 15.7 | 32.0 |
| Accruals | - | 1.5 | 0.1 | (1.1) | 0.4 |
| Utilisations | - | (0.3) | - | - | (0.3) |
| Releases | (0.9) | - | - | - | (0.9) |
| Exchange rate differences and other changes | (0.9) | (0.1) | - | 2.4 | 1.5 |
| **Balance at 30 June 2016** | **36.2** | **2.3** | **1.9** | **25.3** | **65.5** |

In relation to changes in the provisions for risks and charges compared with the 2015 annual financial statements, it should be noted that uses were made of the restructuring provision (€ 0.3 million) for payments during the year in connection with the restructuring processes under way within the Group.

The tax provision of € 36.2 million at 30 June 2016 increased by € 16.3 million, due to tax liabilities recorded at the time of acquisition. An amount of € 0.9 million relating to tax liabilities previously recorded for Fratelli Averna S.p.A. was also released from the provision following completion of the tax inspection for the tax periods 2010-2013. The provision also includes € 14.8 million in liabilities obtained in the J. Wray & Nephew Ltd acquisition.

The agent severance fund covers the estimate of the probable liability to be incurred for disbursing the additional compensation due to agents at the end of the relationship. This amount was discounted using an appropriate rate.

At 30 June 2016, other provisions reflected the recognition by the Parent Company and subsidiaries of liabilities for various lawsuits, including a legal dispute over a distribution agreement totalling € 7.5 million, and other risks identified at the time the liabilities from the SPML integration were provisionally allocated.

The information reported below concerns potential liabilities arising from three disputes in progress, in relation to which the Group did not, however, deem it necessary to make provisions as of the date of this report. There were no other significant contingent liabilities.

Various disputes were outstanding with the Brazilian tax authorities, for which a negative outcome is estimated to be unlikely based on the information available at the date of this report.

- Specifically, one outstanding dispute relates to production tax (IPI), in which the classification of products sold by Campari do Brasil Ltda was contested. The increase in taxes and penalties was BRL 117.6 million (equivalent to approximately € 32.8 million at the exchange rate on 30 June 2016) plus interest.
  In March 2012, the company was officially informed that the outcome of the dispute was in its favour.
  However, since the formulation of the ruling was not deemed sufficient to afford the company complete legal safeguards in the event of future litigation relating to the same dispute, the company's lawyers proposed to appeal in order to obtain a ruling that fully protects the company in the event of future disputes.
  In view of the outcome of the case and based on the advice of its lawyers, the Group continues to believe that there is still no reason to make a specific provision.
  As a result, no provisions were made for this item in the accounts for the half-year ended 30 June 2016.
- Another outstanding dispute relates to a tax inspection report concerning the payment of ICMS (tax on the consumption 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 claimed, including penalties, totalled BRL 49.6 million (around € 13.8 million at the exchange rate on 30 June 2016).
  The dispute is pending before the administrative court, and is not expected to be settled in the near future.
  Based on evaluations conducted by 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 establish a specific provision.
- Finally, in June 2016 the company received a notice of a tax assessment for the years 2012 and 2013 for alleged non-compliance in the use of a tax benefit relating to sales of finished products from the factory in Suape. The amount claimed is BRL 29.1 million (approximately € 8.1 million at the exchange rate at 30 June 2016), including the related penalties. The lawyers of the companies have already prepared an appeal demonstrating the full compliance with all requirements staed by the tax laws. Based on the legal opinion, the Group continues to believe that there is no basis to book a special provision.

In December 2015, a claim for compensation totalling USD 50 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. 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 Limited, 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.

## 30. Tax payables and receivables

This item breaks down as follows:

| | 30 June 2016<br>€ million | *Of which perimeter effect*<br>€ million | 31 December 2015<br>€ million |
|---|---|---|---|
| **Current income tax receivables** | | | |
| Income taxes | 9.3 | *2.9* | 13.6 |
| Receivables from main shareholders for tax consolidation | 0.3 | - | 2.7 |
| **Total receivables** | **9.6** | ***2.9*** | **16.3** |
| **Current income tax payables** | | | |
| Income taxes | 14.5 | *1.8* | 13.2 |
| Due to parent company for tax consolidation | 2.4 | - | 0.2 |
| **Total payables** | **16.9** | ***1.8*** | **13.3** |

Group companies paid taxes and made associated payments on account of € 19.2 million during the first half, slightly less than in the same period in 2015 (€ 23.5 million).

Payables to the main shareholder for tax consolidation at 30 June 2016 related to income tax payables due to Alicros S.p.A. from the Parent Company (€ 1.9 million) and a number of Italian subsidiaries (€ 0.5 million).
Against these payables, some Italian subsidiaries had receivables for tax consolidation totalling € 0.3 million. It should be noted that these payables and receivables are all non-interest-bearing; for further details, see note 34 - 'Related parties'.

