DAVIDE CAMPARI-MILANO S.p.A.
HALF YEAR REPORT
AT 30 JUNE 2019

CAMPARI GROUP

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Highlights

This half-year report at 30 June 2019, comprising the 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 'Financial Services Act').
This 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 International Accounting Standard ('IAS') 34-'Interim Financial Reporting'.

	first half 2019	first half 2018	change	
			total	organic change
	€ million	€ million	%	%
Net sales	**848.2**	**778.2**	**9.0%**	**8.0%**
Contribution margin	374.3	337.0	11.1%	9.5%
EBITDA	206.5	207.5	-0.5%	
EBITDA adjusted[(1)]	**215.1**	**187.9**	**14.4%**	**12.7%**
EBIT	171.7	180.1	-4.7%	
EBIT adjusted[(1)]	**180.3**	**160.5**	**12.3%**	**10.6%**
Profit before tax	153.7	166.0	-7.4%	
Net profit - Group and non-controlling interests	122.8	147.2	-16.6%	
Group net profit	**122.8**	**147.2**	**-16.6%**	
Group net profit adjusted[(1)]	**116.7**	**104.4**		
ROS % (EBIT/net sales)	20.2%	23.1%		
ROI % (EBIT/fixed assets)	5.7%	6.2%		
Basic earning per share (€)	0.11	0.13		
Diluted earning per share (€)	0.10	0.13		
Basic and diluted earning per share (€) adjusted[(1)]	**0.10**	**0.09**		
Average number of employees	3,740	3,953		
Acquisition and sale of companies or business division	-	15.8		
Free cash flow	81.2	110.9		
Free cash flow recurring	**86.2**	**138.5**		
	30 June 2019	31 December 2018		
	€ million	€ million		
Net debt[(1)]	937.1	846.3		
Shareholders' equity - Group and non-controlling interests	2,238.5	2,162.8		
Invested capital[(1)]	3,175.7	3,009.1		

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

Information on the figures presented

For ease of reference, all the figures in these half-year financial statements are expressed in millions of euros to one decimal place, whereas the original data is recorded and consolidated by the Group in thousands of euro. Similarly, all percentages relating to changes between two periods or to percentages of net sales or other indicators are always calculated using the original data in thousands of Euro. The use of values expressed in millions of Euro may therefore result in apparent discrepancies in both absolute values and data expressed as a percentage.

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Corporate officers

Marco P. Perelli-Cippo	Honorary Chairman

Board of Directors [(1)]

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

Board of Statutory Auditors[(3)]

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

Independent auditors[(4)]

EY S.p.A.

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

[(2)]Independent director.

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

[(4)]On 19 December 2017, the Shareholders' meeting appointed EY S.p.A. as its independent auditors for the nine-year period 2019-2027.

Interim report on operations at 30 June 2019

Significant events during the period

Main brand-building activities

The brand portfolio represents a strategic asset for Campari Group. One of the main pillars of its mission is to build and develop brands. The Group has an ongoing commitment to invest in marketing activities designed to strengthen the recognition and reputation of iconic and distinctive brands in the key markets, as well as to launch and develop them in new high-potential geographical regions. The Group is developing its strategies with an increasing focus on the on-premise channel, which is considered to be fundamental to brand-building activities in the early phases of brand development, and on digital media, but without compromising its ongoing concentration on traditional communication channels. The Group is pursuing long-term growth objectives for its brands, with a strong, ongoing focus on satisfactory consumption experience outcomes aimed at enhancing conviviality, encouraging moments of aggregation and celebrating life in a positive and responsible way.

The main marketing initiatives carried out in the first half of 2019, which were concentrated on the global and regional priority brands, are shown below.

Global priority brands

Aperol

Aperol 100th anniversary celebrations

During the months of May and June 2019 a series of events were held to celebrate the Aperol’s 100th anniversary, which was born in Padua in 1919.

- **Aperol ‘Happy Together Live’ in Italy**
  A unique event was held in the famous St. Mark’s Square in Venice at the end of June 2019, involving numerous artists with different styles but united by the same passion for music. The line-up of artists included three famous Italian singers, Max Gazzè, Francesca Michielin and Maneskin, who performed together on stage for the first time, resulting in an unforgettable event, hosted by one of Italy’s most famous showman, Alessandro Cattellan. The event, which was attended by 6,000 people, was recorded and was broadcasted on the Sky TV channel during July 2019.

- **Aperol spritz ‘Big Birthday Social’ in the UK**
  Celebrations for the 100th anniversary of the birth of the brand were held at the Shoreditch Electric Light Station, London, in May 2019, and at the Oast House, Manchester, in June 2019, where consumers were invited to immerse themselves in a world of infinite possibilities, in an atmosphere of spontaneity and conviviality, in true Italian style.

Global marketing campaign: Together We Joy

In March 2019, the new global campaign ‘Together We Joy’, was launched, depicting the brand as a universal language that can connect people through the emotion of joy. Directed by French duo Greg&Lio, the campaign takes its inspiration from their musical experience, introducing a new way of communicating using colour and pop that portrays a joyful mood and the idea of connections between people.

Campari

Negroni Week

In June 2019, Negroni Week was launched for the seventh year, with Campari as the main sponsor, in collaboration with Imbibe Magazine. The international initiative was held in bars, restaurants and shops throughout the world to raise funds for charitable causes, and saw an increase of around 12,000 venues, 2,000 in addition compared to the previous year edition. The global launch of Negroni Week was held in Florence to celebrate the centenary of the birth of Negroni. The event was attended by Camparistas, guests, journalists, influencers and bartenders from all over the world, with a very special guest appearance by the grandchildren of Count Negroni. A commemorative plaque was also placed on the original site of the Café Casoni, the place where Negroni was born.

Campari Red Diaries 2019

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

SKYY

SKYY Vodka WorldPride sponsor in the United States

In June 2019, SKYY Vodka was the official vodka partner of the WorldPride festivals of New York City and Los Angeles, showing its ongoing commitment to supporting the new era of social progress fuelled by the diversity within the LGBTQ+ community in the USA. In addition, to commemorate the 50th anniversary of the Stonewall movements SKYY partnered with a group of original Vogue artists paying tribute to the people and history that shaped LGBTQ+ culture. The activities covered more than 9 events, including a branded float that was used in the official WorldPride parade on 30 June in New York City.

SKYY Vodka: Born in San Francisco

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

Grand Marnier

Grand Marnier Cuvée Louis Alexandre

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

Jamaican Rums

Appleton Estate included in CNN's '100 Club' programme

In June 2019 CNN celebrated the Appleton Estate brand, together with Joy Spence, master blender for Appleton Estate, and Jimmy Lawrence, Chairman of J. Wray&Nephew Ltd., by including them in the '100 Club' programme, which shows only brands that have remained innovative and relevant for over 100 years. The programme focused on the production process and historic roots of Appleton Estate.

Regional priority brands

Bulldog

Bulldog Gin Yard at the Field Day Festival in the UK

In June 2019, Bulldog was the exclusive gin partner at Field Day, London's most trendy music festival, which was host to around 60,000 visitors, as well as the 'Bulldog Gin Yard', a dedicated area with a container bar. The activation campaign, designed to show the brand's independent spirit and its unique role as a drink both during the day and at night, involved various activities, including an exclusive VIP brunch.

Global campaign 'Shine in Your Own Light'

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

GlenGrant

Spirit of Speyside Whiskey award for GlenGrant Single Malt 15-Year-Old Batch Strength

GlenGrant Single Malt 15-Year-Old Batch Strength was honoured with the Spirit of Speyside Whisky Award in the 13-20 year-old category of the competition. The annual Spirit of Speyside Whisky festival includes over 750 whisky-themed events, and awards prizes judged by a jury of experts and consumers.

Forty Creek Whisky

Forty Creek 22-Year-Old Rye – best whisky in Canada

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

Averna

Averna sicilian excellence platform: partnership with Sicilian master *chocolatier* Andrea Bonajuto

Averna has announced close collaboration with a famous Sicilian name, Pierpaolo Bonajuto, the sixth-generation manager of the oldest chocolate factory in Sicily. The aim of the platform, which has been implemented in numerous countries, is to generate unique multi-sensory travel experiences through two Sicilian areas of excellence, using activations such as Sicilian dinners with PR and influencers, perfect serves in restaurants, in-store tastings, travelling events with food trucks and digital storytelling.

Cinzano

Cinzano Vermouth 1757 di Torino

In April 2019, the new Vermouth super premium 1757, available in 'rosso' and 'extra dry', was launched as a tribute to the Cinzano inventors, who created this brand in 1757 and started the production process in Turin. The launch was accompanied by secret handcrafted recipes developed by Cinzano herbalist and master blender, and an event at Dante Café, New York, with multiple award-winning barman Erik Lorincz.

Cinzano 'Classico' vermouth

In February 2019, the Cinzano 'Classico' vermouth relaunch started, aimed at celebrating the brand's rich historic heritage dating back over two centuries. The new look depicts the iconic Cinzano red and blue, with vintage visual cues.

Other significant events

Purchase of own shares

Between 1 January and 30 June 2019, the Group purchased 3,550,826 own shares at an average price of €8.48, and sold 8,669,284 own shares, for the exercise of stock option rights. At 30 June 2019, the Parent Company held 9,863,500 own shares, equivalent to 0.85% of the share capital.

Ordinary Shareholders' Meeting of the Parent Company

On 16 April 2019, the Ordinary General Meeting of Davide Campari-Milano S.p.A. approved the 2018 financial statements and agreed the distribution of a dividend of €0.05 per outstanding share (unchanged from the dividend paid for 2017). The total dividend, calculated on the outstanding shares and excluding own shares in the portfolio on the date of the Shareholders' meeting (15,745,745 shares), was €57,292,713.
The Shareholders' meeting also appointed the Board of Directors and the Board of Statutory Auditors for the three-year period 2019-2021. The composition of these boards is shown in the 'Corporate bodies' section.
Lastly, the Board of Directors appointed the members of the Control and Risks Committee and the Remuneration and Appointments Committee, as also shown in the 'Corporate officers' section.

Bond issue

On 23 April 2019, Davide Campari-Milano S.p.A. successfully placed an unrated bond, with a five-year term, for €150 million, reserved for Italian and international institutional investors only. Banca IMI S.p.A. (Intesa Sanpaolo Group) acted as Sole Lead Manager for the issue of the new bond. This transaction enabled the company to optimise its debt structure by extending the average maturity of its liabilities and thereby benefit from the low interest rates on the market.

The main features of the new bond loan are as follows:

- total nominal amount of €150 million;
- interest rate, a fixed annual coupon of 1.655%;
- issue price of 100%;
- maturity 30 April 2024.

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

Half-year financial statements at 30 June 2019

Group operating and financial results

Sales performance

Overall performance

In the first half of 2019, the Group's net sales amounted to €848.2 million, an overall increase of +9.0% on the same period in 2018. The organic component, which grew strongly, accounted for +8.0% of the increase, continuing the positive trend seen in 2018. The component attributable to exchange-rate variations, +2.3%, was partly offset by the negative effect of changes in the scope of consolidation of -1.4%.

	first half 2019		first half 2018		total change	6 months change, of which				change % second quarter
	€ million	%	€ million	%	€ million	total	organic	perimeter	exchange rate	organic
Americas	384.6	45.3%	333.3	42.8%	51.3	15.4%	9.9	-0.1%	5.5%	7.3%
Southern Europe, Middle East and Africa	243.6	28.7%	236.2	30.3%	7.5	3.2%	7.7 %	-4.4%	-0.1%	8.6%
North, Central and Eastern Europe	165.5	19.5%	154.4	19.8%	11.1	7.2%	7.0	-	0.2%	4.2%
Asia-Pacific	54.4	6.4%	54.3	7.0%	0.1	0.2%	1.1	-	-0.9%	4.9%
Total	**848.2**	**100.0%**	**778.2**	**100.0%**	**70.0**	**9.0%**	**8.0**	**-1.4%**	**2.3%**	**6.9%**

Organic change

Organic growth of +8.0% was recorded in the first half of 2019. After a highly positive start to the year (+9.6% growth), performance continued to be strong in the second quarter (+6.9%), benefiting from the timing of Easter, which fell in the high season for the aperitifs business. The result may be seen as highly positive given the unfavourable basis for comparison with the second quarter of 2018 (+8.0%).

Overall, sales recorded an organic increase in all geographical regions, particularly in North America and Europe, where growth was driven by the high-margin markets. In addition, growth was supported by a recovery in the main emerging markets in South America, which also benefited from a favourable basis of comparison.

Growth in sales of brands was driven by the global priority brands segment (+9.8%) and the regional priority brands segment (+10.8%), in line with the Group's growth strategy of continuously strengthening its high-margin brands in the major developed markets. Local priority brands, in turn, made a positive contribution to total growth in the six months, with an increase in sales of +4.0%.

With regard to the methodology for calculating organic growth, it should be noted that, in conjunction with the first application of IAS 29-'Financial Reporting in Hyperinflationary Economies' with effect from the publication of the additional financial information for the quarter ending 30 September 2018, the hyperinflationary effects relating to the Argentine market were excluded, as a prudent measure. Specifically, the organic change in this market includes only the component attributable to volumes sold, while the price variation, which includes the inflation effect, is included in the exchange-rate effect. The change in methodology had a negative effect on the Group's organic sales growth, equivalent to 90 basis points in the first half.

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

❖ **Geographical regions**

- The **Americas** region recorded organic growth of +9.9% (7.3% in the second quarter); this performance was attributable to North America (+10.3%) - thanks to United States (+10.9%), the largest market for the region and for the Group as a whole, Jamaica (+18.6%) and Canada (+7.4%) - and by South America (+6.0%), driven by Argentina (+14.2%) and Brazil (+6.9%).
- The **Southern Europe, Middle East and Africa** region reported organic growth of +7.7% (+8.6% in the second quarter), driven by the performance of its main market, Italy, where organic sales increased by +6.7%, despite the poor weather conditions in May. The other countries in the region posted a strong performance, most notably France, Nigeria and South Africa, which reported double-digit growth.
- The **Northern, Central and Eastern Europe** region recorded organic growth of +7.0% (+4.2% in the second quarter), thanks to Germany (+3.9%), the region's core market, Russia, the UK and Austria, as well as excellent performances by the Scandinavian markets and Eastern Europe.
- The **Asia-Pacific** region recorded growth of +1.1% (+4.9% in the second quarter), driven by Australia, the region's core market, where sales rose by +3.5%, and China; this was partly offset by a fall in sales in Japan.

❖ **Brands**

- The Group's **global priority brands** recorded total organic growth of +9.8% (+7.8% in the second quarter), continuing to outperform the Group's average organic growth. Performance was driven by Aperol, which continued to report double-digit growth (+22.0%), and the Wild Turkey portfolio (+11.4%), as well as good performances by Jamaican rums (+7.1%), Campari (+5.8%) and Grand Marnier (+2.3%). SKYY reported a decrease of -3.0%.
- The **regional priority brands** reported total organic growth of +10.8% (+13.4% in the second quarter). This positive trend is the result of excellent performances by Espolòn (+46.5%), Mondoro and Riccadonna sparkling wines, and Averna, which partly offset the fall in sales recorded by GlenGrant.
- The **local priority brands** showed growth of +4.0% (+5.2% in the second quarter), driven by healthy growth in all brands, including Campari Soda, Crodino, the Wild Turkey ready-to-drink portfolio and Cabo Wabo, as well as in the Brazilian brands.

Changes in the scope of consolidation

The impact of the changes in the scope of consolidation on sales in the first half of 2019 was -1.4% compared with prior period and is analysed in the table below.

breakdown of the perimeter effect	€ million	% on 2018
acquisitions (Bisquit Debouché et Cie S.A.)	0.1	-
disposals	(0.1)	-
acquisitions and disposals of business	**-**	**-**
new agency brands distributed	0.1	-
discontinued agency brands	(10.7)	-1.4%
total distribution contracts	**(10.6)**	**-1.4%**
total perimeter effect	**(10.6)**	**-1.4%**

- **Business acquisitions**

In the first half of 2019, the change in the scope of consolidation due to business acquisitions and disposals was neutral overall, as the acquisition of Bisquit Debouché et Cie. S.A., owner of the brand of the same name, contributed to the Group's result from 1 February 2018, offsetting the changes attributable to business disposals, particularly Lemonsoda, completed on 2 January 2018.

- **Brands distributed**

In the first half of 2019, the effects of the changes in the scope of consolidation relating to brands distributed by the Group were mainly impacted by the termination of the distribution agreement for the Brown Forman product portfolio in Italy, which expired in April 2018.

Exchange-rate effects

The positive exchange-rate effect in the first half of 2019 was +2.3%, due to the appreciation of all the Group's main currencies against the Euro, particularly the US Dollar, the Jamaican Dollar, Mexican Pesos and the Canadian Dollar. In addition, the financial results for the period ended 30 June 2019 include the effects of applying IAS 29-'Financial Reporting in Hyperinflationary Economies', in Argentina. The exchange-rate effect includes both the effects of applying that standard (including the conversion into Euro at the spot exchange rate at the end of the period for all the income statement items expressed in Argentine Pesos) and the new method for calculating organic growth for the Argentine market.

The table below shows the average exchange rates for the first half of 2019 and spot rates at 30 June 2019 for the Group's most important currencies, together with the percentage change against the Euro as compared with the same period in 2018.

	average exchange rates		spot exchange rates	
	first half 2019	revaluation/(devaluation) vs. first half 2018	30 June 2019	revaluation/(devaluation) vs. 31 December 2018
	1 Euro	%	1 Euro	%
US Dollar	1.130	7.2%	1.138	0.6%
Canadian Dollar	1.507	2.6%	1.489	4.8%
Jamaica Dollars	147.752	3.4%	148.303	-1.6%
Mexican Peso	21.654	6.6%	21.820	3.1%
Brazilian Real	4.340	-4.6%	4.351	2.1%
Argentine Peso(*)	48.568	-46.4%	48.568	-11.1%
Russia Rubles	73.725	-2.4%	71.598	11.3%
Australian Dollar	1.600	-1.9%	1.624	-0.1%
Yuan Renminbi	7.667	0.6%	7.819	0.7%
Great Britain Pounds	0.874	0.7%	0.897	-0.2%
Switzerland Francs	1.129	3.6%	1.111	1.5%

(*)The average exchange rate for the Argentine peso is the same as the spot exchange rate on 30 June 2019.

Sales by region

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

- **Americas**

The region, broken down into its core markets below, recorded overall organic growth of +9.9%.

	% of Group total	first half 2019		first half 2018		total change	6 months change, of which				change % second quarter
		€ million	%	€ million	%	€ million	total	organic	perimeter	exchange rate	organic
US	29.3%	248.8	64.7%	209.3	62.8%	39.5	18.9%	10.9%	-	8.0%	10.7%
Jamaica	5.5%	47.1	12.2%	38.4	11.5%	8.7	22.6%	18.6%	-0.2%	4.1%	14.5%
Canada	3.0%	25.5	6.6%	23.1	6.9%	2.4	10.3%	7.4%	-	2.8%	1.3%
Brazil	1.9%	16.3	4.2%	16.0	4.8%	0.3	2.0%	6.9%	-	-4.9%	-13.2%
Mexico	2.1%	18.2	4.7%	17.6	5.3%	0.6	3.7%	-2.0%	-0.6%	6.3%	0.2%
Argentina	1.4%	11.7	3.0%	11.4	3.4%	0.3	2.4%	14.2%	-	-11.8%	10.4%
Other countries of the region	2.0%	17.1	4.4%	17.6	5.3%	-0.5	-2.9%	-6.4%	-0.2%	3.7%	-11.2%
Americas	**45.3%**	**384.6**	**100.0**	**333.3**	**100.0%**	**51.3**	**15.4%**	**9.9%**	**-0.1%**	**5.5%**	**7.3%**

The **Americas** region recorded organic sales growth of +9.9%, driven by the performances of both North America (+10.3%) and South America (+6.0%).

With reference to North America, the **United States**, the Group's core market with 29.3% of sales, closed the first half of 2019 with organic growth of +10.9% (+10.7% in the second quarter). This positive performance was achieved thanks to the double-digit growth of Espolòn, the Wild Turkey portfolio, Aperol, and Campari, as well as the positive contribution of Grand Marnier. However, the vodka category is still experiencing persistent competitive pressure, which negatively impacted SKYY, combined with the announced destocking activity aimed at aligning the orders to more favourable consumption trends.