## 31. Stock option plan

Pursuant to Consob resolution 11971 of 14 May 1999, as amended, and Consob communication 11508 of 15 February 2000, the following information is provided on the stock option plan (the 'Plan') approved by the Board of Directors of Davide Campari-Milano S.p.A. on 15 May 2001, which incorporated the framework plan for the general regulation of stock options for the Campari Group, approved by the shareholders' meeting of 2 May 2001.
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 do 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 regulations as necessary or appropriate to reflect revisions of laws in force, or for other objective reasons that would warrant such modification.
Subsequently, further stock options were allocated each year, governed by the framework plan approved by the shareholders' meeting on 2 May 2001.
The shareholders' meeting of 29 April 2016 approved a new stock option plan, establishing the maximum number of shares that may be assigned (specifying how many may be assigned 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 assigned to each.
The options were therefore assigned on 11 May 2016 to the individual beneficiaries, with the right to exercise options in the two-year period following the end of the fifth year from the allocation date.

The total number of options granted in 2016 for the purchase of further shares was 7,552,509, with the average allocation price at €8.57, 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.

| | 30 June 2016 | | 31 December 2015 | |
|---|---|---|---|---|
| | No. of shares | Average allocation/exercise price (€) | No. of shares | Average allocation/exercise price (€) |
| Options outstanding at the beginning of the period | 27,094,753 | 5.51 | 41,790,983 | 4.89 |
| Options granted during the period | 7,552,509 | 8.57 | 339,464 | 7.07 |
| (Options cancelled during the period) | (839,533) | 5.69 | (1,357,439) | 5.96 |
| (Options exercised during the period)(*) | (2,026,758) | 3.89 | (13,678,255) | 3.59 |
| Options outstanding at the end of the period | 31,780,971 | 6.32 | 27,094,753 | 5.51 |
| *of which those that can be exercised at the end of the period* | 2,165,548 | 3.83 | 3,848,851 | 3.82 |

(*) The average market price on the exercise date was € 8.42.

The average fair value of options granted during 2016 was € 2.22 (€ 1.58 in 2015).
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.

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 valuation of options issued in 2016 and 2015:

| | 2016 | 2015 |
|---|---|---|
| Expected dividends (€) | 0.09 | 0.08 |
| Expected volatility (%) | 28% | 23% |
| Historical volatility (%) | 23% | 23% |
| Market interest rate | 0.93% | 0.96% |
| Expected option life (years) | 7.00 | 7.30 |
| Exercise price (€) | 8.57 | 7.07 |

## 32. Financial instruments-disclosures

The value of individual categories of financial assets and liabilities held by the Group is shown below.

| 30 June 2016<br>€ million | Loans and receivables | Financial liabilities at amortised cost | Assets and liabilities measured at fair value with changes recognised in profit or loss | Assets and liabilities measured at fair value with changes recognised in the statement of comprehensive income | Hedging derivatives |
|---|---|---|---|---|---|
| Cash and cash equivalents | 507.7 | | | | |
| Current financial assets | 30.5 | | | 0.1 | |
| Other non-current financial assets | 35.2 | | | | |
| Trade receivables | 235.8 | | | | |
| Payables to banks | | (41.2) | | | |
| Real estate lease payables | | (0.7) | | | |
| Bonds | | (1,523.6) | | | |
| Private placement | | (98.4) | | | |
| Accrued interest on bonds | | (42.1) | | | |
| Other financial liabilities | | (2.5) | | | |
| Put option payables | | (214.7) | | | |
| Trade payables | | (263.4) | | | |
| Current assets for hedging derivatives | | | | | 1.4 |
| Non-current liabilities for hedging derivatives | | | | | 7.4 |
| Current liabilities for hedging derivatives | | | | | (1.8) |
| **Total** | **809.2** | **(2,186.6)** | **-** | **0.1** | **7.0** |

| 31 December 2015<br>€ million | Loans and receivables | Financial liabilities at amortised cost | Assets and liabilities measured at fair value with changes recognised in profit or loss | Assets and liabilities measured at fair value with changes recognised in the statement of comprehensive income | Hedging derivatives |
|---|---|---|---|---|---|
| Cash and cash equivalents | 844.3 | | | | |
| Current financial assets | 61.1 | | | 6.7 | |
| Other non-current financial assets | 28.2 | | | | |
| Trade receivables | 295.9 | | | | |
| Payables to banks | | (33.6) | | | |
| Real estate lease payables | | (2.1) | | | |
| Bonds | | (1,525.8) | | | |
| Private placement | | (191.9) | | | |
| Accrued interest on bonds | | (16.0) | | | |
| Other financial liabilities | | (3.2) | | | |
| Put option payables | | (4.6) | | | |
| Trade payables | | (217.2) | | | |
| Non-current assets for hedging derivatives, not in hedge accounting | | | 0.4 | | |
| Current assets for hedging derivatives | | | | | 1.7 |
| Non-current assets for hedging derivatives | | | | | 9.6 |
| Current liabilities for hedging derivatives | | | | | (0.6) |
| Non-current liabilities for hedging derivatives, not reported using hedge accounting procedures | | | (0.1) | | - |
| **Total** | **1,229.5** | **(1,994.4)** | **0.3** | **6.7** | **10.7** |