Jamaica recorded a highly positive increase in sales of +18.6% (+14.5% in the second quarter), due to the double-digit growth achieved in the period by Wray&Nephew Overproof, Campari and Appleton Estate, as well as the positive performance of other local brands, especially Magnum Tonic.

Canada recorded growth of +7.4% in the period (+1.3% in the second quarter), achieved thanks to the contribution of Aperol, Wray&Nephew Overproof and Espolòn, which fully offset the slight fall in the sales of Grand Marnier, due to price repositioning, and Forty Creek.

Mexico recorded a decline of -2.0% in sales (+0.2% in the second quarter), mainly due to the Jamaican rum brands. However, the results of Aperol, SKYY ready-to-drink and SKYY were positive.

With reference to South America, **Brazil**'s positive performance of +6.9% in the first half (-13.2% in the second quarter) was mainly driven by the local brands, especially Dreher, as well as by Campari, Aperol and SKYY. The positive result also benefited from a favourable basis of comparison with the first half of 2018 (-27.2%). Despite signs of improvement, the macroeconomic climate remains difficult, with political instability and high unemployment rates.

In **Argentina**, sales showed positive organic growth of +14.2% (+10.4% in the second quarter), driven by Cinzano vermouth, SKYY Infusions and Aperol, and also benefited from a favourable basis of comparison with the same period in 2018. It should be noted that, as a prudent measure, the organic change in this market includes only the component attributable to volumes sold, in order to strip out the price/mix effects. The market continues to be affected by the economic context of instability, high inflation and a low propensity to spend.

Lastly, the **other countries in the region** are showing a decline in overall sales, mainly due to the Peruvian market, for which the basis of comparison in the same period of the previous year had been affected by the start of direct route-to-market.

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

The region, which is broken down by core market in the table below, reported organic growth of +7.7%.

	% of Group total	half year 2019		half year 2018		total change	6 months change, of which				change % second quarter
		€ million	%	€ million	%	€ million	total	organic	perimeter	exchange rate	organic
Italy	21.6%	182.8	75.0%	180.5	76.4%	2.3	1.3%	6.7%	-5.4%	-	6.9%
France	2.3%	19.5	8.0%	15.4	6.5%	4.1	26.4%	26.4%	-	-	45.5%
Global Travel Retail	1.6%	13.7	5.6%	14.1	6.0%	-0.3	-2.4%	1.0%	-3.3%	-0.1%	-2.6%
Other countries of the region	3.2%	27.6	11.3%	26.1	11.1%	1.4	5.5%	7.1%	-0.5%	-1.0%	6.3%
Southern Europe, Middle East and Africa	**28.7%**	**243.6**	**100.0%**	**236.2**	**100.0%**	**7.5**	**3.2%**	**7.7%**	**-4.4%**	**-0.1%**	**8.6%**

Italy continues to record a highly positive performance of +6.7% (+6.9% in the second quarter), driven by the double-digit growth of Aperol (+12.2%) and the good performance of Campari, Campari Soda and Crodino. Of the amaro brands, sales of Averna and Cynar offset the slight negative effect recorded by Braulio, due to an unfavourable basis of comparison with the same period of the previous year, as well as the recent price repositioning.

France reported sales growth of +26.4% (+45.5% in the second quarter), driven by Aperol and Riccadonna. The **Global Travel Retail** channel recorded organic growth of +1.0% (-2.6% in the second quarter), thanks to Aperol and GlenGrant.

The **other countries in the region** grew by 7.1% (+6.3% in the second quarter), driven by the good performance of almost all markets, especially the double-digit growth of markets such as **South Africa** (+19.2%) and **Nigeria** (+22.2%). Double-digit growth in the Nigerian market, which is affected by ongoing socio-economic volatility, was driven by sales of Campari and Wild Turkey. Lastly, **Spain** reported positive growth thanks to Aperol and Cinzano.

- **Northern, Central and Eastern Europe**

The region recorded overall organic growth of +7.0%, spread across its core markets.

	% of Group total	2019		2018		total change	6 months change, of which				change % second quarter
		€ million	%	€ million	%	€ million	total	organic	perimeter	exchange	organic
Germany	9.1%	77.0	46.5%	74.1	48.0%	2.9	3.9%	3.9%	-	-	0.3%
Russia	1.7%	14.5	8.7%	13.4	8.7%	1.1	8.3%	10.9%	-	-2.6%	3.5%
United Kingdom	2.0%	16.9	10.2%	14.8	9.6%	2.2	14.6%	13.8%	-	0.8%	15.7%
Other countries of the region	6.7%	57.1	34.5%	52.2	33.8%	5.0	9.5%	8.4%	-	1.1%	6.2%
North, Central and Eastern Europe	**19.5%**	**165.5**	**100.0%**	**154.4**	**100.0%**	**11.1**	**7.2%**	**7.0%**	**-**	**0.2%**	**4.2%**

In **Germany**, sales rose by +3.9% (+0.3% in the second quarter), despite an unfavourable basis of comparison (+7.4%), and poor weather conditions in May. Of specific note is the strong growth in sales of Aperol (+10.8%), SKYY and Frangelico, as well as positive performances by GlenGrant, Wild Turkey and Averna. Campari resumed positive growth in the first half, despite a price increase in the first quarter. These trends offset the weakness in Cinzano sparkling wine and vermouth.

Russia recorded an increase in sales of +10.9% (+3.5% in the second quarter) thanks to Aperol, Cinzano vermouth and sparkling wine. The macroeconomic situation shows signs of reduced volatility although the propensity to spend remains weak.

The **United Kingdom** showed an increase of +13.8% (+15.7% in the second quarter), although the market continues to suffer from instability associated with the political/economic decisions surrounding the Brexit negotiations. Growth in the period in question was supported by sales of Aperol, Magnum Tonic and Wray&Nephew Overproof.

The **other countries in the region** grew by +8.4% in the period (+6.2% in the second quarter), with positive performances in nearly all the core markets, including solid growth in **Austria** (Aperol and Campari), as well as in the Scandinavian and Eastern European markets, driven mainly by sales of Aperol, Campari and Crodino.

- **Asia-Pacific**

This region, which is broken down by core market in the table below, recorded an organic increase of +1.1%.

	% of Group total	2019		2018		total change	6 months change, of which				change % second quarter
		€ million	%	€ million	%	€ million	total	organic	perimeter	exchange	organic
Australia	4.4%	37.7	69.2%	37.1	68.3%	0.6	1.5%	3.5%	-	-2.0%	9.3%
Other countries of the region	2.0%	16.7	30.8%	17.2	31.7%	-0.5	-2.6%	-4.3%	-	1.6%	-3.5%
Asia-Pacific	**6.4%**	**54.4**	**100.0%**	**54.3**	**100.0%**	**0.1**	**0.2%**	**1.1%**	**-**	**-0.9%**	**4.9%**

In **Australia**, the region's core market, organic sales for the period rose by +3.5% (+9.3% in the second quarter). The main positive performances were attributable to Aperol, Wild Turkey ready-to-drink, SKYY and Wild Turkey bourbon.

Sales in the **other areas in the region** showed a decline of -4.3% (-3.5% in the second quarter), mainly due to Japan, as well as the unfavourable basis of comparison, and in New Zealand. China recorded a good performance, thanks to SKYY and Cinzano sparkling wine.

Sales by major brands at consolidated level

The following table summarises growth (split into its various components) in the Group's main brands in the first half of 2019, broken down into the categories identified by the Group based on the priority (global, regional, local and other) assigned to them.

	Percentage of Group sales	6 months change, of which				change % second quarter
		total	organic	perimeter	exchange	organic
Aperol	19.6%	22.9%	22.0%	-	0.9%	19.5%
Campari	10.3%	6.9%	5.8%	-	1.1%	3.3%
SKYY(1)	8.1%	1.4%	-3.0%	-	4.4%	-5.7%
Grand Marnier	7.3%	8.6%	2.3%	-	6.3%	-5.0%
Wild Turkey portfolio(1)(2)	8.2%	17.8%	11.4%	-	6.5%	12.7%
Jamaican rums portfolio(3)	5.1%	11.0%	7.1%	-	3.9%	4.5%
global priority brands	**58.8%**	**13.0%**	**9.8%**	**-**	**3.2%**	**7.8%**
Espolòn	4.3%	55.9%	46.5%	-	9.3%	63.5%
Bulldog	0.7%	-3.7%	-3.1%	-	-0.6%	-6.4%
GlenGrant	1.0%	-10.2%	-11.0%	-	0.8%	-23.5%
Forty Creek	1.0%	4.5%	1.0%	-	3.5%	-5.9%
Italian Liquors(4)	3.6%	2.3%	1.0%	-	1.3%	-1.6%
Cinzano	2.8%	-2.7%	-1.1%	-	-1.6%	-10.4%
Bisquit	0.2%	27.9%	30.9%	2.8%	-5.9%	-6.4%
Other sparkling wine (Riccadonna, Mondoro)	1.5%	18.6%	18.8%	-	-0.1%	-34.2%
regional priority brands	**15.1%**	**13.0%**	**10.8%**	**-**	**2.1%**	**13.4%**
Campari Soda	3.8%	5.8%	5.8%	-	-	8.7%
Crodino	3.6%	3.4%	3.3%	-	0.1%	9.2%
Wild Turkey portfolio ready-to-drink(5)	1.8%	0.9%	2.8%	-	-2.0%	5.7%
Dreher and Sagatiba	0.9%	-0.6%	3.9%	-	-4.5%	-17.6%
other	1.9%	6.0%	2.8%	-	3.2%	4.9%
local priority brands	**12.0%**	**3.8%**	**4.0%**	**-**	**-0.2%**	**5.2%**
rest of the portfolio	**14.0%**	**-4.8%**	**2.4%**	-8.5%	**1.4%**	**-1.5%**
total	**100.0%**	**9.0%**	**8.0%**	**-1.4%**	**2.3%**	**6.9%**

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

The **Group's global priority brands** (58.8% of sales) grew by +9.8% at organic level, with overall growth of +13.0%, after the exchange-rate effect of +3.2% and a neutral effect of changes in the scope of consolidation. The comments below relate to the organic performance of the brands.
Aperol continued to record double-digit organic growth of +22.0%, due to highly positive results in all the markets where the brand is being developed and consolidated, despite the poor weather conditions in May. Specifically,

strong growth continued in Italy, the United States - now the brand's third-largest market by value, and Germany. Highly positive results were also recorded in France, Russia, Canada, the UK and the Global Travel Retail channel.
Campari closed the period with organic growth of +5.8%, with good results achieved in Italy, the United States (the brand's second-largest market by value), Brazil and Germany.
SKYY closed the first half of 2019 with a fall in sales of -3.0%, mainly associated with the weakness in the United States, due to the ongoing competitive pressure in this category, as well as the announced destocking activity aimed at aligning the orders to more favourable consumption trends. In contrast, positive performances were recorded in the international markets (24% of the brand's total sales) including China, Germany, Argentina, South Africa and Australia.
The **Wild Turkey** portfolio, which includes American Honey, reported organic growth of +11.4% in the period, thanks both to its core US market (which also benefited from improvements in the sales mix as a result of the excellent performance of premium versions, such as Wild Turkey Longbranch and Russell's Reserve), and the markets in which it has recently been introduced, where volumes are still modest (Germany, Italy, Nigeria and for premium variant Australia). This result fully offset the decline in Japan, which was affected by a particularly unfavourable basis of comparison with the first half of 2018.
Grand Marnier recorded organic growth of +2.3%, driven by United States, with normalising orders in second quarter, and partly compensated by a negative performance in Canada, due to price repositioning.
The **Jamaican rums portfolio** (Appleton Estate and Wray&Nephew Overproof) recorded organic growth of +7.1% during the period. Specifically, Wray&Nephew Overproof reported double-digit growth, thanks to healthy performances in the brand's core markets of Jamaica, the United States and the UK. Appleton Estate showed a positive trend as a result of good performances in Jamaica, New Zealand and the UK.

The **regional priority brands** (15.1% of the Group's sales) posted organic growth of +10.8%, with an overall increase of +13.0%, net of an exchange-rate effect of +2.1% and a broadly neutral effect of changes in the scope of consolidation. The comments below relate to the organic performance of individual brands.
Espolòn (+46.5%) recorded excellent growth in the United States, the brand's largest market, and highly encouraging results – albeit with volumes that are still low – in the international markets in which the brand was recently introduced, including Australia, Italy and Canada.
Sales of **Bulldog** fell by -3.1%, mainly due to Belgium and Spain, compared due to market pressure in the gin category, as well as the recent price repositioning in other markets.
GlenGrant recorded a negative performance of -11.0% in the period, due to voluntary volumes reduction in some markets with low marginality such as Italy, France and Spain. Indeed, the performance reflects the ongoing and progressive strategic repositioning of the brand, intended to improve the sales mix, driven by premium versions of the high-margin products in high-margin markets for the single malt scotch whisky category. However, the brand registered positive results in United States, Germany and in the Global Travel Retail.
Forty Creek recorded modest growth of +1.0%, thanks to the good result posted in the United States.
Italian bitters and liqueurs posted a positive result overall (+1.0%) thanks to the healthy performances of **Averna** (Italy, US and Germany), which more than offset the temporary weakness of **Cynar**, **Frangelico**, **Braulio**. The latter suffered the unfavourable basis of comparison with the same period of the previous year, and a price repositioning during the first half 2019.
Cinzano posted a slight fall of -1.1% overall, which was mainly attributable to the sparkling wines segment, due to the fall in the core German market. The vermouths segment was stable overall, thanks to the positive performance of Russia, Argentina and Czech Republic which completely offset the temporary slowdown in the rest of Europe due to price repositioning.
Of the other brands, **Riccadonna** recorded an excellent performance, mainly driven by Aperol's positive trend in the French market, and **Mondoro** posted a fall due to the weakness in the core Russian market.
The recently-acquired **Bisquit**, which contributed to the Group's organic sales effect from February 2019, recorded an organic increase of +30.9%, which was mainly concentrated in the brand's core markets of South Africa and Belgium.

The **local priority brands** (12.0% of the Group's portfolio) showed organic sales growth of +4.0%, with an overall increase of +3.8%, after an exchange-rate effect of -0.2% and a neutral effect of the changes in the scope of consolidation. The comments below relate to the organic performance of individual brands.
The organic performance of the local brands is the result of healthy growth in the Italian single-serve aperitifs, **Campari Soda** (+5.8%) and **Crodino** (+3.3%). Growth in sales of Crodino was driven both by the Italian market and by positive growth, although volumes are still low, in the international markets (mainly central Europe), which represent 12.0% of the brand's total sales. The **Brazilian brands** (**Dreher** and **Sagatiba**) showed a positive trend, partly thanks to a favourable basis of comparison with the first half of 2018. Sales of **Wild Turkey ready-to-drink** rose by +2.8% and of **Cabo Wabo** by +5.8%, driven by their core markets of Australia and the US respectively.
The **rest of the portfolio** (14.0% of the Group's sales) showed positive organic growth of +2.4%, driven specifically by **SKYY ready-to-drink** in Mexico and **Magnum Tonic** in Jamaica and the UK.

Income statement

Highlights

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

Specifically, the gross margin and contribution margin showed organic growth of +9.5%, while the result from recurring activities (EBIT adjusted) showed an organic rise of +10.6%. These performances compare with organic sales growth of +8.0%, generating a healthy increase in the marginality on sales.

With regard to the total changes in the sales and profitability indicators, the favourable exchange-rate effect, driven by the strengthening of the US dollar, the impact of which was only partly mitigated by the depreciation of the currencies in the Group's main emerging markets, more than offset the remaining negative impact of the deconsolidation of some businesses that were sold in previous months.

The income statement for the first half of 2019 reflects the application of the new accounting standard IFRS 16-'Leases'. Under this standard, the recognition of operating lease costs on a straight-line basis is replaced with depreciation of the right-of-use asset and the financial charges relating to the lease liabilities. The new standard was introduced on 1 January 2019, and the figures for the comparative period have not been restated. For more details about the adoption of this standard, see note 3-'Changes in accounting standards' of the condensed half-year financial statements at 30 June 2019.
With reference to the main levels of operating profitability, the application of the new methodology for representing lease transactions generated a positive effect of €1.3 million on EBIT adjusted and €7.7 million on EBITDA adjusted in the first half of 2019, corresponding to an impact of 20 basis points and 90 basis respectively, on both the overall change and the organic change.

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

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

P&L grow/margin	30 June 2019		30 June 2018		total change		of which organic		of which external		of which due to exchange rates	
	€ million	%	€ million	%	€ million	%	€ million	%	€ million	%	€ million	%
Net sales	**848.2**	**100.0**	**778.2**	**100.0**	**70.0**	**9.0%**	**62.5**	**8.0%**	**(10.6)**	**-1.4%**	**18.1**	**2.3%**
Cost of goods sold	(322.3)	(38.0)	(306.3)	(39.4)	(16.1)	5.2%	(17.62)	5.8%	(0.1)	-2.9%	(7.44)	2.4%
Gross profit	**525.8**	**62.0**	**471.9**	**60.6**	**53.9**	**11.4%**	**44.9**	**9.5%**	**(1.6)**	**-0.3%**	**10.7**	**2.3%**
Advertising and promotional costs	(151.5)	(17.9)	(134.9)	(17.3)	(16.6)	12.3%	(12.7)	9.4%	(0.1)	0.1%	(3.8)	2.8%
Contribution margin	**374.3**	**44.1**	**337.0**	**43.3**	**37.3**	**11.1%**	**32.2**	**9.5%**	**(1.7)**	**-0.5%**	**6.8**	**2.0%**
Overheads	(194.0)	(22.9)	(176.5)	(22.7)	(17.5)	9.9%	(15.2)	8.6%	0.1	-0.1%	(2.5)	1.4%
Result from recurring activities (EBIT adjusted)(1)	**180.3**	**21.3**	**160.5**	**20.6**	**19.8**	**12.3%**	**17.0**	**10.6%**	**(1.5)**	**-1.0%**	**4.3**	**2.7%**
Adjustments to operating income(1)	(8.6)	(1.0)	19.6	2.5	(28.2)	-144.0%						
Operating result(1)	**171.7**	**20.2**	**180.1**	**23.1**	**(8.4)**	**-4.7%**						
Financial income (charges)	(15.1)	(1.8)	(14.8)	(1.9)	(0.3)	2.2%						
Adjustments to financial income(1)	-	-	1.6	0.2	(1.6)	-100.1%						
Profit (loss) related to companies valued at equity	0.1	-	(0.1)	-	0.2	-217.1%						
Put option, earn out income (charges) and hyperinflation effects	(3.0)	(0.4)	(0.9)	(0.1)	(2.1)	251.3%						
Profit before tax and non-controlling interests interest	**153.7**	**18.1**	**166.0**	**21.3**	**(12.3)**	**-7.4%**						
Taxes	(30.9)	(3.6)	(18.8)	(2.4)	(12.1)	64.4%						
Net profit	**122.8**	**14.5**	**147.2**	**18.9**	**(24.4)**	**-16.6%**						
Non-controlling interests		-	-	-	-	-						
Group net profit	**122.8**	**14.5**	**147.2**	**18.9**	**(24.4)**	**-16.6%**						
Group profit before tax adjusted(1)	**162.3**	**19.1**	**144.8**	**18.6**	**17.5**	**12.1%**						
Group net profit adjusted(1)	**116.7**	**13.8**	**104.4**	**13.4**	**12.3**	**11.8%**						
Total depreciation and amortisation	(34.8)	(4.1)	(27.4)	(3.5)	(7.4)	26.8%	(6.8)	24.7%	-	0.1%	(0.5)	2.0%
EBITDA adjusted(1)	**215.1**	**25.4**	**187.9**	**24.2**	**27.1**	**14.4%**	**23.8**	**12.7%**	**(1.5)**	**-0.8%**	**4.9**	**2.6%**
EBITDA	**206.5**	**24.3**	**207.5**	**26.7**	**(1.1)**	**-0.5%**						

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

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

margin accretion (dilution) in basis point(1)	Total	Organic
Cost of goods sold	140	90
Gross margin	**140**	**90**
Advertising and promotional costs	(60)	(30)
Contribution margin	**80**	**60**
Overheads	(20)	(10)
Result from recurring activities(2)	**70**	**50**

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

Income statement in detail
The key income statement items are analysed below.