## 33. Assets and liabilities measured at fair value

The following information is provided in accordance with the provisions of IFRS 13 - Fair Value Measurement.
For a full description of the measurement criteria, please see the annual financial statements for 2015.
It should be noted that 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.

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 at the rates in effect at the end of the year.

For commercial items and other receivables and payables, fair value corresponds to the carrying amount.

Fair value of non-financial instruments:
- for biological assets non current, the book value is based on the cost value, net of accumulated depreciation;
- for current biological assets (agricultural produce), the fair value is 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 table below details 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 listed on an active market for the assets and liabilities subject to valuation;
- level 2: the valuation methods take into account inputs other than previous prices, but ones that can be observed on the market directly or indirectly;
- level 3: the methods used take into account inputs that are not based on observable market data.

In the first half of 2016, no changes were made in the valuation methods applied.

Financial instruments
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 the 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.

| 30 June 2016 | Level 1<br>€ million | Level 2<br>€ million | Level 3<br>€ million |
|---|---|---|---|
| **Assets measured at fair value** | | | |
| Accrued interest on bond swaps | | 1.2 | |
| Interest rate swap on bonds (Eurobond) | | 7.4 | |
| Currency futures | | 0.2 | |
| Financial assets measured at fair value with changes recognised in the statement of comprehensive income | 0.1 | | |
| **Liabilities measured at fair value** | | | |
| Forward currency and interest rate contracts | | 1.8 | |

| 31 December 2015 | Level 1<br>€ million | Level 2<br>€ million | Level 3<br>€ million |
|---|---|---|---|
| **Assets measured at fair value** | | | |
| Accrued interest on bond swaps | | 1.2 | |
| Interest rate swap on bond (Eurobond) | | 9.6 | |
| Currency futures | | 0.5 | |
| Hedging derivatives not reported using hedge accounting procedures | | 0.4 | |
| Financial assets measured at fair value with changes recognised in the statement of comprehensive income | 6.7 | | |
| **Liabilities measured at fair value** | | | |
| Forward currency and interest rate contracts | | 0.6 | |
| Hedging derivatives not reported using hedge accounting procedures | | 0.1 | |

The level 2 valuation method used for financial instruments measured at fair value is based on parameters such as exchange rates and interest rates, which are priced on active markets or are observable on official rate curves.
In the first half of the year, no reclassifications were made between the levels indicated above in the fair value hierarchies.

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

| 30 June 2016 | Level 1<br>€ million | Level 2<br>€ million | Level 3<br>€ million |
|---|---|---|---|
| **Assets measured at fair value** | | | |
| Biological assets | | 1.8 | |

| 31 December 2015 | Level 1<br>€ million | Level 2<br>€ million | Level 3<br>€ million |
|---|---|---|---|
| **Assets measured at fair value** | | | |
| Biological assets | - | 4.9 | - |

The level 2 valuation used for biological assets is generally based on expected cash flows resulting from the sale of agricultural products. The sale prices of wine products used as a reference point relate to products that are strictly comparable with those of the Group. The parameters used are the production potential of vineyards on land with similar characteristics and the corresponding overall market value. The sale prices of sugar are linked to the official prices in the reference markets, appropriately adjusted to take account of sales costs.
In the first half of 2016, no reclassifications were made among the levels indicated above in the fair value hierarchies.

## 34. Related parties

Davide Campari-Milano S.p.A. is controlled by Alicros S.p.A.
Davide Campari-Milano S.p.A. and its Italian subsidiaries have adopted the national tax consolidation scheme governed by articles 117 *et seq* of the consolidated law on income tax (TUIR), for 2016, 2017 and 2018.
The income tax receivables and payables of the individual Italian companies are therefore recorded as payables to the Parent Company's ultimate shareholder, Alicros S.p.A.
At 30 June, the overall position of the Italian subsidiaries of Davide Campari-Milano S.p.A. and of the Parent Company with respect to the direct ultimate shareholder Alicros S.p.A., in relation to the tax consolidation scheme, was a non-interest-bearing net receivable of € 2.2 million.