See the previous section for a detailed analysis of **sales** for the period.

The **gross margin** for the period was €525.8 million, an increase of +11.4% compared with the same period in the previous year. The organic growth component of +9.5% was higher than organic sales growth (+8.0%), while the exchange-rate variation (+2.3%) was only marginally offset by a negative perimeter effect (-0.3%). As a percentage of sales, profitability rose overall from 60.6% in the first half of 2018 to 62.0%, an increase of 140 basis points, of which 90 related to organic growth and 60 to the perimeter effect, while the exchange rate had no impact.
The organic accretion effect, which accelerated in the second quarter, was driven by a highly favourable product/market mix and supported by the performance of high-margin brands, especially the aperitifs business, in the key developed markets. This result amply absorbed the dilutive effects generated by the recovery registered in the lower margin emerging markets and the negative effect of the price increase of agave, whose trend worsened during the semester. Although the effect of the external component associated with the termination of low-margin distribution contracts triggered a negative fall in the gross margin, it also made a positive contribution to the increase in profitability.

Advertising and promotional (A&P) costs came in at €151.5 million, up by +12.3% overall compared with the first half of 2018. As a percentage of sales, these costs were 17.9%, with an overall rise in profitability of 60 basis points.
Organic marketing costs increased by +9.4%, higher than organic sales growth (+8.0%), having a dilutive effect on profitability of 30 basis points. The Group continued with its marketing investment programmes in the first half of 2019, focusing on global priority brands, such as Aperol, Campari, SKYY and Grand Marnier, as well as selected regional priority brands, with an acceleration, as expected in the second quarter, a key period for the aperitifs business. The growth component attributable to exchange rate effects and changes in the scope of consolidation together totalled +2.9%, with a resulting dilutive effect on profitability of 30 basis points. This was mainly due to the sale of businesses with very low spending on marketing activity.

The **contribution margin** was €374.3 million, a rise of +11.1% overall. As a percentage of sales, these costs were 44.1%, with an overall rise of 80 basis points compared with the first half of 2018.
The organic growth component of +9.5%, which was higher than organic sales growth (+8.0%), generated an improvement in profitability of 60 basis points. The perimeter effect was negative at -0.5%. This had a positive impact on profitability of 30 basis points, due to sales of businesses with a low contribution. The effect of exchange-rate variations was positive, at +2.0%, with a negative impact on profitability of 10 basis points.

Overheads amounted to €194.0 million, up by +9.9% on the first half of 2018. As a percentage of sales, these costs totalled 22.9%, with a resulting dilutive effect on profitability of 20 basis points.
The organic growth component of +8.6%, which was slightly higher than organic sales growth (+8.0%), generated a resulting improvement in profitability of 10 basis points. The growth component attributable to exchange-rate effects and change in the scope of consolidation together totalled +1.3%, generating a dilutive effect on profitability of 10 basis points. This was mainly due to the sale of businesses with minimal overheads.

The **result from recurring activities adjusted (EBIT adjusted)** was €180.3 million, an overall increase of +12.3% on the first half of 2018. Return on Sales adjusted (ROS), which measures the impact on sales in the first half of 2019, was 21.3%, showing an increase in profitability of 70 basis points compared with the same period in 2018, when the figure was 20.6%. The adoption of the new accounting rules relating to lease operations in the first half generated a positive effect of €1.3 million on EBIT adjusted, corresponding to 20 basis points on both overall and organic growth.

The organic growth component of +10.6% was higher than organic sales growth (+8.0%), resulting in an accretive effect on profitability of 50 basis points: the improvement of 90 basis points in gross margin was mainly reinvested in marketing initiatives (30 basis points) and only to a marginal extent in overheads (10 basis points).
The resulting impact of the changed in the scope of consolidation on EBIT adjusted was -1.0% and is mainly due to the termination of distribution agreements; the component arising from exchange-rate variations was, however, positive at +2.7%, and mainly arose from the strengthening of the US dollar against the Euro.

Adjustments to operating income and charges showed a net charge of €8.6 million, mainly attributable to provisions for restructuring operations launched in 2018 and still in progress. This item compares with net income of €19.6 million in the first half of 2018, generated by a capital gain of €38.5 million on the sale of the Lemonsoda business, partly offset by restructuring expenses.

The **operating result** was €171.7 million in the first half of 2019, an overall decrease of -4.7% compared with the same period in 2018, mainly due to different adjustments made to operating income and charges in the first half of 2019 that were not undertaken in the first half of 2018. The ROS (operating result as a percentage of net sales) amounted to 20.2% (23.1% in the first half of 2018).

Depreciation and amortisation totalled €34.8 million, up +26.8% on the same period in 2018. The item includes a value of €6.5 million for amortisation of rights of use following the adoption of the new accounting standard IFRS 16-'Leases'.

EBITDA adjusted came in at €215.1 million, an increase of +14.4% (+12.7% at organic level). Exchange-rate effects made a positive contribution of +2.6%, while change in the scope of consolidation had a negative impact of -0.8%, generating an overall positive effect of +1.8%. The adoption of the new standard IFRS 16-'Leases' had a positive effect of €7.7 million on EBITDA adjusted, in the first half of 2019, corresponding to 90 basis points on both overall and organic growth.

EBITDA adjusted amounted to €206.5 million, a decrease of -0.5% compared with the first half of 2018 (€207.5 million).

Net financial charges stood at €15.1 million, mainly aligned with the same period in 2018 where they stood at €14.8 million. Notwithstanding the impact from new accounting methodology of leases, which generates an increase of net debt equal to €81.4 million, the average indebtedness at 30 June 2019 is €892.5, lower than the value at 30 June 2018, which was €955.7 million, thanks to the positive cash generation. For more details about the adoption of this standard, see section 3-Changes in accounting standards, of the condensed half-year financial statements at 30 June 2019.
The average cost of debt for the first six months of 2019 amounted to 3.7%, an increase from 3.0% on the same period in 2018, for the following reasons:

- significant negative carry for accrued interest on available liquidity (which was considerably higher in the first half of 2019 than in the same period of last year), compared with interest paid on existing medium and long-term debt;
- the effect of adopting the new IFRS 16-'Leases', which entailed the recognition, in the first half of the year, of interest of €1.7 million.

The cost of debt described above, excludes the effects of exchange-rate differences and adjustments for financial components.

The exchange-rate differences component, which is included in total net financial charges, had a positive impact of €1.2 million.

During first half 2019, no **adjustments to financial income (charges)** were registered. The same period of the previous year benefitted from a positive effect of €1.6 million, mainly driven from the sale of financial assets.

In the first six months of 2019, the **Income (charges)** item included net charges of €0.7 million for put options and earn-outs; this was due to the non-cash effects of discounting to present value payables for future commitments to buy minority shareholdings in acquired businesses.
The item also includes the effects of applying IAS 29-'Financial Reporting in Hyperinflation Economies' in Argentina, totalling €2.3 million.

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

	first half 2019			first half 2018			changes	
€ million	reported	adjustments	adjusted	reported	adjustments	adjusted	reported	adjusted
Group profit before tax	**153.7**	(8.6)	**162.3**	**166.0**	21.2	**144.8**	-7.4%	12.1%
Taxes	(30.9)	14.7	(45.6)	(18.8)	21.6	(40.4)	64.4%	12.8%
Group net profit	**122.8**	6.1	**116.7**	**147.2**	42.8	**104.4**	-16.6%	11.8%
Tax rate (nominal and adjusted)	**-20.1%**		**-28.1%**	**-11.3%**		**-27.9%**		
Deferred taxes on goodwill and trademarks		(7.9)	(7.9)		(8.0)	(8.0)		
Cash Tax rate			**23.2%**			**22.3%**		

	first half 2019 € million		first half 2018 € million	
Total adjustments to operating income (charges), of which:		**(8.6)**		**19.6**
restructuring and reorganization costs	(5.5)		(18.8)	
gain on sale of business	-		38.5	
other adjusments to operating income (charges)	(3.1)		(0.1)	
Total adjustments to financial income (charges)		**-**		**1.6**
Total tax adjustments, of which:		**14.7**		**21.6**
Patent Box	12.5		14.8	
Tax effect on operating and financial adjustments	2.2		6.8	
Total adjustments		**6.1**		**42.8**
Total adjustments before taxes		**(8.6)**		**21.2**

The Group's profit before tax was €153.7 million, a decrease of -7.4% compared with the same period in 2018. Profit as a percentage of sales was 18.1% (21.3% in the first half of 2018).
Excluding the adjustments, the Group's profit before tax amounted to €162.3 million, an increase of +12.1% on the figure for the first half of 2018, which was also adjusted in the same manner. The adoption of the new standard IFRS 16-'Leases' in the first half of 2019 generated a negative effect of €0.5 million on the Group's profit before tax.

Income tax totalled €30.9 million. The overall tax rate in the first half of 2019 was 20.1%, compared with a tax rate of 11.3% in the previous year. The first half of 2018 entailed tax adjustments of €21.6 million, including the recognition of the tax benefit derived under Patent Box rules and equating to an amount of €14.8 million, while in the first half of 2019, tax adjustments totalled €14.7 million, including a Patent Box benefit of €12.5 million and other tax effects relating to operating adjustments totalling €2.2 million.
The normalised tax rate, i.e. the ratio of normalised income tax to the Group's profit before tax excluding adjustments to operating, financial and tax income and charges for the period, was 28.1% in the first half of 2019, broadly in line with the rate of 27.9% in the first half of 2018. If the impact of the non-cash component relating to the tax effects of the amortisation of goodwill and brands is also excluded, the tax rate for the cash components alone is 23.2%, broadly in line with the rate of 23.4% at 31 December 2018 and higher than the rate of 22.3% in the first half of 2018, due to a different geographical mix.

The **Group's net profit** for the first half of 2019 was €122.8 million, a decrease of -16.6% on the first half of 2018. Profit as a percentage of sales was 14.5% (18.9% in first half 2018). However, after excluding adjustments to operating, financial and tax components, net profit before tax was €116.7 million, a rise of +11.8% on the first half of 2018, which was also adjusted in the same manner.

Basic and diluted earnings per share, of €0.11 and €0.10 respectively, both amounted to €0.10 once adjusted for the above components. Basic and diluted earnings per share adjusted were up by +12.7% and 12.1% respectively compared with the first half of 2018.

Profitability by business area

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

	first half 2019				first half 2018			
	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	384.6	45.3%	76.1	42.2%	333.3	42.8%	65.8	41.0%
Southern Europe, Middle East and Africa	243.6	28.7%	49.2	27.3%	236.2	30.3%	44.0	27.4%
Northern, Central and Eastern Europe	165.5	19.5%	49.1	27.2%	154.4	19.8%	46.0	28.6%
Asia-Pacific	54.4	6.4%	6.0	3.3%	54.3	7.0%	4.7	3.0%
Total	**848.2**	**100.0%**	**180.3**	**100.0%**	**778.2**	**100.0%**	**160.5**	**100.0%**

- **Americas**

The Americas region makes the largest contribution to the Group in terms of both sales and the result from recurring activities, at 45.3% and 42.2% respectively.
The direct markets in the US, Jamaica, Canada, Brazil, Mexico, Argentina and Peru together represent nearly all of the region's sales. The results for the first half of 2019 are shown below.

	first half 2019		first half 2018		total change		organic change		organic accretion/dilution of profitability
	€ million	%	€ million	%	€ million	%	€ million	%	basis points
Net sales	**384.6**	**100.0**	**333.3**	**100.0**	**51.3**	**15.4%**	**33.0**	**9.9%**	
Gross margin	**226.9**	**59.0**	**196.8**	**59.1**	**30.0**	**15.3%**	**18.7**	**9.5%**	**(20)**
Advertising and promotional costs	(77.1)	(20.0)	(63.2)	(19.0)	(13.9)	22.0%	(10.0)	15.8%	(100)
Overheads	(73.7)	(19.2)	(67.9)	(20.4)	(5.8)	8.6%	(3.1)	4.5%	100
Result from recurring activities	**76.1**	**19.8**	**65.8**	**19.7**	**10.3**	**15.6%**	**5.6**	**8.5%**	**(20)**

Sales in the region rose overall by +15.4% in the first half of 2019. Organic growth, of +9.9%, was driven by the very strong performance of the North American markets and a positive recovery in the South American markets. The exchange-rate effect was favourable, mainly driven by the strengthening of the US Dollar to the Euro currency, while the perimeter variation was not meaningful.
The result from recurring activities rose by +15.6% overall and recorded a sales margin of 19.8%, broadly in line with the first half of the previous year. In percentage terms, organic growth was +8.5%, generating a dilutive effect of 20 basis points on profitability. The main factors that affected these organic results were as follows:

- the **gross margin** rose by +9.5% at organic level and, as this was slightly lower than sales growth (+9.9%), resulted in a consequent dilution of profitability of 20 basis points. The fall in gross profitability arises from the dilutive effect of the recovery in the less profitable emerging markets, combined with the negative impact of the rise in the agave price, whose increasing trend continued in the first half. These effects more than cancelled out the favourable product/market mix driven by the excellent results of the main global brands Aperol, Campari, Grand Marnier and Wild Turkey, and the regional brands, such as Espolòn;
- **advertising and promotional costs (A&P)** saw an organic increase of +15.8%, due to the timing of some advertising campaigns in the first half of the year for the main global priority brands, notably Wild Turkey, Grand Marnier and Aperol; the disproportionate increase in these costs compared to organic sales growth generated a dilutive effect of 100 basis points;
- **overheads** increased by +4.5% at organic level; as this was lower than organic sales growth, it resulted in an improvement in profitability of 100 basis points, mainly due to the streamlining of local structures in South America.

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

The Southern Europe, Middle East and Africa region is the Group's second-largest region in terms of net sales, and the third-largest in terms of profitability, at 28.7% and 27.3% respectively. The markets in Italy, France, Spain, South Africa and Nigeria, together with the Global Travel Retail channel, account for nearly all the sales in this region. The results for the first half of 2019 are shown below.

	first half 2019		first half 2018		total change		organic change		organic accretion/dilution of profitability
	€ million	%	€ million	%	€ million	%	€ million	%	basis points
Net sales	**243.6**	**100.0**	**236.2**	**100.0**	**7.5**	**3.2%**	**18.1**	**7.7%**	
Gross margin	**165.2**	**67.8**	**152.5**	**64.6**	**12.6**	**8.3%**	**14.5**	**9.5%**	**110**
Advertising and promotional costs	(38.2)	(15.7)	(37.7)	(16.0)	(0.5)	1.3%	(0.6)	1.5%	90
Overheads	(77.8)	(31.9)	(70.8)	(30.0)	(7.0)	9.9%	(7.3)	10.4%	(70)
Result from recurring activities	**49.2**	**20.2**	**44.0**	**18.6**	**5.1**	**11.7%**	**6.6**	**14.9%**	**130**

Sales rose by +3.2% overall. Organic growth was +7.7%, driven by Italy, the region's main market, and by sustained growth in the rest of the region, especially in France, Nigeria and South Africa. A negative perimeter effect on sales was noted in the first half of 2019, deriving from the termination of distribution agreements.
The result from recurring activities increased by +11.7% overall; profit as a percentage of sales was 20.2%, an increase of 150 basis points on the first half of 2018. This comprised organic growth of +14.9%, which outpaced sales growth, with a resulting positive impact on profitability of 130 basis points. The effects that led to this improvement were as follows:

- the **gross margin** showed a solid increase of +9.5% at organic level, equivalent to 110 basis points, supported by the excellent performance of the high-margin aperitifs category, especially Aperol and Campari, in nearly all markets in the region;
- **advertising and promotional costs** rose by +1.5% at organic level, lower than sales growth, which generated an improvement of 90 basis points; this was due to the different timing of advertising investment in the first half of 2019 compared with that in the same period of last year;

- **overheads** rose by +10.4% at organic level, generating a dilution in profitability of 70 basis points, caused by the strengthening of the Group's central structures.

- **Northern, Central and Eastern Europe**

The Northern, Central and Eastern Europe region represents the Group's third-largest region in terms of net sales, and the second-largest in terms of profitability, at 19.5% and 27.2% respectively.
The region includes the direct markets in Germany, Austria, Switzerland, Benelux, the UK, Russia and Ukraine, which represent nearly all the sales in the region, and the markets served by third-party distributors. The results for the first half of 2019 are shown below.

	first half 2019		first half 2018		total change		organic change		organic accretion/dilution of profitability
	€ million	%	€ million	%	€ million	%	€ million	%	basis points
Net sales	**165.5**	**100.0**	**154.4**	**100.0**	**11.1**	**7.2%**	**10.8**	**7.0%**	
Gross margin	**108.5**	**65.5**	**98.4**	**63.7**	**10.1**	**10.2%**	**9.9**	**10.1%**	**190**
Advertising and promotional costs	(29.7)	(17.9)	(26.5)	(17.2)	(3.2)	12.0%	(3.1)	11.7%	(80)
Overheads	(29.6)	(17.9)	(25.9)	(16.8)	(3.8)	14.5%	(3.7)	14.2%	(110)
Result from recurring activities	**49.1**	**29.7**	**46.0**	**29.8**	**3.1**	**6.9%**	**3.2**	**6.9%**	**-**

Sales in the region grew overall by +7.2%; organic growth of +7.0% was attributable to the key German market, as well as Russia, the UK and Austria, and the excellent performances by the Scandinavian and East European markets. The exchange-rate effect moved slightly into positive territory, while the perimeter variation was neutral.
The result from recurring activities rose by +6.9% overall and resulted in a sales margin of 29.7%, in line with the result in the first half of 2018. Organic growth was +6.9%, which had a neutral effect on profitability due to the following:
- the **gross margin** showed solid organic growth of +10.1%; this boosted profitability by 190 basis points due to the improvement in the geographic/product mix, in turn driven by the high-margin aperitifs segment, especially Aperol, which registered a strongly positive performance in Germany, the UK, Switzerland and Austria;
- **advertising and promotional costs** increased by +11.7% at organic level, with a dilutive effect of 80 basis points, and reflect sustained spending on promotional activities, with a focus on aperitifs in the key season for the category;
- **overheads** rose by +14.2% at organic level, with a dilution in profitability of 110 basis points, due to selective investment in organisational structures in the region's key markets.

- **Asia-Pacific**

The Asia-Pacific region includes the direct markets in Australia and New Zealand, as well as markets served by third-party distributors. The region's contribution to the Group's net sales and result from recurring activities in the first half of 2019 was 6.4% and 3.3% respectively. The results for the first half of 2019 are shown below.

	first half 2019		first half 2018		total change		organic change		organic accretion/dilution of profitability
	€ million	%	€ million	%	€ million	%	€ million	%	basis points
Net sales	**54.4**	**100.0**	**54.3**	**100.0**	**0.1**	**0.2%**	**0.6**	**1.1%**	
Gross margin	**25.3**	**46.6**	**24.2**	**44.5**	**1.2**	**4.9%**	**1.8**	**7.4%**	**280**
Advertising and promotional costs	(6.5)	(12.0)	(7.5)	(13.8)	1.0	-13.2%	1.0	-12.7%	190
Overheads	(12.8)	(23.6)	(11.9)	(21.9)	(0.9)	7.8%	(1.1)	9.1%	(180)
Result from recurring activities	**6.0**	**11.0**	**4.7**	**8.7**	**1.2**	**26.0%**	**1.7**	**35.0%**	**290**

The region registered broadly stable sales overall during the first half of the year. Excluding the negative exchange-rate and perimeter effects, it registered organic growth of +1.1%, driven by the key Australian market and China, partly offset by the decline in sales in Japan.
The result from recurring activities rose by +26.0% overall and registered a sales margin of 11.0%, a total increase of 230 basis points. Organic growth was +35.0%, generating an increase in profitability of 290 basis points, driven by the following effects:
- the **gross margin** saw sustained organic growth (+7.4%) due to the improvement in the geographic/product mix, which in turn was driven mainly by the Australian market, generating an improvement in profitability of 280 basis points;
- **advertising and promotional costs** decreased by -12.7% at organic level, due to the different timing of advertising investment in the first half of 2019 compared with the same period of the previous year; this generated an improvement in profitability of 190 basis points;
- **overheads** increased by +9.1% at organic level, which, comparing to a lower net sales organic growth, generated a dilutive effect on profitability of 180 basis points. The increase is mainly due to the strengthening of the sales structure in Australia.

Reclassified statement of cash flows

The table below shows a simplified and reclassified version of the statement of cash flows in the financial statements.
The main classification consists of the representation of the change in net financial debt at the end of the period as the final result of the total cash flow generated (or used). Therefore, cash flows relating to changes in short and long-term debt, as well as in investments in marketable securities are not represented.

	first half 2019	of which recurring	first half 2018	of which recurring
	€ million	€ million	€ million	€ million
EBITDA adjusted	**215.1**	**215.1**	**187.9**	**187.9**
effects from hyperinflation accounting standard adoption	4.2	4.2	-	-
accruals and other changes from operating activities	(27.2)	(18.6)	(13.5)	2.5
Income taxes paid	(9.1)	(14.2)	(24.2)	(12.4)
Cash flow from operating activities before changes in working capital	**183.1**	**186.6**	**150.3**	**178.0**
Changes in net operating working capital	(77.2)	(77.2)	(21.1)	(21.1)
Cash flow from operating activities	**105.8**	**109.4**	**129.2**	**156.9**
Net interests paid	(3.0)	(3.0)	(1.1)	(1.1)
Adjustments to financial income (charges)	-	-	1.6	-
Capital expenditure	(21.6)	(20.2)	(18.8)	(17.3)
Free cash flow	**81.2**	**86.2**	**110.9**	**138.5**
Business acquisition and disposal	-	-	22.3	-
Dividend paid out by the Parent Company	(57.3)	-	(57.5)	-
Other changes (net purchase of own shares included)	(13.2)	-	(21.4)	-
Total cash flow used in other activities	**(70.5)**	**-**	**(56.6)**	**-**
Exchange rate differences and other changes	**(19.3)**	**-**	**(27.1)**	**-**
Change in net financial debt due to operating activities	**(8.6)**	**-**	**27.2**	**-**
put option and earn out changes(1)	(0.8)	-	7.6	-
IFRS 16- Leases effect (2)	(81.4)	-	-	-
Net cash flow of the period = change in net financial debt	**(90.9)**	**-**	**34.7**	**-**
Net financial debt at the beginning of the period	**(846.3)**	**-**	**(981.5)**	**-**
Net financial debt at the end of the period	**(937.1)**	**-**	**(946.8)**	**-**

(1) This item, which is a non-cash item, was included purely to reconcile the change in the net financial debt due to operating activities in the period with the overall change in the net financial debt.
(2) For information on the value show, please see note 25-Lease of the condensed half-year Financial Statements at 30 June 2019.

Highlights

In the first half of 2019, **net cash flow** reflected cash absorption of €90.9 million, corresponding to the increase in financial debt from 31 December 2018, and compares with cash flow generated of €34.7 million registered in the same period of last year.
Free cash flow of €81.2 million was generated overall in the first half of 2019 (a decrease on the figure of €110.9 million in the first half of 2018); this was partly offset to pay dividends of €57.5 million, to make net purchases of own shares, as well as for supporting exchange rate differences and other variations, including those relating to payables for put options and earn-out, totalling €33.3 million.
Cash generation in terms of **recurring free cash flow** amounted to €86.2 million in the first half of 2019, showing a decrease compared to €138.5 million generated in the first half of 2018; this was wholly due to an increase in operating working capital (for more details please see the paragraph 'Operating working capital').

The adoption of the new accounting standard IFRS 16-'Leases' led to an increase in the Group's net financial debt, together with a figurative increase in tangible assets following the recognition of underlying rights of use. The figurative financial payables and receivables, which were recorded to represent future commitments associated with the use of third-party assets, have not, however, had any impact on the Group's actual cash flows, which are still linked to the timing of the rent payment as set out in the agreements. Also in terms of capital expenditure, the new methodology for representing the figures has not entailed any real financial flows. In order to exclude the effects not generating a cash impact from the reclassified cash flow statement, a separate line called 'application of the new leases standard' was inserted for an amount of €81.4 million purely for the purposes of reconciling the financial debt at 30 June 2019.

Analysis of the consolidated statement of cash flows

The following factors contributed to the generation of free cash flow in the first half of 2019:
- EBITDA adjusted rose by €27.1 million compared with the same period of last year;
- non-cash liabilities arising from the application of the accounting standard IAS 29-'Financial Reporting in Hyperinflationary Economies', totalled €4.2 million;
- in the first half of 2019, provisions accruals net of utilisations and other non-cash changes, and other miscellaneous operating changes, such as indirect taxation and excise duties, absorbed cash of €27.2 million. The difference compared to the same period of last year is attributable to payment of certain benefits accrued by employees relating to medium-term incentive plans, as well as provisions for restructuring projects launched in 2018 that are still in progress. Considering only the recurring changes, that mainly exclude operating

adjustments related to restructuring projects, the above-mentioned components determined a cash requirement of €18.6 million;
- the actual impact of tax payments made in the first half of 2019 was €9.1 million; excluding the non-recurring tax components, taxes paid amounted to €14.2 million and were slightly higher than the same period of 2018, due to higher tax base and geographical mix;
- working capital registered an absorption of cash of €77.2 million in the first half of 2019. The difference between the two periods of comparison, to be considered temporary, is negative for € 56.1 million and is attributable to the following factors: a lower reduction in trade receivables in the two periods with a negative impact of € 66.4 million, attributable to the shift in sales orders at the end of the period as a result of the adverse weather conditions at the beginning of the second quarter; a greater increase in total inventories accounting for a negative change of € 4.9 million; and a lower reduction in trade payables due to a positive change € 15.2 million;
- net interest paid was €3.0 million in the first half of 2019;
- net investment was €21.6 million, while the net recurring amount came to €20.2 million.

Cash flow used in other activities was negative at €70.5 million, compared with €56.6 million in the first half of 2018.
Lastly, cash flow used in other activities was further affected by dividend payments of €57.3 million (€57.5 million in the first half of 2018) and other items totalling €13.2 million (€21.4 million in the first half of 2018) arising mainly from the purchase of own shares to service stock option plans (in an amount of €7.1 million).

Exchange rate differences and **other changes** had a negative impact of €19.3 million on the net cash flow in the first half of 2019 (a decrease of €27.1 million in the first half of 2018); this reflects the effect of exchange rate differences on operating working capital, as well as the recognition of some non-cash components, which were included for the purposes of reconciling the changes in cash flow with the change in the net financial debt.

The **IFRS 16-Leases effect** was due to the impact of transitioning to the new accounting standard, as mentioned above, while the change in **payables for put options and earn-out** is attributable to the decrease in payables arising in connection with acquisitions (Société des Produits Marnier Lapostolle S.A.) and the change in estimated payables for future earn-out payments (Bulldog). These effects are shown purely for the purposes of reconciling the financial debt for the period with the total net financial debt.

Operating working capital

The breakdown of the total change in operating working capital compared with 30 June 2019 is as follows.

	30 June 2019	30 June 2018	change of which: total	organic	exchange rates and hyperinflation	external
	€ million	€ million	€ million	€ million	€ million	€ million
Trade receivables	284.1	285.9	(1.7)	(5.3)	3.6	-
Total inventories, of which:	629.3	566.1	63.2	61.4	1.9	-
- maturing inventory	357.2	*340.1*	*17.1*	*16.5*	*0.5*	-
- other inventory	*272.2*	*226.0*	*46.2*	*44.8*	*1.3*	-
Trade payables	(195.4)	(216.0)	20.6	21.2	(0.5)	-
Operating working capital	**718.1**	**636.0**	**82.1**	**77.2**	**4.9**	**-**
Sales in the previous 12 months rolling(*)	1,781,7	1,711.7				
Working capital as % of sales in the previous 12 months	40.3	37.2				

Operating working capital was €718.1 million at 30 June 2019, an increase of €82.1 million, due to organic growth of €77.2 million, and a positive exchange rate effect of €4.9 million. No component of external growth had an impact in the first half of the year.

Organic growth in working capital during the first six months was mainly driven by an increase in inventories (€61.4 million) and a decrease in payables to suppliers (€21.2 million), which more than offset the decrease in receivables (€5.3 million).

The organic change in inventories comprised a rise in stocks of finished products (€45.2 million) in preparation for the peak summer period, and an increase in products supporting the maturing process (€16.5 million). It should be noted that, due to its nature, working capital represented by maturing inventory is similar to invested capital, and the growth trend is planned.
With respect to trade payables the organic decrease was equal to €21.2 million.

The decrease of €5.3 million in trade receivables reflects, on the one hand, the physiological reduction of receivables in the first half compared to the seasonal peak at the end of the year, which has higher absolute values compared to the remaining periods of the year. On the other hand, the decrease found at 30 June 2019 was largely offset by an increase in the Group's credit exposure in some European markets driven by the very strong sales performance at the end of the half-year as a result of weather conditions.

The positive exchange rate component, totalling €4.9 million, is attributable to receivables due from customers totalling €3.6 million. The effect on inventories was €1.9 million and is mainly due to stocks supporting the maturing process in the Americas region. The effect on trade payables was marginally negative at €0.5 million.

At 30 June 2019, operating working capital as a percentage of net sales in the last 12 months was 40.3%, higher than the figure of 37.2% reported at 31 December 2018. The +3.1% increase in the percentage of sales is mainly attributable to the organic change (+2.9%), while the exchange rate effect (which also includes the hyperinflationary effects in Argentina) had a marginal impact (+0.2%).

Breakdown of net financial debt

At 30 June 2019, the consolidated net financial debt was negative at €937.1 million, an increase of €90.9 million on the figure of €846.3 million reported at 31 December 2018. The balance at 30 June 2019 was affected by the adoption of the new accounting standard IFRS 16-'Leases', which implied the recognition of figurative payables and receivables to represent future commitments related to transactions concerning the use of third-party assets in an amount of €81.4 million. For more information on the impact of the first-time adoption of this standard, see note 4-Changes in accounting standards of the condensed half-year financial statements at 30 June 2019.
Despite the effects of using the new methodology for representing lease agreements, as described above, average debt was €892.5 million at 30 June 2019, lower than the figure of €955.7 million in the same period of the last year, thanks to strong cash generation.

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

	30 June 2019 € million	30 June 2018 € million	change € milion
cash and cash equivalents	768,8	613,9	154,9
bond	(219,1)	(219,1)	-
payables to banks	(7,7)	(9,3)	1,6
lease payables	(14,9)	(0,5)	(14,3)
lease receivables	2,8	0,3	2,5
other financial receivables and payables	(20,1)	18,1	(38,2)
other financial assets - Joint venture	0,6	0,6	-
short-term net financial debt	**510,5**	**404,1**	**106,5**
bonds(*)	(943,7)	(790,8)	(152,8)
payables to banks	(300,0)	(300,0)	-
lease payables	(76,3)	(1,0)	(75,3)
lease receivables	5,4	0,8	4,6
other financial receivables and payables	15,3	15,0	0,2
medium-/long-term net financial debt	**(1.299,3)**	**(1.076,0)**	**(223,2)**
net financial debt relating to operating activities	**(788,8)**	**(672,0)**	**(116,8)**
liabilities for put option and earn-out payments	(148,4)	(174,3)	25,9
net financial debt	**(937,1)**	**(846,3)**	**(90,9)**

(*) Including the relevant derivatives.

In terms of structure, the net financial debt at 30 June 2019 continued to comprise a larger medium-/long-term debt component compared with the short-term portion.

The short-term net financial debt was €510.5 million, an improvement of €106.5 million on the previous year.
The item mainly consists of cash and cash equivalents (€768.8 million), which was partly offset by the bond loan expiring in October 2019 (€219.1 million).
A figurative short-term financial debt relating to lease operations is added to the figure of €7.7 million for payables to banks: this comprises an amount of €14.9 million for payables and an amount of €2.8 million for receivables.
Other financial payables and receivables of various types, which showed a net payable of €20.1 million, mainly include payables for interest accrued on existing bonds (in an amount of €20.0 million). The Parent Company's maturing cash investments, shown under this item at 31 December 2018, were collected in the first half of 2019.

Bank payables totalling €300 million and bond loans of €943.7 million (including a liability of €15.0 million for hedging derivatives) were recorded under the medium- and long-term items. The latter include an amount of €150.0 million arising from the placement, on 23 April 2019, of an unrated bond, with a term of 5 years, reserved for institutional investors (for more details, see the section, 'Significant events during the period' of this half-year report).
Figurative payables and receivables relating to long-term leases, in amounts of €76.3 million and €5.4 million

respectively, were also recorded.
Lastly, the medium/long-term net financial debt includes other financial payables and receivables of various types, represented by a net receivable of €15.3 million, relating to various financial assets (€10.6 million) and restricted deposits for the settlement of put options associated with business acquisitions (€4.6 million).

Separately, the Group's net financial debt showed a debt of €148.4 million, which includes the payable for future commitments to purchase shareholdings in acquired businesses and payables for future earn-out payments, as well as the net financial debt of joint ventures (€0.6 million).

The Group's debt management objectives are based on its ability to ensure that it retains an optimal level of financial soundness, while maintaining an appropriate level of liquidity that enables it to make an economic return and, at the same time, access external sources of funding. The Group monitors changes to its net debt/EBITDA ratio on an ongoing basis. Net debt is the value of the Group's net financial debt calculated at average exchange rates for the previous 12 months. The Group's EBITDA for the past 12 months is pro-rated to take account of the annual effect of the acquisitions and disposals made in the same period, on the assumption that they were completed at the beginning of the 12-month reporting period. Non-cash components of the operating flows are excluded from that value. At 30 June 2019, this multiple was 2.1x (1.9x at 31 December 2018).

Reclassified statement of net financial debt

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

	30 June 2019	30 June 2018	change
	€ million	€ million	€ million
Fixed assets	3,037.5	2,962.5	74.9
Other non-current assets and (liabilities)	(483.3)	(484.8)	1.5
Operating working capital	718.0	636.1	82.0
Other current assets and (liabilities)	(96.5)	(104.7)	8.2
Total invested capital	**3,175.7**	**3,009.1**	**166.6**
Shareholders' equity	2,238.5	2,162.8	75.7
Net financial debt	937.1	846.3	90.9
Total financing sources	**3,175.7**	**3,009.1**	**166.6**

Invested capital at 30 June 2019 was €3,175.7 million, €166.6 million higher than at 31 December 2018.
The most significant change in invested capital relates to the increase of €82.0 million (of which €77.2 million relates to organic growth) in operating working capital, as well as the increase of €74.9 million in fixed assets, mainly due to the effects of the first-time adoption of the new standard IFRS 16-'Leases' from 1 January 2019.
Regarding financing sources, the increase of €75.7 million in shareholders' equity was mainly due to profit for the period, the dividend paid by the Parent Company and for hyperinflationary differences and translation changes on assets held in currencies other than the Euro. For details of the changes in the net financial debt, totalling €90.9 million, please see the comments in the paragraph 'Breakdown of net financial debt' above. Please see the section above entitled 'Operating working capital' for further details of changes in net working capital.
As a result of the changes mentioned above, the Group's financial structure showed a ratio of debt to own funds at the end of the period of 41.9%, slightly higher than the value of 39.1% recorded at 31 December 2018.

Transactions with related parties

It should be noted that transactions with related parties, including intra-group 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.

The procedures for transactions with related parties approved by the Parent Company's Board of Directors on 11 November 2010, which came into force on 1 January 2011, can be viewed at www.camparigroup.com, in the Governance section.

An overview of these procedures is provided in the Report on corporate governance and ownership structure.

Alternative performance indicators (non-GAAP measures)

This half-year report presents and comments on certain financial performance indicators and restated financial statements that are not defined in the International Financial Reporting Standards (IFRS) or Generally Accepted Accounting Principles (i.e. non-GAAP measures).
These indicators, which are described below, are used to comment on the Group's business performance in the 'Highlights' and 'Half year report on operations' sections, in compliance with the requirements of Communication DEM 6064293 issued by the Italian Companies and Exchange Commission (Consob) on 28 July 2006, as subsequently amended and supplemented (Consob communication 0092543 of 3 December 2015, which incorporates the Guidelines on Alternative Performance Measures (ESMA/2015/1415)).
The alternative performance indicators listed below should be used to supplement the information required by IFRS to help readers of the Half year report to gain a better understanding of the Group's economic, financial and capital position. In addition, alternative performance indicators may be used to facilitate comparison with groups operating in the same sector, although in some cases the calculation method could differ from that used by other companies.

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

Organic change: the Group shows organic changes in performance to comment on its underlying business performance. By using this indicator it is possible to focus on the business performance common to both periods under comparison and which the management can influence. The organic changes are calculated excluding both the impact of currency changes against the euro (expressed at average exchange rates for the prior-year period) and the effects of business acquisitions and disposals. Specifically:
- the exchange-rate effects are calculated by converting the figures for the current period at the exchange rates applicable in the comparative prior-year period;
- the results due to businesses acquired during the current year are excluded from the organic change for 12 months from the date that the transaction was closed;
- the results due to businesses acquired during the previous year are wholly included from the figures for the previous year as from the closing date of the transaction, and are only included in the current period's organic change 12 months after acquisition;
- the results due to business disposals or the termination of distribution agreements that occurred during the previous year are wholly excluded from the figures for that year and, therefore, from the organic change;
- the results due to business disposals or the termination of distribution agreements that occurred during the current year are excluded from the figures for the previous year from the corresponding date of disposal or termination of the agreement.

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

Gross margin: calculated as the difference between net sales and the cost of goods sold (in terms of its material, production and distribution cost components).

Contribution margin: calculated as the difference between net sales, the cost of goods sold (in terms of its materials, production and distribution cost components) and advertising and promotional costs.

Adjustments to operating income (charges) relate to certain transactions or events, identified by the Group as adjustment components to the operating result, such as:
- capital gains (losses) on the disposal of tangible and intangible assets;
- capital gains (losses) on the disposal of businesses;
- penalties arising from the settlement of tax disputes;
- impairment losses on fixed assets;
- restructuring and reorganisation costs;
- ancillary costs associated with acquisitions/disposals of businesses or companies;
- other non-recurring income (charges).

The above-mentioned items were deducted from or added to the following indicators: operating result, EBITDA and profit/loss before tax for the period, net result and basic/diluted earning per share. For a detailed reconciliation of the items that had an impact on the above-mentioned alternative performance indicators in the current and comparison period, see the appendix given at the end of this section.
The Company believes that the indicators, appropriately adjusted, are useful to both management and investors in assessing the Group's financial and economic results against those of other companies in the sector, as they exclude the impact of some items that are not relevant for assessing performance.

Operating result (EBIT): calculated as the difference between net sales, the cost of goods sold (in terms of its materials, production and distribution) and advertising and promotion costs and overhead costs

Result from recurring activities (EBIT adjusted): the operating result for the period before the above-mentioned adjustments to operating income (charges).

EBITDA: the operating result before depreciation and amortisation of tangible and intangible assets.

EBITDA adjusted: EBITDA as defined above, excluding adjustments to operating income (charges) as described above.

Adjustments to financial income (charges): several transactions or events identified by the Group as components adjusting the profit/loss before tax related to events covering a single period or financial year such as:
- charges related to the early settlement of financial liabilities or liability management operations;
- financial charges arising from acquisitions/disposals of businesses or companies;
- other non-recurring financial income (charges).

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

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

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

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

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

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

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

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

- **Reclassified statement of net financial debt**

The items included in the reclassified statement of net financial debt are defined below as the algebraic sum of specific items contained in the financial statements:
Fixed assets: calculated as the algebraic sum of:
- net tangible fixed assets;
- biological assets;
- investment property;
- goodwill and brands;
- intangible assets with a finite life;
- non-current assets held for sale;
- investments in affiliates and joint ventures;

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

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

Other current assets and liabilities: calculated as the algebraic sum of:
- current tax receivables;
- other current receivables, net of financial assets (classified under net debt);
- current tax payables;
- other current payables, net of financial liabilities (classified under net financial debt).

Invested capital is the sum of the items shown above and in particular:
- fixed assets;
- other non-current assets and liabilities;
- operating working capital;
- other current assets and liabilities.

- **Net financial debt**

The net financial debt is 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;
  - receivables for leases;
  - payables to banks;
  - payables for leases;
  - other financial payables;
  - bonds;
  - non-current financial liabilities, recorded under Other non-current liabilities;
  - payables for put options and earn-outs.