Moreover, Alicros S.p.A., Davide Campari-Milano S.p.A. and some of its Italian subsidiaries have joined the Group-wide VAT scheme, pursuant to article 73, paragraph 3 of Presidential Decree 633/72.
At 30 June 2016, the Parent Company and its Italian subsidiaries owed Alicros S.p.A. € 6.3 million for VAT. The table below shows the net debit balance.
The receivables and payables arising as a result of the tax consolidation scheme are non-interest-bearing.

For completeness, relationships with related parties included an investment of € 9.6 million made in December 2015 by direct ultimate shareholder Alicros S.p.A. in the bond issued by the Company in September 2015. The transaction was carried out at arm's length, through a primary financial institution.

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.

| 30 June 2016 | receivables (payables) for tax consolidation € million | receivables (payables) for Group VAT € million | other non-current tax receivables € million | bonds € million |
|---|---|---|---|---|
| Alicros S.p.A. | (2.5) | (6.3) | 2.1 | (9.6) |
| **Total** | **(2.5)** | **(6.3)** | **2.1** | **(9.6)** |
| Balance sheet percentage of related item | 8% | 5% | 4% | 1% |

| 31 December 2015 | receivables (payables) for tax consolidation € million | receivables (payables) for Group VAT € million | other non-current tax receivables € million | bonds € million |
|---|---|---|---|---|
| Alicros S.p.A. | 2.2 | (4.1) | 2.1 | (9.6) |
| **Total** | **2.2** | **(4.1)** | **2.1** | **(9.6)** |
| Balance sheet percentage of related item | 8% | 3% | 5% | 1% |

| € million | other income and charges |
|---|---|
| Alicros S.p.A. | 0.1 |
| **Total - first half 2016** | **0.1** |
| Balance sheet percentage of related item | 0% |

| € million | other income and charges |
|---|---|
| Alicros S.p.A. | 0.1 |
| **Total - first half 2015** | **0.1** |
| Balance sheet percentage of related item | 0% |

## 35. Commitments and risks

For information regarding the Group's commitments and risks, please see Note 48–'Commitments and risks' in the consolidated financial statements at 31 December 2015.

## 36. Events taking place after the end of the period

No significant events took palce aftern the end of the period.

Sesto San Giovanni (MI), Tuesday, 2 August 2016

Chairman of the Board of Directors

Luca Garavoglia

# Certification of the condensed half-year financial statements

# pursuant to article 81-*ter* of Consob Regulation 11971 of 14 May 1999 as subsequently amended and consolidated

1. We, the undersigned, Robert Kunze-Concewitz and Stefano Saccardi, as managing directors, 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 condensed half-year financial statements, in the half-year period to 30 June 2016.

2. We further certify that

2.1 the condensed half-year financial statements:

a) were prepared in accordance with the applicable international accounting standards recognised 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 financial position of the issuer and the group of companies included in the basis of consolidation.

2.2 the interim report on operations contains an accurate assessment of the significant events that occurred in the first six months of the year and their effects on the condensed half-year financial statements, together with a description of the main risks and uncertainties for the remaining six months of the year. The interim report on operations also contains an accurate assessment of information on significant transactions with related parties.

Sesto San Giovanni, Tuesday 2 August 2016

Managing Director

Robert Kunze-Concewitz

Director responsible for preparing

the Company's accounting statements and

Managing Director

Paolo Marchesini

Managing Director

Stefano Saccardi

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**INDEPENDENT AUDITORS REPORT ON THE REVIEW OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016**

To the Shareholders of
Davide Campari-Milano SpA

## Foreword

We have reviewed the accompanying condensed consolidated interim financial statements of Davide Campari-Milano SpA and its subsidiaries (Campari Group) as of and for the six-month period ended 30 June 2016 comprising the statement of financial position, the income statement, the statement of comprehensive income, the statements of changes in shareholders' equity, the statement of cash flows and related notes. Davide Campari-Milano SpA directors are responsible for the preparation of the condensed consolidated interim financial statements in accordance with international accounting standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

## Scope of review

We conducted our work in accordance with the criteria for a review recommended by Consob in Resolution 10867 of 31 July 1997. A review of condensed consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than a full-scope audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the condensed consolidated interim financial statements.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements of Campari Group as of and for the six-month period ended 30 June 2016 have not been prepared, in all material respects, in

*PricewaterhouseCoopers SpA*

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accordance with the international accounting standard applicable to interim financial reporting (IAS 34), as adopted by the European Union.

Milan, 2 August 2016

PricewaterhouseCoopers SpA

Signed by

Paolo Caccini
(Partner)

*This report is an English translation of the original report, which was issued in Italian. This report has been prepared solely for the convenience of international readers.*

**Davide Campari-Milano S.p.A.**

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