- **Reclassified statement of cash flows**

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

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

- **Appendix of alternative performance indicators**

In the first half of 2019, EBITDA, the result from recurring activities (EBIT), Group net profit/loss before tax, Group net profit/loss and basic/diluted earnings per share were adjusted for the items reported in the table below.

To ensure the figures are fully comparable with those of the same period in 2018, Campari Group will continue to provide alternative performances for 2019, as if IFRS 16-'Leases' had not been adopted.

First half 2019	EBITDA		EBIT		Group net profit before taxes		Group net profit		basic earing per share	diluted earning per share
	€ million	% on sales	€ million	% on sales	€ million	% on sales	€ million	% on sales	€	€
alternative performance indicator reported	**206.5**	**24.3%**	**171.7**	**20.2%**	**153.7**	**18.1%**	**122.8**	**14.5%**	**0.11**	**0.10**
other gains/(losses) from disposals of tangible and intangible fixed assets.	1.1	0.1%	1.1	0.1%	1.1	0.1%	1.1	0.1%	-	-
impairment loss on fixed assets, goodwill, brand and sold business	(2.4)	-0.3%	(2.4)	-0.3%	(2.4)	-0.3%	(2.4)	-0.3%	-	-
fees for acquisition/disposals of business or companies	(0.1)	-	(0.1)	-	(0.1)	-	(0.1)	-	-	-
restructuring and reorganisation costs	(5.5)	-0.6%	(5.5)	-0.6%	(5.5)	-0.6%	(5.5)	-0.6%	-	-
other adjustments of operating income (charges)	(1.8)	-0.2%	(1.8)	-0.2%	(1.8)	-0.2%	(1.8)	-0.2%	-	-
fiscal effects of Patent Box	-	-	-	-	-	-	12.5	1.5%	0.01	0.01
fiscal effects on operating and financial adjustments and other fiscal adjustments	-	-	-	-	-	-	2.2	0.3%	--	-
total adjustments	**(8.6)**	**-1.0%**	**(8.6)**	**-1.0%**	**(8.6)**	**-1.0%**	**6.1**	**0.7%**	**0.01**	**0.01**
alternative performance indicator adjusted	**215.1**	**25.4%**	**180.3**	**21.3%**	**162.3**	**19.1%**	**116.7**	**13.8%**	**0.10**	**0.10**
IFRS 16 effect	7.7	0.9%	1.3	0.1%	(0.5)	-0.1%	(0.5)	-0.1%	-	-
alternative performance indicator adjusted before IFRS 16	**207.4**	**24.5%**	**179.0**	**21.1%**	**162.8**	**19.2%**	**117.2**	**13.8%**	**0.10**	**0.10**

First half 2018	EBITDA		EBIT		Group net profit before taxes		Group net profit		basic earing per share	diluted earning per share
	€ million	% on sales	€ million	% on sales	€ million	% on sales	€ million	% on sales	€	€
alternative performance indicator reported	**207.5**	**26.7%**	**180.1**	**23.1%**	**166.0**	**21.3%**	**147.2**	**18.9%**	**0.13**	**0.13**
capital gains/(losses) from business disposals	38.5	5.0%	38.5	5.0%	38.5	5.0%	38.5	5.0%	0.03	0.03
other gains/(losses) from disposals of tangible and intangible fixed assets.	0.9	0.1%	0.9	0.1%	0.9	0.1%	0.9	0.1%	-	-
fees from acquisition/disposals of business or companies	(0.3)	-	(0.3)	-	(0.3)	-	(0.3)	-	-	-
restructuring and reorganisation costs	(18.8)	-2.4%	(18.8)	-2.4%	(18.8)	-2.4%	(18.8)	-2.4%	(0.02)	(0.02)
other adjustments of operating income (charges)	(0.8)	-0.1%	(0.8)	-0.1%	(0.8)	-0.1%	(0.8)	-0.1%	-	-
other adjustments to financial income (charges)	-	-	-	-	1.6	0.2%	1.6	0.2%	-	-
Fiscal effects of patent box	-	-	-	-	-	-	14.8	1.9%	0.01	0.01
fiscal effects on operating and financial adjustments and other fiscal adjustments	-	-	-	-	-	-	6.8	0.9%	0.01	0.01
total adjustments	**19.6**	**2.5%**	**19.6**	**2.5%**	**21.2**	**2.7%**	**42.8**	**5.5%**	**0.04**	**0.04**
alternative performance indicator adjusted	**187.9**	**24.2%**	**160.5**	**20.6%**	**144.8**	**18.6%**	**104.4**	**13.4%**	**0.09**	**0.09**

Half year 2019 conclusion and outlook

After a very strong start to the year, the positive business performance continued into the second quarter, driven by good solid topline performance in a high seasonality period, especially for aperitifs. The Group's results can be considered very satisfactory in light of the unfavorable comparison base in the second quarter which, firstly, benefited from the scheduling of Easter and, secondly, was penalized by adverse weather conditions in core European markets during the month of May.
In the first half of the year, Campari Group achieved a consistent solid performance across all key indicators at an adjusted level, in both reported and organic terms.
With particular reference to the organic performance, sales growth was positive across all regions, driven by high-margin core markets, such as the United States and Italy, boosted by a recovery in emerging markets in South America and Eastern Europe, which benefited from a favorable comparison base.
Furthermore, organic growth was positive for all brand clusters, in particular the high margin Global and Regional priorities, whose outperformance continued to drive the sales mix improvement and therefore margin accretion, in line with the strategic objectives of the Group.
Gross margin expansion was particularly positive in light of the negative impact generated by the ongoing trend in agave costs, as the purchase price remains at high levels. The strong gross margin expansion permitted reinvestments into both brand building activities and commercial structures, while also generating a sustained increase in organic operating profitability, both in absolute terms and margin expansion.
On a reported basis, the growth in sales and profitability indicators at an adjusted level reflect the positive changes in exchange rates, mainly driven by the strengthening of the US Dollar against the Euro, which more than offset a slightly negative perimeter change, as a residual effect of agency brand termination that occurred in the previous year.
Looking ahead into 2019, the outlook remains fairly balanced in terms of risks and opportunities.
At an organic level, the positive business momentum is expected to continue into the second half of the year, with expected volatility in emerging markets in their key seasonality period. Key higher-margin Global and Regional priority brands in core developed markets will continue to support overall organic growth with positive effects if terms of sales mix improvements.
Sustained organic value growth in EBIT is expected to continue driven by positive business momentum, whilst EBIT margin expansion will be moderated by a higher than expected increase in agave purchase price, exacerbated by Espòlon outperformance. Reinvestments in brand building and sales capabilities initiatives are also expected to continue in the second half. The strengthening of the US Dollar against the Euro is expected to lessen in the second half of the year, while emerging market currencies are expected to remain volatile during the second half peak season. Finally, the tail end perimeter effects will phase out during the second half of the year.
Furthermore, 2019 net profit is expected to benefit from net positive adjustments totalling approximately €14 million overall. This is due to fiscal effects from the tax savings associated with the 'Patent Box' regime, implemented in Italy for the fifth and final year for an estimated amount of approximately €26 million (in line with last year), which will more than offset provisions for the completion of certain reorganisational projects for an estimated negative amount of €(16) million with corresponding fiscal effects of €4 million.
The Group remains confident in delivering a positive performance across all key underlying business indicators in 2019.

Events taking place after the end of the period

Acquisitions and commercial agreements

Campari Group enters into exclusive negotiations with Groupe Chevrillon in relation to the acquisition of French rhums Trois Rivières and La Mauny.
On 20 July 2019, the Group announced it has entered into exclusive negotiations with Compagnie Financière Chevrillon and a group of minority shareholders, and granted thereto in such context a put option, with a view to acquire the French company Rhumantilles SAS, owner of 96.5% of the Martinique based company Bellonnie & Bourdillon Successeurs.
The projected transaction scope includes the brand Trois Rivières and Maison La Mauny (strategic premium brands) and Duquesne (brand designed for the local Martinique market), the land holdings, the related distilleries and visitor centers as well as a high-quality aged rum inventory. The reported Net Sales value of the French company Rhumantilles SAS in 2018 was €24.1 million.
With this contemplated acquisition Campari Group will have an opportunity to add prestigious Rhum agricole brands to its offering and enhance its exposure to rum, a premiumising category currently at the heart of the mixology trend and growing cocktail culture. Moreover, France is poised to become one of the Group's strategic markets and with this acquisition Campari Group has the opportunity to add significant critical mass in this market.

Main brand-building activities

Global priority brands

<u>**SKYY**</u>
Limited edition of SKYY
SKYY Vodka launched a limited edition of three new bottles to celebrate the culture and values that have made the brand's birthplace, San Francisco, a global symbol of progressiveness. For a limited period, the famous blue bottle will depict San Francisco's globally recognised points of reference, combined with bold statements such as 'We build bridges, not walls' or 'There is no straight path'. The launch of the limited edition in the US, Canada and Italy in July, will be rolled out to the rest of the brand's core countries in the third quarter of 2019.

Investor information

The international economy

The global economy has shown recent signs of easing in the first half of 2019, after contracting in the last half of 2018. However, there are still risks to the overall outlook due to the variety of ongoing trade tensions, a greater-than-expected slowdown in China and the possible repercussions of the UK's exit from the European Union (Brexit). The main central banks have publicly announced their intention to maintain an expansionary stance for longer, encouraging a fall in long-term yields and a recovery in share prices[1].

With regard to economic performance in the key areas for Campari Group's activities, growth prospects for the Eurozone in 2019 have been significantly revised downwards and inflation expectations have fallen. The Governing Council of the ECB will maintain expansionary conditions for longer, extending the minimum period for keeping key rates unchanged to the end of 2019, as well as announcing a new series of longer-term refinancing operations. The Council has declared itself ready to use all the tools at its disposal to support the economy and ensure that inflation converges at levels that are less than, but close to 2% in the medium term.
According to estimates published in March 2019, consumer prices are expected to rise to 1.2% in 2019, 1.5% in 2020 and then 1.6% in 2021.
Based on the ECB's projections prepared in March, Eurozone GDP is set to grow by 1.1% in 2019, with a downgrade of 0.6 percentage points on the forecasts published last December. The revision affected the main components of consumer demand, most notably investments and trade exports, of the major economies, especially Germany and Italy.

Looking at individual developed countries, according to the most recent indications, economic activity in Italy is likely to have experienced a slight recovery since the start of this year, following a decline in the second half of 2018. Companies are recording unfavourable conditions for current demand, especially those from Germany and China; they also point to a downwards revision in investment plans for the year. Companies believe that the outlook is suffering from uncertainty due to both economic and political factors, as well as global tensions surrounding trade policies. Analysts surveyed by Consensus Economics, who, in December 2018, were forecasting an increase of 0.7% in GDP growth, hint, in the latest survey, at growth of between -0.1% and 0.2%[2].

In the fourth quarter of last year, economic performance in the US grew at a lower rate than in the summer, with the latest estimates putting GDP growth at 2.3% for 2019. The UK economy has also slowed drastically amid an environment of increasing uncertainty around the timings and methods of Brexit. The latest estimates of GDP growth for the area stand at 1.3%. In Japan, after a sharp drop in the third quarter, GDP resumed its growth. The most recent information on managers' assessments of companies' purchases (the purchasing managers' index, or PMI) shows that activity in the advanced countries also remained weak in the first quarter, with estimates of GDP growth in 2019 at 1.0%. Consumer inflation fell in all the major advanced economies, mostly in relation to the performance of the energy component; in the US, the latter climbed to 1.9% in March.

With regard to the individual developing countries, GDP in China continued to slow, even though the Chinese tax and monetary authorities strengthened their support for domestic demand; in March, the Government announced a growth target of 6.0%-6.5%, for 2019, half a percentage point lower than last year's target. The economic situation is also fragile in both Russia and Brazil. The latest published estimates for GDP growth in 2019 for all three countries are 6.3%, 1.6% and 2.1% respectively.

According to the forecasts published by the International Monetary Fund in April, global GDP for the current year is likely to slow to 3.3%, after 3.6% in 2018. The downwards revision of growth, compared with the January forecasts, of two-tenths of a percentage point, reflects the general weakness in the industrial sector, and particularly the deterioration in the outlook for the Eurozone[3].

Spirits sector

The main trends in the spirits sector remain consistent with those observed in 2018. The most noteworthy trends continue to be the increasing demand for premium products and the extension of the product range brought about by high-end product innovation, the renewed interest in classic cocktails driven by the 'mixology' phenomenon, and the continuing development of the premium-on-premise channel with the emergence of cocktail bars and speakeasy-style bars. These trends feed into each other, generating greater interest and demand for premium brands. The development of craft and artisan spirits products has also become an established trend over recent

[1] Bank of Italy
[2] Consensus Economics
[3] International Monetary Fund

years. The trend represents an opportunity for premium spirits producers, given the growing interest shown by Millennials in concepts such as product quality, traditional recipes and the provenance of ingredients.

Among the emerging trends, increasing sales through e-commerce channels in various countries, and particularly in China and the UK, is also noteworthy. This phenomenon, which at the moment mainly affects the wines category (especially sparkling wines and champagnes), also represents a growth opportunity for the spirits category in the near future[4]. We also note new trends associated with consumers' search for innovative drinks, as shown by trends in sales of alcohol-free and low-alcohol products, which have recently impacted the sector and led to innovations specifically linked to the on-premise channel. Lastly, the phenomenon of 'aperitif occasioning', typical of Mediterranean countries, especially Italy, continues to expand in the main global markets, thanks to experiential marketing initiatives, which are much appreciated by consumers and exploit the popularity of aperitif cocktails on social media.

From a geographical perspective, in the US market, the most important for the industry in terms of profitability and growth, brown spirits continue to grow at a fast pace, thanks to the demand for premium products, renewed interest in premium cocktails, and increasing demand for product tasting, all trends that are driven by a higher level of knowledge and appreciation by consumers. Growth categories include American, Canadian and Irish whiskeys, Scotch whisky, as well as tequila and cognac. The vodka segment remains under high competitive pressure, and even though many producers have turned their focus back to natural varieties, flavoured vodka sales have continued to decline, putting fierce pressure on prices, with many consumers switching their allegiance to other categories.

In other developed markets, such as continental Europe and the UK, there is a positive trend in the consumption of brown spirits, bitter aperitifs and specialities; this is being driven by mixology and classic cocktails, and by the development of new, non-traditional occasions for the consumption of spirits. Of particular note is the significant growth recorded by both the gin category, driven notably by the pink flavoured version, and the sparkling wines category, driven by Prosecco.

Lastly, in the main emerging markets, China has seen a recovery in the consumption of imported premium products since 2017, after a period of contraction from 2013-2016 due to the introduction of austerity measures. The cognac and Scotch whiskey (both malt and blended) category has driven growth of 'western-style spirits'.

The medium- to long-term outlook for companies in the consumer segment, and especially spirits, is positive, with the main drivers being the increase in premium products, a favourable consumption trend, supportive macroeconomic and demographic factors and expectations of further consolidation in the sector.

Financial markets

The more accommodative stance adopted by the main central banks had an effect on share prices, which, in early 2019, made up the losses of the fourth quarter of 2018; implied volatility fell drastically. The fall in yields from the ten-year government bonds of the main advanced economies, which had been under way since autumn, continued; in the Eurozone, sovereign risk premiums also declined.

In the early months of 2019, share prices rose in all the main advanced and emerging economies, making up the losses suffered in previous months. The rise in share prices was particularly significant in the US and China, where the markets reacted positively to signs of a possible trade agreement between the two countries, albeit still surrounded by a high degree of uncertainty[5].

During the first half of 2019, the FTSE MIB and FTSE Italia All Shares indices rose by +15.9% and +14.9% respectively. In Europe, the MSCI Europe recorded a gain of +13.4% in the first half of 2019, while in the US, the S&P500 index increased by +17.3%.

Regarding exchange rate fluctuation in the first half of 2019, many of Campari Group's reference currencies appreciated against the euro compared with the first half of 2018, including the US Dollar (+7.2%). The other currencies that appreciated against the euro include the Canadian dollar (+2.6%), the Jamaican dollar (+3.4%) and UK sterling (+0.7%). Conversely, the currencies in the main emerging markets continued to depreciate, including the Argentine peso (-44.4%), the Brazilian real (-4.6%) and the Russian rouble (-2.4%).

[4] International Wine and Spirit Research (IWSR)
[5] Bank of Italy

Performance of the Campari stock

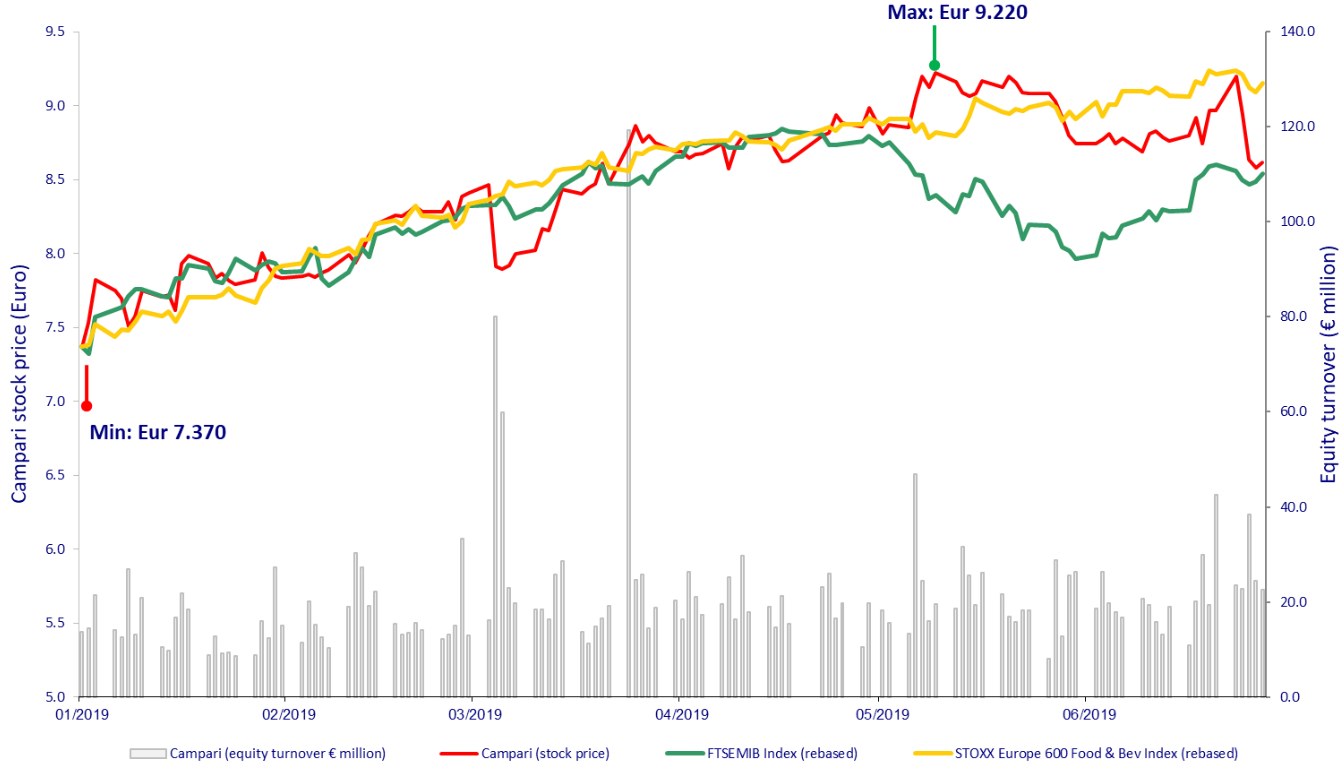
In the economic, industry and financial market environment described above, the Campari stock price benefited in 2018 from the announcement of positive financial results for the first half of 2019, for all the main performance indicators.

In the first half of 2019, the Campari stock price rose on the Italian stock exchange, managed by Borsa Italiana S.p.A., by +16.7% in absolute terms, with total shareholder return (TSR) up +17.3%. The Campari stock price outperformed the FTSE MIB by +0.8%. The stock underperformed the STOXX Europe 600 Food&Beverage index by -7.1% in the period from 1 January to 30 June 2019, and outperformed the MSCI Europe sector index by +3.2%[6].

The minimum and maximum closing prices in the first half of 2019, of €7.370 and €9.220, were recorded on 2 January 2019 and 10 May 2019 respectively. An average of 2.4 million Campari shares were traded daily in the first half of 2019, with an average daily value of €20.6 million. At 30 June 2019, Campari's market capitalisation was €10 billion.

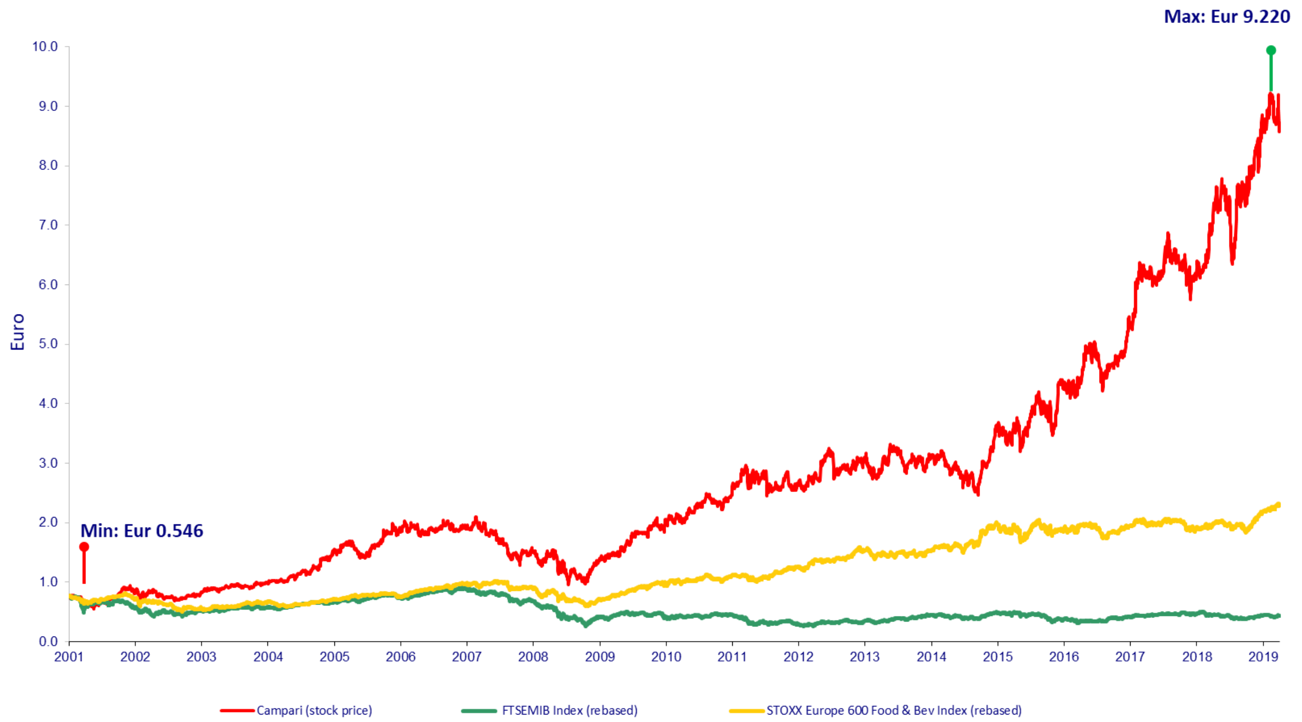
From the date of the initial public offering (IPO) to 30 June 2019, the Campari stock price increased in absolute terms by 11.1 times, or +1,011.6% (an average of +14.3% per year), with total shareholder return (TSR)[7] up by14.5 times, or +1,352.0% (an average of +16.0% per year). The Campari stock price outperformed the FTSE MIB by +1,055.2%. The stock outperformed the STOXX Europe 600 Food&Beverage index by +815.2% in the period from the IPO to 30 June 2019, and outperformed the MSCI Europe sector index by +1,008.0% in the same period.

Performance of the Campari stock and the main benchmark indices from 1 January 2019 to 30 June 2019



[6] Bloomberg
[7] Dividend reinvested

Performance of the Campari stock and the main benchmark indices from the IPO date (2001) to 30 June 2019



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

Davide Campari-Milano S.p.A. stock

Shares

At 30 June 2019, the share capital of Davide Campari-Milano S.p.A. was €58,080,000, consisting of 1,161,600,000 ordinary shares with a nominal value of €0.05 each.

Shareholder base, voting rights and loyalty shares

The table below shows the major shareholders at 30 June 2019[8].

On 28 January 2015, loyalty shares were introduced. The table below shows the updated position, at 30 June 2019, of the key shareholders recorded in the special register recording entitlement to increased voting rights ('special list'). Specifically, it shows: (i) the shares that have obtained double voting rights after a qualifying period of 24 months from the registration date; (ii) the number of shares recorded on the special list but that have not yet obtained double voting rights; and (iii) the number of shares that are not recorded on the special register.

[8] Shareholders who have notified Consob and Davide Campari-Milano S.p.A. that they have shareholdings of over 3% as required under Article 117 of Consob Regulation 11971/99 on the notification of significant holdings.

	Date of registration	Number of shares	% of share capital	Voting rights	% of voting rights
Lagfin S.C.A. Sociéé en Commandite par Actions *of which:*		**592,416,000**	**51.00%**	**1,184,832,000**	**64.59%**
(i) Shares with double voting rights	09 april 15	*592,416,000*		*1,184,832,000*	
Cedar Rock Capital Ltd, *of which:*		**92,174,387**	**7.94%**	**158,574,661**	**8.65%**
(i) Shares with double voting rights	09 april 15	*59,725,231*		*119,450,462*	
	07 april 16	*4,422,568*		*8,845,136*	
	07 april 17	*2,252,475*		*4,504,950*	
(ii) Shares with pending double voting rights	09 april 18	*12,679,764*		*12,679,764*	
	05 april 19	*486,572*		*486,572*	
(iii) Shares not registered in the special list		*12,607,777*		*12,607,777*	

(1) Consob was informed by Andrew Brown, Chief Executive and Portfolio Manager of Cedar Rock Capital Ltd., in accordance with Article 120 of Legislative Decree 58/1998 (the Financial Services Act).

The table below shows the updated position, at 30 June 2019, of outstanding shares and the number of voting rights that may be exercised at general meetings.

	Number of shares	% of share capital	Voting rights	% of voting rights
Total, *of which:*	**1,161,600,000**	**100.00%**	**1,834,271,390**	**100.00%**
Shares with double voting rights (ISIN IT0005252215)	*672,671,390*		*1,345,342,780*	
Ordinary shares (ISIN IT0005252207)	*488,928,610*		*488,928,610*	

Article 6 of the articles of association and the related Regulation on the special register for double voting rights, approved by the Board of Directors, sets out the terms and conditions for entry in the special register and for any request for removal.
For more detailed information on this subject, see the report drawn up by the Board of Directors and the Regulation on the special register for double voting rights, which is published on the Company's website www.camparigroup.com/it/governance/loyalty-shares).

Dividend
On 16 April 2019, the Shareholders' Meeting approved the distribution of a dividend of €0.05 per share for 2018 (in line with the previous year).
The dividend was paid on 25 April 2019 (with an ex-coupon date for coupon no. 3 of 23 April 2019), in line with the Italian Stock Exchange calendar, and a record date of 24 April 2019.

Information on the Campari stock and valuation indicators

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

Year	Minimum price	Maximum price	Average price	Price at 31 December	Change in the Campari stock	Change in FTSE MIB	Campari performance vs. FTSE MIB[3]	Average daily trading volume	Average daily trading value	Stock market capitalization at 31 December
	€	€	€	€	%	%	%	millions of shares	€ million	€ million
2019[1]	7.37	9.22	8.47	8.62	+16.7%	+15.9%	+0.8%	2.4	20.6	10,007
2018	5.75	7.79	6.82	7.39	+14.6%	-16.1%	+30.7%	2.3	15.4	8,578
2017	4.61	6.88	5.83	6.45	+38.8%	+13.6%	+25.1%	2.2	13.2	7,487
2016	3.47	5.05	4.38	4.65	+16.1%	-10.2%	+26.3%	2.8	12.0	5,396
2015	2.47	4.21	3.48	4.00	+55.0%	+12.7%	+42.4%	3.8	12.9	4,646
2014	2.52	3.21	2.95	2.58	-15.1%	+0.2%	-15.4%	2.8	8.0	2,997
2013	2.73	3.32	3.00	3.04	+4.8%	+16.6%	-11.7%	2.6	7.9	3,531
2012	2.54	3.25	2.78	2.90	+12.7%	+7.8%	+4.9%	3.4	9.6	3,369
2011	2.22	2.97	2.59	2.58	+5.7%	-25.2%	+30.9%	4.0	10.6	2,988
2010	1.76	2.50	2.08	2.44	+33.5%	-13.2%	+46.8%	3.8	7.6	2,828
2009	0.97	1.86	1.41	1.83	+52.0%	+19.5%	+32.5%	3.2	4.5	2,118
2008	0.97	1.65	1.39	1.20	-26.8%	-49.5%	+22.8%	2.6	3.7	1,394
2007	1.63	2.11	1.89	1.64	-12.8%	-7.0%	-5.9%	3.0	5.8	1,904
2006	1.57	2.03	1.83	1.88	+20.5%	+16.1%	+4.5%	2.4	4.4	2,183
2005	1.12	1.70	1.43	1.56	+32.0%	+15.5%	+16.5%	2.0	2.8	1,812
2004	0.90	1.20	1.01	1.19	+22.9%	+14.9%	+7.9%	1.8	1.7	1,374
2003	0.69	0.97	0.83	0.97	+28.2%	+14.4%	+13.8%	1.6	1.3	1,118
2002	0.64	0.95	0.79	0.75	+13.8%	-27.3%	+41.0%	2.2	1.7	871
2001[2]	0.55	0.78	0.68	0.66	-14.9%	-14.1%	-0.8%	2.8	2.1	767

(1) Figures at 30 June 2019.
(2) Listing on the Italian stock exchange screen-based market (Mercato Telematico Azionario - MTA) took place on 6 July 2001. Average daily trading volume and average daily trading value excluding first week of trading.
(3) Compared with the FTSE MIB.

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

Year	Number of shares at 31 December not adjusted	Number of shares at 31 December adjusted[1]	Number of shares with dividend rights[2]	Gross dividend per share (€)[3]	Total dividend (€ million)[3]
2018	1,161,600,000	1,161,600,000	1,145,854,255	0.050	57.3
2017	1,161,600,000	1,161,600,000	1,150,205,686	0.050	57.5
2016	580,800,000	1,161,600,000	1,158,752,164	0.045	52.1
2015	580,800,000	1,161,600,000	1,158,508,124	0.045	52.1
2014	580,800,000	1,161,600,000	1,142,500,000	0.040	45.7
2013	580,800,000	1,161,600,000	1,152,019,724	0.040	46.1
2012	580,800,000	1,161,600,000	1,138,514,448	0.035	39.8
2011	580,800,000	1,161,600,000	1,157,273,960	0.035	40.5
2010	580,800,000	1,161,600,000	1,153,344,568	0.030	34.6
2009	290,400,000	1,161,600,000	1,152,761,012	0.030	34.6
2008	290,400,000	1,161,600,000	1,152,761,012	0.028	31.7
2007	290,400,000	1,161,600,000	1,157,422,184	0.028	31.8
2006	290,400,000	1,161,600,000	1,161,597,812	0.025	29.0
2005	290,400,000	1,161,600,000	1,125,424,052	0.025	28.1
2004	29,040,000	1,161,600,000	1,124,192,360	0.025	28.1
2003	29,040,000	1,161,600,000	1,121,600,000	0.022	24.7
2002	29,040,000	1,161,600,000	1,121,600,000	0.022	24.7
2001	29,040,000	1,161,600,000	1,121,600,000	0.022	24.7

(1) Share information prior to the dates on which changes were made to the amount of share capital has been adjusted to take into account the new composition of share capital as set out below:
- two-for-one share split effective on 8 May 2017;
- bonus share issue through the issue of 290,400,000 new shares with a nominal value of €0.10 each, to be provided free of charge to shareholders in the ratio of one new share for each share held, which came into effect on 10 May 2010;
- ten-for-one share split, which came into effect on 9 May 2005.

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

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

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

(1) Net profit (not adjusted for non-recurring components).
(2) Up to 2004, Italian Accounting Standards; IAS/IFRS standards from 2005.
(3) Total dividend distributed for the period excluding own shares held in the portfolio (at the ex-coupon date).

Investor relation activity

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

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

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

The Company communicates and interacts regularly with the financial markets through analyst calls, investor meetings, road shows and investor conferences, which are also attended by representatives of senior management. With regard to activities aimed at the analyst and institutional investor category, in 2019 the Company continued to communicate information through numerous meetings organised in Milan and at the main stock exchanges in Europe and outside Europe, including those in North America, Asia and Australia.
The Investor Relations department is responsible for managing relations with shareholders and investors, and has been operational since the Company's listing in 2001.

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

Campari Group
Condensed half-year report at 30 June 2019

Financial statements

Consolidated income statement

	Notes	First half 2019 € million	*of which: related parties* *€ million*	First half 2018 € million	*of which: related parties* *€ million*
Net sales	8	**848.2**	**-**	**778.2**	**-**
Cost of goods sold	9	(322.3)	-	(306.3)	-
Gross profit		**525.8**	**-**	**471.9**	**-**
Advertising and promotional costs		(151.5)	-	(134.9)	-
Contribution margin		**374.3**	**-**	**337.0**	**-**
Overheads	10	(202.6)	-	(156.9)	-
Operating result [(1)]		**171.7**	**-**	**180.1**	**-**
Financial income (expenses)	12	(18.1)	-	(14.0)	-
Share of net profit of associates and joint ventures accounted for using the equity	13	0.1	-	(0.1)	-
Profit before tax		**153.7**	**-**	**166.0**	**-**
Income tax	14	(30.9)	-	(18.8)	-
Profit for the period		**122.8**	**-**	**147.2**	**-**
Profit attributable to:			-		-
Parent Company shareholders		122.8	-	147.2	-
Non-controlling interests		-	-	-	-
Basic earnings per share (€)		0.11	-	0.13	-
Diluted earnings per share (€)		0.10	-	0.13	-
Basic and diluted earnings per share (€) adjusted [(1)]		0.10	-	0.09	-

[(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 2019 € million	First half 2018 € million
Profit for the period (A)		**122.8**	**147.2**
B1) Items that may be subsequently reclassified to profit or loss			
Cash flow hedge:			
Profit (loss) for the period	26	0.9	(1.6)
Profit (losses) classified to other comprehensive income	26	(9.4)	7.0
Total net gains (losses) from cash flow hedge		(8.5)	(8.6)
Tax effect	14	2.1	1.7
Total cash flow hedge		**(6.4)**	**(6.9)**
Translation difference:			-
Profit (loss) for the period		-	-
Profit (losses) classified to other comprehensive income	26	13.4	3.0
Total Translation difference		**13.4**	**3.0**
Total items that may be subsequently reclassified to profit or loss (B1)		**6.9**	**(3.8)**
B2) Items that may not be subsequently reclassified to profit or loss			
Remeasurements of post-employment benefit obligations:			
Profit(loss) for the period	26	-	1.5
Tax effect	26	-	(0.3)
Remeasurements of post-employment benefit obligations		**-**	**1.2**
Total: items that may not be subsequently reclassified to profit or loss (B2)	35	**-**	**1.2**
Other comprehensive income (expenses) (B=B1+B2)		**6.9**	**(2.7)**
Total comprehensive income (A+B)		**129.7**	**144.5**
Attributable to:			
Parent Company shareholders		129.7	144.5
Non-controlling interests		-	-

For ease of reference, all figures in these condensed half-year financial statements are expressed in millions of euro to one decimal place, whereas the original data is recorded and consolidated by the Group in 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 statement of financial position

	Notes	30 June 2019	*of which: related parties*	31 December 2018	*of which: related parties*
		€ million	*€ million*	€ million	*€ million*
ASSETS					
Non-current assets					
Net tangible fixed assets	15	450.0	-	454.4	-
Right of use assets	25	73.8	-		-
Biological assets	21	1.0	-	1.0	-
Investment properties	16	120.9	-	122.8	-
Goodwill and brands	17	2,349.8	-	2,341.0	-
Intangible assets with a finite life	18	41.6	-	42.9	-
Investments in associates and joint-ventures	19	0.5	-	0.4	-
Deferred tax assets	14	42.1	-	38.4	-
Other non-current assets	20	28.7	*2.2*	23.9	*2.2*
Total non-current assets		**3,108.3**	***2.2***	**3,024.9**	***2.2***
Current assets					
Inventories	21	628.6	-	565.3	-
Current biological assets	21	0.7	-	0.8	-
Trade receivables		284.1	-	285.9	-
Short-term financial receivables	22	4.6	-	29.1	-
Cash and cash equivalents	23	768.8	-	613.9	-
Income tax receivables	30	18.0	*1.1*	22.4	*3.1*
Other receivables		44.0	-	32.3	*0.5*
Total current assets		**1,748.9**	***1.1***	**1,549.7**	***3.6***
Assets held for sale	24	9.4	-	7.8	-
Total assets		**4,866.6**	***3.3***	**4,582.5**	***5.8***
LIABILITIES AND SHAREHOLDERS' EQUITY					
Shareholders' equity					
- Share capital		58.1	-	58.1	-
- Reserves		2,180.4	-	2,104.7	-
Capital and reserves attributable to Parent Company	26	2,238.5	-	2,162.8	-
Non-controlling interests	26	-	-	-	-
Total shareholders' equity		**2,238.5**	***-***	**2,162.8**	***-***
Non-current liabilities					
Bonds		928.7	-	778.7	-
Other non-current liabilities	27	499.9	-	463.7	-
Post-employment benefit obligations		31.0	-	31.6	-
Provisions for risks and charges		116.0	-	118.7	-
Deferred tax liabilities		374.8	-	368.2	-
Total non-current liabilities		**1,950.3**	***-***	**1,760.9**	***-***
Current liabilities					
Payables to banks	38	4.6	-	4.5	-
Bonds	27	218.9	-	218.6	-
Other financial liabilities		90.9	-	52.5	-
Trade payables		195.4	-	216.0	-
Income tax payables		26.9	*10.0*	13.9	*1.0*
Other current liabilities		141.1	*14.0*	153.3	-
Total current liabilities		**677.7**	***24.0***	**658.8**	***1.0***
Liabilities held for sale		-		-	
Total liabilities		**2,628.0**	***24.0***	**2,419.6**	***1.0***
Total liabilities and shareholders' equity		**4,866.6**	***24.0***	**4,582.5**	***1.0***

Consolidated statement of cash flows

	Note	first half 2019	first half 2018
		€ million	€ million
Operating profit		**171.7**	**180.1**
Effects from hyperinflation accounting standard adoption		4.2	-
Depreciation and amortization	15-17-18-25	34.8	27.4
Gains and losses on sales of fixed assets	10	(1.3)	(1.3)
Gains on sales of business		-	(38.5)
Impairment of tangible fixed assets, goodwill, trademark and sold business	10	2.4	0.1
Utilizations of provisions	29	(3.4)	5.4
Change in long-term payables to employees		(14.3)	0.1
Change in net operating working capital		(77.2)	(21.1)
Income tax paid		(9.1)	(24.2)
Other non-cash items		(2.0)	1.2
Cash flow generated from (used in) operating activities		**105.8**	**129.2**
Purchase of tangible and intangible fixed assets	15-18	(26.2)	(22.9)
Disposal of tangible and intangible assets	15	4.6	4.1
Acquisition and sale of companies or business divisions		-	15.8
Cash and cash equivalents at acquired companies		-	6.5
Put option and earn out payments		(26.8)	(9.0)
Interests received		4.9	3.3
Net changes in securities	22	27.4	6.0
Dividends received		-	0.1
Other changes		-	(0.5)
Cash flow generated from (used in) investing activities		**(16.0)**	**3.3**
Bond issued by Parent Company	27	150.0	-
Utilization of revolving facility loan		-	27.7
Repayment of revolving facility loan		-	(28.0)
Payment of lease liabilities	25	(5.7)	-
Other repayments of other medium- and long -term debts		-	(0.3)
Net change in short-term financial payables and bank loans	28	0.1	(5.9)
Interests paid	25	(6.3)	(4.3)
Interest on leases		(1.7)	(0.3)
Change in other financial payables and receivables		(5.4)	(3.0)
Purchase and sale of own shares	26	(7.1)	(17.9)
Dividend paid by the Parent Company	26	(57.3)	(57.5)
Cash flow generated from (used in) financing activities		**66.7**	**(89.4)**
Other differences including exchange rate differences		**(1.6)**	**0.6**
Net change in cash and cash equivalents: increase (decrease)		**154.9**	**43.7**
Cash and cash equivalents at the beginning of period	**23**	**613.9**	**514.5**
Cash and cash equivalents at end of period	**23**	**768.8**	**558.2**

Statement of changes in shareholders' equity

	Notes	Attributable to Parent Company shareholders					Shareholders' equity	
		Share capital	Legal reserve	Retained earnings	Other reserves	Total	Non controlling interests	Total
		€ million	€ million	€ million	€ million	€ million	€ million	€ million
Balance at 31 December 2018		**58.1**	**11.6**	**2,183.1**	**(89.9)**	**2,162.8**	**-**	**2,162.8**
Dividend payout to Parent Company shareholders	26	-	-	(57.3)	-	(57.3)	-	(57.3)
Own shares acquired	26	-	-	(30.9)	-	(30.9)	-	(30.9)
Own shares sold	26	-	-	23.0	-	23.0	-	23.0
Stock options	26	-	-	-	4.0	4.0	-	4.0
Stock options utilization	26	-	-	6.6	(6.6)	-	-	-
Hyperinflation effects	26	-	-	-	7.1	7.1	-	7.1
Profit for the period		-	-	122.7	-	122.7	-	122.7
Other comprehensive income (expense)		-	-	-	6.9	6.9	-	6.9
Total comprehensive income		-	-	122.7	6.9	129.7	-	129.7
Balance at 30 June 2019		**58.1**	**11.6**	**2,247.1**	**(78.4)**	**2,238.3**	**-**	**2,238.3**

	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 30 June 2017	**58.1**	**11.6**	**1,995.6**	**(122.7)**	**1,943**	**-**	**1,942.6**
Dividend payout to Parent Company shareholders	-	-	(57.5)	-	(57.5)	-	(57.5)
Own shares acquired	-	-	(27.8)	-	(27.8)	-	(27.8)
Own shares sold	-	-	10.0	-	10.0	-	10.0
Stock options	-	-	-	2.9	2.9	-	2.9
Stock options utilization	-	-	2.7	(2.7)	-	-	-
Measurement on financial instruments	-	-	1.5	-	1.5	-	1.5
Other changes	-	-	0.1	-	0.1	-	0.1
Profit for the period	-	-	147.2	-	147.2	-	147.2
Other comprehensive income (expense)	-	-	-	(2.7)	(2.7)	-	(2.7)
Total comprehensive income	**-**	**-**	**147.2**	**(2.7)**	**144.5**	**-**	**144.5**
Balance at 30 June 2018	**58.1**	**11.6**	**2,071.8**	**(125.2)**	**2,016.3**	**-**	**2,016.3**

Notes to the consolidated financial statements

1. General information

Davide Campari-Milano S.p.A. is a company listed on the Italian stock market, with its registered office at Via Franco Sacchetti 20, 20099 Sesto San Giovanni (MI), Italy.
The Company is entered in the Milan companies register and business administration register (REA) under the no. 1112227.
At 30 June 2019, 51% of the share capital of Davide Campari-Milano S.p.A., equating to 64.59% of the total voting rights, was held by Lagfin S.C.A., Société en Commandite par Actions, headquartered in Luxembourg.
Founded in 1860, Campari Group is the sixth-largest player in the branded spirits industry, with an extensive and varied product portfolio. Internationally recognised brands include Aperol, Appleton Estate, Campari, Grand Marnier, SKYY and Wild Turkey.
Campari Group operates in around 190 countries with prime positions in Europe and the Americas. It has 18 production plants and its own distribution network in 20 countries, and employs around 3,700 people.
The publication of this half-year report at 30 June 2019, which was subject to a limited audit, was authorised by the Board of Directors on 30 July 2019. The financial statements are presented in euros, the reference currency of the Parent Company and many of its subsidiaries.

2. Preparation criteria

The condensed half-year financial statements at 30 June 2019 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. These include all the international accounting standards (IAS) and all the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor, the Standing Interpretations Committee (SIC).
Unless otherwise indicated, the amounts shown in the following explanatory notes are expressed in millions of euros.
The condensed half-year financial statements were drafted in accordance with IAS 34 – 'Interim Financial Reporting', using the same accounting principles as those applied in the preparation of the consolidated financial statements for the year ended 31 December 2018, to which reference is made, except for those relating to the identification and measurement of leasing contracts. The impacts of applying new accounting standard IFRS 16-'Leases' are described in note 4 'Changes in accounting standards' in these condensed half-year financial statements.
The condensed half-year financial statements do not include all the information and notes required for the annual consolidated financial statements, and, as such, should be read in conjunction with the consolidated financial statements for the year ended 31 December 2018.

Form and content

In accordance with the format selected by the Group, the income statement has been classified by function, and the statement of financial position based on the division between current and non-current assets and liabilities.
We consider that this format will provide a more meaningful representation of the items that have contributed to the Group's results and its assets and financial position.
Transactions or events that may generate income and expenses that are not relevant for assessing performance, such as capital gains/losses on the sale of fixed assets, restructuring and reorganisation costs, financial charges and any other non-recurring income/expenses, are described in the notes.
This presentation complies with the requirements of the Italian Companies and Exchange Commission (Consob) in communication DEM/6064293 of 28 July 2006, as subsequently amended and supplemented (Consob communication 0092543 of 3 December 2015, which incorporates the Guidelines on Alternative Performance Measures ESMA/2015/1415).
In the first half of 2019, the Group did not carry out any atypical and/or unusual transactions, defined in the Consob communication as transactions which, due to their materiality or size, type of counterparties to the transaction, or method for determining the price and timing of the event (proximity to the close of the period), could give rise to concerns over the accuracy or completeness of the information in the financial statements, conflicts of interest, the safeguarding of company assets or the protection of minority shareholders.
The cash flow statement was prepared using the indirect method.

Lastly, with reference to the requirements of Consob resolution 15519 of 27 July 2006 in relation to financial statements, the income statement and statement of financial position contain columns providing information on any significant transactions with related parties.

Basis of consolidation

In the first half of 2019, there were no changes to the basis of consolidation, resulting from the creation, acquisition and sale of companies.

The tables below list the companies included in the basis of consolidation at 30 June 2019.

Name, activity	Registered office	Share capital at 30 June 2019			% owned by Parent Company		
		Currency	Amount		Direct	Indirect	Direct shareholder
Parent Company							
Davide Campari-Milano S.p.A., holding manufacturing and trading company	Via Franco Sacchetti 20, Sesto San Giovanni	€	58,080,000				
Full Consolidated companies							
Italy							
Campari International S.r.l., trading company	Via Franco Sacchetti, 20 Sesto San Giovanni	€	700,000		100.00		Davide Campari-Milano S.p.A.
Camparino S.r.l., trading company	Piazza Duomo, 21 Milano	€	48,880		100.00		Davide Campari-Milano S.p.A.
Campari Services S.r.l., services company	Via Franco Sacchetti, 20 Sesto San Giovanni	€	160,000		100.00		Davide Campari-Milano S.p.A.
Europe							
Campari Austria GmbH, trading company	Naglergasse 1/Top 13,1010 Wien	€	500,000			100.00	DI.CI.E. Holding B.V.
Campari Benelux S.A., finance and trading company	Avenue de la Méterologie, 10, Bruxelles	€	1,000,000		61.00	39.00	Davide Campari-Milano S.p.A. (61%), Glen Grant Ltd. (39%)
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 manufacturing company	Calle de la Marina 16-18, planta 28, Barcellona	€	3,272,600		100.00		Davide Campari-Milano S.p.A.
Campari RUS OOO, trading company	2nd Yuzhnoportoviy proezd 14/22, Moscow	RUB	2,010,000,000			100.00	DI.CI.E. Holding B.V.
Campari Schweiz A.G., trading company	Lindenstrasse 8, Baar	CHF	500,000			100.00	DI.CI.E. Holding B.V.
Campari Ukraine LLC, trading company	8, Illinska Street, 5 Floor, block 8 and 9, Kiev	UAH	87,396,209			100.00	DI.CI.E Holding B.V. (99%), Campari RUS OOO (1%)
DI.CI.E. Holding B.V., holding	Luna Arena, Herikerbergweg 114, Zuidoost, Amsterdam	€	15,015,000		100.00		Davide Campari-Milano S.p.A.
Glen Grant Ltd., manufacturing and trading company	Glen Grant Distillery, Rothes, Morayshire	GBP	24,949,000		100.00		Davide Campari-Milano S.p.A.
Grandes Marques Nederland B.V., finance and trading company	11, Nieuwe Gracht, Haarlem	€	189,000			68.90	Marnier - Lapostolle Bisquit SASU
Kaloyiannis-Koutsikos Distilleries S.A., manufacturing and trading company	6 & E Street, A' Industrial Area, Volos	€	6,811,220			100.00	DI.CI.E. Holding B.V.
Société Civile Immobilière DU VAL, property company	32 rue de Monceau, 75008 Paris	€	16,769,392			80.38	Marnier - Lapostolle Bisquit SASU
Société des Produits Marnier Lapostolle S.A., holding and manufacturing company	32 rue de Monceau, 75008 Paris	€	27,157,500	(3)	80.38		Davide Campari-Milano S.p.A. (80.38%), minority shareholders (19.62%)
Marnier-Lapostolle Bisquit SASU, manufacturing and trading company	32 rue de Monceau, 75008 Paris	€	22,759,856			80.38	Société des Produits Marnier Lapostolle S.A.
Campari Distribution Ireland Ltd., trading company	Lower Mont Street, Dublin	€	245	(1)	100.00		Davide Campari-Milano S.p.A.
Americas							
Campari America LLC, manufacturing and trading company	1114 Avenue of the Americas, 19th Floor New York	USD	566,321,274	(2)	100.00		Davide Campari-Milano S.p.A.
Campari Services America LLC services company	1114 Avenue of the Americas, 19th Floor New York	USD	-	(4)		100.00	Campari Services S.r.l.
Campari Argentina S.A., manufacturing and trading company	Olga Cossettini, 243 Piso 3, Puerto Madeo, CABA	ARS	1,179,365,930	(5)		100.00	DI.CI.E. Holding B.V. (98.81%), Campari do Brasil Ltda. (1.19%)
Campari do Brasil Ltda., manufacturing and trading company	Alameda Rio Negro 585, Edificio Demini, Conjunto 62, Alphaville-Barueri-SP	BRL	239,778,071		99.99		Davide Campari-Milano S.p.A. (99,999%), Campari Schweiz AG (0.001%)

Name, activity	Registered office	Share capital at 30 June 2019		% owned by Parent Company		
		Currency	Amount	Direct	Indirect	Direct shareholder
Campari Mexico S.A. de C.V., trading company	Avenida Americas 1500 Piso G-A Colonia Country Club, Guadalajara, Jalisco	MXN	820,187,150		100.00	DI.CI.E. Holding B.V.
Campari Mexico Corporativo, S.A. de C.V., services company	Avenida Americas 1500 Piso G-A Colonia Country Club, Guadalajara, Jalisco	MXN	50,000		100.00	Campari Mexico, S.A. de C.V. (99%) Campari America, LLC (1%)
Campari Mexico Destiladora S.A. de C.V., manufacturing company	Camino Real a Atotonilco No. 1081, La Trinidad, San Ignacio Cerro Gordo, Jalisco, Z.C. 47195	MXN	50,000		100.00	Campari Mexico, S.A. de C.V. (99%) Campari America, LLC (1%)
Campari Peru SAC, trading company	Av. Jorge Basadre No.607, oficina 702, distrito de San Isidro, Lima	PEN	34,733,589 (2)		100.00	Campari Espãna S.L. (99.92%), Campari do Brasil Ltda. (0.08%)
Forty Creek Distillery Ltd., manufacturing and trading company	297 South Service Road West, Grimsby	CAD	105,500,100 (2)		100.00	DI.CI.E. Holding B.V.
J. Wray&Nephew Ltd., manufacturing and trading company	23 Dominica Drive, Kingstone 5	JMD	750,000		100.00	Campari Espãna S.L.
Others						
Campari (Beijing) Trading Co. Ltd., trading company	Room 66, Floor 5, Block 1, No.16, Chaoyangmenwai Street, Chaoyang District, Beijing, China	CNY	104,200,430		100.00	DI.CI.E. Holding B.V.
Campari Australia Pty Ltd., manufacturing and trading company	Level 10, Tower B, 207 Pacific Hwy, St Leonards, NSW, 2065, Australia	AUD	56,500,000		100.00	DI.CI.E. Holding B.V.
Campari India Private Ltd., services company	Level 4, Rectangle 1, D-4, Commercial Complex, Saket, New Delhi, 110017, INDIA	INR	100,000		100.00	Di.Ci.E Holding BV 99%; Campari Australia Pty Ltd 1%
Campari Japan Ltd., trading company	6-17-15, Jingumae Shibuya-ku, Tokyo 150-0001 Japan	JPY	153,000,000		100.00	DI.CI.E. Holding B.V.
Campari New Zealand Ltd., trading company	C/o KPMG 18, Viaduct Harbour Av., Maritime Square, Auckland New Zealand	NZD	10,000		100.00	Campari Australia Pty Ltd.
Campari Singapore Pte Ltd., trading company	152 Beach Road, #24-06, 1Gateway East, Singapore 189721	SGD	100,000		100.00	DI.CI.E Holding B.V.
Campari South Africa Pty Ltd., trading company	12th Floor, Cliffe Deker Hofmeyr 11 Buitengracht street, Cape Town	ZAR	290,247,750		100.00	DI.CI.E. Holding B.V.

Investments accounted for using equity method

Name, activity	Registered office	Share of capital at 30 June 2019		% owned by Parent Company		
		Currency	Amount	Direct	Indirect	Direct shareholder
Trans Beverages Company Limited, trading company	Nr 1702,c-dong (GL Metrocity Munjung SK V1) 642-3 Munjung-dong, Songpa-gu, Seoul, Korea	KWD	2,000,000,000		40.00	BNC F&B Co. Limited (60%) Glen Grant Ltd. (40%)

(1) Company in liquidation
(2) Includes capital contribution.
(3) This figure does not include the portion of capital with right of usufruct, equal to 2.24%, whose bare ownership is held by shareholders of Société des Produits Marnier Lapostolle S.A. who hold 19,62% of the capital, which is covered by agreements to make repurchases by 2021.
(4) Company no longer active under local law with liquidation process under way.
(5) Share capital does not include effects related to hyperinflation accounting standard.

Currency conversion criteria and exchange rates applied to the financial statements

Figures expressed in currencies other than the accounting currency (Euro) are converted as follows:
- income statement items are converted at the average exchange rate for the period, while statement of financial position items are converted at period-end exchange rates; exchange rate differences resulting from the application of differing criteria for conversion to the Euro of income statement and statement of financial position items are recorded under the currency translation reserve in shareholders’ equity until the investment in question is sold;

- any tranlation differences between the value of initial shareholders' equity, as converted at end-of-period exchange rates, and the value of shareholders' equity for the previous year converted at current exchange rates are also recorded under the currency translation reserve.
When preparing the consolidated statement of cash flows, average exchange rates were used to convert the cash flows of subsidiaries outside the Eurozone.

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

The indices used to remeasure the values at 30 June 2019 are shown in the table below.
Specifically, the national Consumer Price Index ('nationwide CPI') was used.

	30 June 2019	31 December 2018
Consumer Price Index	225.28	184.26
	Conversion factor first half 2019	
January	1,188	
February	1,145	
March	1,094	
April	1,057	
May	1,026	
June	1,000	

The exchange rates used for translation are shown below.

	30 June 2019		30 June 2018	31 December 2018
	average rate	end-of-period rate	average rate	end-of-period rate
Dirham of Emirates	4.149	4.179	4.447	4.205
Australian Dollar	1.600	1.624	1.569	1.622
Canadian Dollar	1.507	1.489	1.546	1.561
Singapore Dollars	1.535	1.540	1.606	1.559
Jamaica Dollars	147.752	148.303	152.834	145.872
New Zealand Dollars	1.681	1.696	1.691	1.706
US Dollar	1.130	1.138	1.211	1.145
Euro	1.000	1.000	1.000	1.000
Switzerland Francs	1.129	1.111	1.170	1.127
Haitian Gourde	95.650	106.018	78.480	77.145
Ukraine Hryvnia	30.417	29.765	32.375	31.736
Peruvian sol	3.755	3.745	3.933	3.863
Argentine Peso(*)	48.568	48.568	26.026	43.159
Chile Pesos	763.141	773.850	740.234	794.370
Mexican peso	21.654	21.820	23.074	22.492
Uruguay Pesos	38.186	40.110	35.394	37.094
Rand	16.042	16.122	14.886	16.459
Brazilian Real	4.340	4.351	4.141	4.444
Yuan Renminbi	7.667	7.819	7.710	7.875
Russia Rubles	73.725	71.598	71.975	79.715
India Rupees	79.117	78.524	79.504	79.730
Great Britain Pounds	0.874	0.897	0.880	0.895
South Korea Won	1,294.975	1,315.350	1,302.872	1,277.930
Japanese Yen	124.302	122.600	131.603	125.850

(*)The Argentine Peso average exchange rate is reported equal to the exchange rate of at 30 June 2019.

Use of estimates
The preparation of the financial statements and related notes in accordance with IFRS requires the management to make estimates and assumptions that have an impact on the value of revenues, costs, assets and liabilities in the statement of financial position and on disclosures concerning contingent assets and liabilities at the reporting date.
If, in the future, these estimates and assumptions, based on the best valuation currently available, differ from the actual circumstances, they will be amended accordingly at the time the circumstances change.
In particular, estimates are used to identify provisions for risks with respect to receivables, obsolete inventory, depreciation and amortisation, asset impairment, employee benefits, taxes, restructuring provisions and the allocation of other provisions, as well as to determine the duration and incremental interest rate for leasing transactions.
The estimates and assumptions are reviewed regularly, and the impact of any change is reflected in the income statement.
Goodwill and intangible assets with an indefinite useful life are subject to annual impairment tests to check for any losses in value.
The calculations are based on expected cash flows from the cash-generating units to which the goodwill is attributed, as inferred from multi-year budgets and plans.

3. Accounting standards adopted

The accounting standards adopted by the Group are the same as those applied to the annual financial statements for the year ending 31 December 2018, except for the new accounting standards, interpretations and amendments adopted as reported below.

Leases
The Group leases various offices, vehicles, machinery, as well as retail stores and other minor assets. Rental contracts are typically made for fixed periods of 3 to 10 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The agreements do not impose any covenants, but leased assets may be used as security for borrowing purposes.

From 1 January 2019, as a consequence of the first application of IFRS 16, the Group recognises for all lease contracts, except for short-term leases (i.e. leases having a lease term of 12 months or less and do not contain a purchase option) and leases of low-value assets (i.e. having unit value lower than €5 thousand), a right-of-use asset at the commencement date of the lease which corresponds to the date the underlying asset is available for use. Lease payment on short-term and low-value agreements are recognised as expenses in profit or losses on a straight-line basis over the lease term.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of the lease liabilities. The cost of rights-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, lease payments made at or before the commencement date and restoration costs, less any lease incentives received. In rare cases, restoration costs are eligible, mainly related to offices, which would sometime be restored to previous state when the lease ends. Group estimate the obligation related fair value based on agreement with the lessor or third-party appraisal. The related net present value is increasing the right-of-use of the underlying asset against dedicated provision. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Lease liability is recognized at the commencement date and is measured at the present value of lease payments to be made over the lease term, discounted using incremental borrowing rates (IBR), if the specific interest rate implicit in the lease agreement is not readily determinable. Variable lease payments remain accounted for in profit or loss as cost in the period where the event or condition that trigger the payment occurs.
After the commencement date, the amount of lease liabilities increases to reflect the accretion of interest and decreases for the lease payments made. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

In case of sub-lease agreements and agreement lease modification, the rules required by IFRS 16 Leases, are applied.

IFRS 16 requires management to make judgement affecting the valuation of right-of-use and lease liability, including the determination of:

- contracts in scope for the new rules for the measurement of the asset/liability net present value;
- contract terms;
- interest rate used for discounting the lease payments.

Contracts are scoped in or out based on detailed analysis performed at individual agreement level and in line with IFRS rules.

The lease term is calculated as the non-cancellable period of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group applies judgement in evaluating whether it is reasonably certain to exercise or not the extension or termination options, taking into accounting all relevant factors that create an economic incentive on such decisions. The initial assessment is reviewed if a significant event or change in circumstances occurs which affect the assessment and is within the control of the Group.

The Group's incremental borrowing rates are reassessed on a recurring basis and applied to all agreements with similar characteristics, which were considered as a single portfolio of agreements. The rates are determined starting from the average borrowing rate for existing loans of the Parent Company. This rate is appropriately adjusted, as required by the new accounting rules, to simulate a theoretical incremental borrowing rate consistent with the agreements being measured. The most relevant elements considered in the rate adjustment are the credit-risk spread observable on the market for each country and the different duration of the lease agreements. Explicit rates on lease agreements are infrequent.

Lease incentives received at or before the commencement date of the lease are recognized in reduction of the right-of-use asset value; the corresponding value reflects the cash already received net of any receivable to be shorty collected. Lease incentives agreed during the life-time of the agreement are considered as amendment of the original contract at the date of the modification, impacting both right-of-use asset value and lease liability for the same amount.

4. Changes in accounting standards

Summary of the new accounting standards adopted by the Group from 1 January 2019
Changes in the summaries of the accounting standards used in preparing the condensed consolidated half-year financial statements compared with those used for the consolidated financial statements for the year ending 31 December 2018 are set out below.

a. IFRS 16-Leases – impacts of first-time adoption
IFRS 16 Leases, published by the IASB on 13 January 2016, supersedes IAS 17 Leases starting from 1 January 2019 and introduces methods of accounting presentation that more appropriately reflect the type of leases in the financial statements. Specifically, IFRS 16 introduces a single model for accounting for leases in the financial statements of lessees, requiring lessees to recognise an asset for the right-of-use of the underlying asset and a liability for the obligation to make lease payments. Furthermore, the nature of the costs of the above-mentioned leases changes since IFRS 16 replaces the recognition on a straight-line basis of the costs of operating leases with depreciation of the right-of-use asset and the financial charges of the liabilities. For the lessor, the accounting treatment methods are similar to those specified in IAS 17, meaning the lessor continue to classify leases as operating or finance leases.

Before 1 January 2019 in accordance with previous IAS 17 Leases, the Group classified each of its leases (as lessee) as either a finance lease or an operating lease, at the inception date. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalized at the commencement of the lease at the inception date fair value of the leased asset or, if lower, at the present value of the minimum lease payments. In operating lease, the leased asset was not capitalized and the lease payments were recognized as rent expense in profit or loss on a straight-line basis over the lease term.

Regarding first-time adoption of the standard, Campari Group has decided to adopt the modified retrospective approach. Therefore, the figures for the comparative period have not been restated and some simplifications and practical expedients have been applied, as permitted by the standard. The adoption of IFRS 16 had no effect on the opening shareholder's equity at 1 January 2019.

The key assumptions used for the first application of IFRS 16 are summarised below:
- all agreements in effect on 1 January 2019 concerning the use of third-party assets were analyzed in light of the new definition of lease included in the updated accounting rules;
- as part of the analysis performed, the Group also considered arrangements which are not structured as a lease from a legal point of view but could contain a lease based on the new definition of a lease included in IFRS 16; thus, the Group decided not to take advantage of the practical expedient making it possible to identify leases on the basis of analysis already performed pursuant to IAS 17 and IFRIC 4-'Determining Whether an Arrangement Contains a Lease'
- lease agreements of assets with a low unit value (i.e. unit value lower than €5 thousand) and short-term leases (i.e. less than 12 months) were managed separately. Costs relating to these leases, mainly related to IT equipment, will continue to be recognized in the income statement as separately identified operating costs;
- for leasing contracts falling within the scope of application of the new standard, the right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued leases payments as well as any lease incentives, received before the 1 January 2019;
- no impact on carrying amounts at 1 January 2019 relating to lease agreements in which the Group acts as lessee and that were classified as finance leases based on IAS 17 was identified, except for their asset's classifications. The previously applied interest rates, the residual value of the financial liabilities and the carrying amounts of the underlying leased assets were confirmed, while the carrying amount of the leased asset were reclassified in the new caption 'right-of-use';
- only for the not material class of assets 'other', the simplification allowing not to separate payments for the use of the asset (lease component) and payments for services or maintenance (non-lease component) relating to the same asset, has been applied;
- sub-lease agreements, which had been classified as operating leases under IAS 17, were re-analyzed to check their classification as operating or finance leases based on the new rules; the above classification must use the right-of-use asset of the main lease as a reference rather than the asset underlying the sub-lease agreement;
- lastly, it should be noted that no onerous contracts were identified.

Other practical expedients applied at the transition date were:
- the initial direct costs (including key money) were excluded from measuring the right-of-use asset at the date of initial application;
- the determination of the lease terms was assessed using hindsight in case the contract contains options to extend or terminate the lease;
- right-of-use assets and liabilities were not recognized for leases with a residual term less than 12 months.

Discount rate

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

The IBRs applied to discount lease payments at 1 January 2019 are reported below.

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

The provisional impact disclosed in the Consolidated Financial Statements as of 31 December 2018 has resulted in not material changes, as provided below. It should be noted that the new accounting criteria could be amended up until the submission of the first Group consolidated financial statements for the year (31 December 2019) that includes the first-time adoption date.

Impact on first time adoption

Right of use assets

€ million	1 January 2019
Buildings	66.6
Land	0.3
Machinery	5.7
Vehicles	7.3
IT equipment	0.5
Other	1.0
Total right of use assets	**81.4**

Financial assets and liabilities for leasing and sub-leasing

€ million	Within 12 months	Over 12 months	Total
Financial liabilities for leases:			
Buildings	(9.4)	(64.7)	(74.2)
Land	-	(0.3)	(0.3)
Machinery	(0.8)	(4.8)	(5.7)
Vehicles	(2.7)	(4.6)	(7.3)
IT equipment	(0.2)	(0.3)	(0.5)
Other	(0.3)	(0.7)	(1.0)
Total financial liabilities for leases as of 1 January 2019	**(13,5)**	**(75,5)**	**(89,0)**
Financial asset for leases:			
Buildings	1.9	5.7	7.6
Total financial assets for leases as of 1 January 2019	**1.9**	**5.7**	**7.6**
Total financial assets and liabilities (net value) as of 1 January 2019	**11.6**	**69.8**	**81.4**

Reconciliation between contractual commitments at 31 December 2018 for using third-party assets and financials liabilities for leases at 1 January 2019

	€ million
Operating lease commitments disclosed at 31 December 2018 (*)	**102.4**
Short-term leases and low-value assets leases	(0.6)
Commitments for variable lease payments	(1.2)
Non lease component commitments (rendering of services)	(1.7)
Net value of contractual commitments included in financial liabilities for leases at 1 January 2019	**98.8**
Discounting effect	(17.4)
Financial liabilities for leases as of 1 January 2019	**81.4**

(*) Included in note 46-Commitments and risks of the Consolidated Financial Statements as of 31 December 2018

Reconciliation between assets for right of use and financial assets and liabilities for leasing and sub-leasing from the first time application of IFRS16 accounting principle and overall balance at 1 January 2019

Right of use assets reconciliation

Right of use assets as of 1 January 2019	Preliminary estimated first-time adoption impact	adjustments	IFRS 16 first time adoption	Reclassification of items included in 2018 stated figures (*)	Balance at 1 January 2019
	€ million	€ million	€ million	€ million	€ million
Buildings	67.5	(0.9)	66.6	(5.7)	60.9
Land	2.0	(1.7)	0.3	-	0.3
Machinery	5.7	-	5.7	-	5.7
Vehicles	6.6	0.7	7.3	1.3	8.6
IT equipment	0.6	-	0.5	-	0.5
Other	1.0	-	1.0	-	1.0
Total right of use assets	**83.3**	**(1.9)**	**81.4**	**(4.4)**	**77.0**

(*) The reclassification refers to lease incentive received before 1 January 2019 and assets under financial lease that were classified respectively in the 'Other current liabilities' and 'Net tangible fixed assets' line items of the Consolidated Financial Statements as of 31 December 2018.

Financial assets and liabilities for leases and sub-leases reconciliation

Financials assets and liabilities for leases as of 1 January 2019	Preliminary estimated first-time adoption impact	adjustments	IFRS 16 first time adoption	Reclassification of items included in 2018 stated figures (*)	Balance at 1 January 2019
	€ million	€ million	€ million	€ million	€ million
Financial liabilities for leases:					
Within 12 months	(14.7)	1.2	(13.5)	(4.8)	(18.3)
Over 12 months	(76.3)	0.8	(75.5)	(1.0)	(76.5)
Total financial liabilities for leases	**(90.9)**	**1.9**	**(89.0)**	**(5.8)**	**(94.8)**
Financial assets for sub-leases:					
Within 12 months	1.9	-	1.9	0.8	2.6
Over 12 months	5.7	-	5.7	0.8	6.5
Total financial assets for sub-leases	**7.6**	**-**	**7.6**	**1,5**	**9.1**
Financial assets and liabilities for leases and sub-leases (net)	**(83.3)**	**1.9**	**(81.4)**	**(4.3)**	**(85.8)**

(*) The reclassification refers to financial asset and liabilities arising from leasing classified as financial leases as of 31 December 2018 and includes liabilities linked to lease agreement classified in 'Other current liabilities' line items on the Consolidated Financial Statements as of 31 December 2018.

b. Other accounting standards, amendments and interpretations applicable from 1 January 2019

IFRIC 23 interpretation – Uncertainty over Income Tax Treatments

IFRIC 23 aims to clarify how to calculate current and deferred taxes when there is uncertainty about the tax treatments adopted by the entity drawing up the financial statements, which may not be accepted by the tax authorities. The application of the interpretation did not have an impact on the measurement of the tax burden as Campari Group already applied IAS 12 in a manner consistent with IFRIC 23.

Amendment to IAS 28 – 'Investments in Associates and Joint Ventures'

The aim of the changes introduced with this amendment is to clarify that the impairment provisions in IFRS 9 – 'Financial Instruments' apply to long-term interests in associates and joint ventures. These amendments do not apply to the Group.

Amendment to IAS 19 – 'Plan Amendment, Curtailment or Settlement'

In this amendment, the IASB clarifies how to calculate pension expenses if there is a change in the defined-benefit plan. The amendment did not generate any impact on the Group's financial position as there had not been any amendments to its existing plans.

The IASB document 'Annual Improvements to IFRS Standards 2015-2017 Cycle' introduced the following changes:

- IFRS 3 – 'Investments in Associates and Joint Ventures' clarifies that a company must remeasure a previously held interest in a business that meets the definition of a joint operation when it obtains control;
- IFRS 11- 'Joint Arrangements' clarifies that a company does not need to remeasure a previously held interest in a joint operation when it acquires joint control of the same;
- IAS 23 – 'Borrowing Costs' clarifies that when an asset is ready for its intended use or sale, an entity must treat any outstanding borrowing made specifically to obtain that asset as part of the funds that it has borrowed generally.

These amendments do not apply to Campari Group.

Lastly, the amendment to IAS 12 – 'Income Taxes' clarifies that a company must recognise the income tax consequences of dividends in profit or loss. The Group was already following this interpretation.

c. Accounting standards, amendments and interpretations not yet endorsed

Amendment to the Conceptual Framework in IFRS Standards (issued on 29 March 2018)

The IASB has published a revised version of the Conceptual Framework for Financial Reporting, with its first application scheduled for 1 January 2020. The main changes relate to:

- a new chapter on measurement;
- better definitions and guidance, with particular regard to the definition of liabilities;
- clarifications of important concepts such as stewardship, prudence and measurement uncertainty.

'Definition of a Business (Amendments to IFRS 3)' (issued on 22 October 2018)

The IASB has published an amendment to IFRS 3, 'Definition of a Business', with the objective of helping companies to decide whether a transaction is an acquisition of a business or of a group of assets that does not meet the definition of a business in IFRS 3. The amendments will apply to acquisitions after 1 January 2020. Early adoption is permitted.

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

IFRS 17 – 'Insurance Contracts' (issued on 18 May 2017) with first-time adoption scheduled for 1 January 2021. The standard does not apply to the Group.

5. Seasonal factors

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

6. Debt management

The Group's debt management objectives are based on its ability to ensure that it retains an optimal level of financial soundness, while maintaining an appropriate level of liquidity that enables it to make an economic return and, at the same time, access external sources of funding. The Group monitors changes to its net debt/EBITDA ratio on an ongoing basis. Net debt is the value of the Group's net financial debt calculated at average exchange rates for the previous 12 months. The Group's EBITDA for the past 12 months is pro-rated to take account of the annual effect of the acquisitions and disposals made in the same period, i.e. assuming that they were completed at the beginning of the 12-month reporting period. Non-cash components of the operating flows are excluded from that value.
At 30 June 2019, this multiple was 2.1x (1.9xat 31 December 2018).

7. Operating segments

The Group's operating businesses are determined on the basis of the operating segments, which results are periodically reviewed by the Chief Operating Decision Maker (Chief Executive Officer) to assess performance and inform resource allocation decisions.
Since 2012, the Group has mainly based its management analysis on geographical regions, identified as operating segments that reflect the Group's operating model and current way of working by business unit.
The geographical regions considered are: i) the Americas ii) Southern Europe, Middle East and Africa iii) Northern, Central and Eastern Europe and (iv) Asia-Pacific.

The level of profitability analysed is the result from recurring activities, equal to the operating result before adjustments to operating income and charges (for a definition of alternative performance indicators, please see the 'Alternative performance indicators' section of the Interim report on operations).
In addition, the profitability of each region reflects the profit generated by the Group through sales to third parties in that region, thereby cancelling out the effects of inter-company margins.

First half 2019	Americas	Southern Europe, Middle East and Africa	Northern, Central and Eastern Europe	Asia-Pacific	Total allocated	Non-allocated items	Consolidated
	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Net sales to third parties	384.6	243.6	165.5	54.4	848.2	-	848.2
Net sales between segments	26.3	154.0	9.2	-	189.5	(189.5)	-
Total net sales	**410.9**	**397.6**	**174.7**	**54.4**	**1,037.6**	**(189.5)**	**848.2**
Segment result	**68.5**	**48.2**	**49.0**	**5.9**	**171.7**	**-**	**171.7**
Operating result	-	-	-	-	-	-	171.7
Financial income (charges)	-	-	-	-	-	(18.1)	(18.1)
Share of net profit (loss) of companies accounted for using the equity method	-	-	-	-	-	0.1	0.1
Income taxes	-	-	-	-	-	(30.9)	(30.9)
Group profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**122.8**
Depreciation/amortization	-	-	-	-	-	(34.8)	(34.8)

First half 2018	Americas	Southern Europe, Middle East and Africa	Northern, Central and Eastern Europe	Asia-Pacific	Total allocated	Non-allocated items	Consolidated
	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Net sales to third parties	333.3	236.2	154.4	54.3	778.2	-	778.2
Net sales between segments	21.5	147.5	11.2	0.1	180.2	(180.2)	-
Total net sales	**354.8**	**383.7**	**165.6**	**54.3**	**958.4**	**(180.2)**	**778.2**
Segment result	**47.5**	**82.5**	**45.5**	**4.6**	**180.1**	**-**	**180.1**
Operating result	-	-	-	-	-	-	180.1
Financial income (charges)	-	-	-	-	-	(14.0)	(14.0)
Share of net profit (loss) of companies accounted for using the equity method	-	-	-	-	-	(0.1)	(0.1)
Income taxes	-	-	-	-	-	(18.8)	(18.8)
Group profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**147.2**
Depreciation/amortization	-	-	-	-	-	**(27.4)**	**(27.4)**

8. Net sales

Consolidated net sales, which almost entirely relate to the sale of spirits products, totalled €848.2 million, compared with €778.2 million achieved in the first half of the previous year. For a more detailed analysis of net sales, please refer to the information in the 'Sales performance' section of the Interim report on operations.

9. Cost of goods sold

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

	First half 2019	First half 2018
	€ million	€ million
Materials and manufacturing costs	281.8	268.9
Distribution costs	40.6	37.4
Total cost of goods sold	**322.3**	**306.3**
Breakdown by type		
Raw materials and finished goods acquired from third parties	196.3	181.3
Inventory write-downs	1.0	0.5
Personnel costs	37.0	36.8
Depreciation/amortisation	19.5	17.7
Utilities	6.3	5.3
External production and maintenance costs	19.8	17.7
Variable transport costs	28.8	26.2
Other costs	13.6	20.8
Total cost of goods sold	**322.3**	**306.3**

The increase in the cost of goods sold, in terms of the change in and percentage of net sales, is commented on in the report on operations. For an analysis of the components, please see the breakdown of personnel costs in note 11-Personnel costs.

The change in the item Depreciation (€1.8 million) is mainly attributable to the effects of applying IFRS 16-'Leases', which introduced the depreciation of the right-of- use asset to replace the recognition of operating lease expenses on an accruals basis. For more details, please see note 4-Changes in accounting standards and note 25-Leases.

10. Overheads

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

	First half 2019	First half 2018
	€ million	€ million
Personnel costs	115.6	105.2
Services, maintenance and insurance	24.2	19.6
Travel, business trip, training and meetings	19.5	17.6
Depreciation/amortisation	14.2	9.3
Charges for use of third party assets	1.9	7.0
Utilities	0.7	0.8
Agents and other variable sales costs	6.1	5.6
Other Overheads	11.8	11.5
Adjustment to overheads:	8.6	(19.6)
Write-down and other restructuring costs	*2.4*	*8.3*
Expenses for staff restructuring	*5.2*	*6.6*
Accruals for staff restructuring	*0.1*	*4.0*
Capital losses on sale of assets	*0.1*	*-*
Capital gain on sale of assets	*(1.2)*	*(1.0)*
Capital gain on business disposal	*-*	*(38.5)*
Penalty for the termination of distribution relationship	*-*	*0.1*
Fiscal penalties	*0.2*	*-*
Other expenses	*1.9*	*0.8*
Total overheads	***202.6***	***156.9***

The changes in the items depreciation and charges for use of third party assets are attributable to the application of the new IFRS 16-'Leases' and amount to €5.0 million and €6.0 million respectively. For more details, please see note 4-Changes in accounting standards and note 25-Lease.
Negative components that had an effect on overheads in the first half of 2019 include the costs incurred by the Group for reorganisation projects launched the previous year that are still under way.
Capital gains realised in the first half of 2019 mainly relate to sales of non-production-related buildings in France.

11. Personnel cost

	First half 2019 € million	First half 2018 € million
Salaries and wages	114.6	108.8
Social security contributions	25.1	24.5
Cost of defined contribution plans	4.5	4.1
Cost of defined benefit plans	0.2	0.2
Other costs relating to mid-long term benefits	5.5	2.4
Cost of share-based payments	4.0	2.9
Total personnel costs	**149.9**	**142.8**
of which:		
Included in cost of goods sold	37.0	36.8
Included in overhead	115.6	105.2
Included in advertising and promotional expenses	1.3	0.9
Total	**154.0**	**142.8**

12. Financial income and charges

Net financial charges for the period break down as follows.

	First half 2019 € million	First half 2018 € million
Net interest payable on bonds	(17.5)	(14.1)
Interest payable on leases	(1.7)	(0.3)
Interest payable to banks	(1.2)	(1.8)
Total interest payable	**(20.3)**	**(16.2)**
Bank term deposit interest	4.9	3.3
Dividends from third parties	-	0.1
Other income	0.3	0.3
Total financial income	**5.3**	**3.7**
Discounting from put option liabilities	(0.7)	(0.9)
Bank charges	(1.2)	(1.3)
Other charges and exchange rate differences	1.0	(1.0)
Total financial charges	**(0.8)**	**(3.1)**
Income from financial asset	-	1.8
Other	-	(0.2)
Financial income (charges) adjustments	**-**	**1.6**
Hyperinflation effects	**(2.3)**	**-**
Net financial income (charges)	**(18.1)**	**(14.1)**

Net financial charges, which include the effects of exchange-rate variations and hyperinflation, were €18.1 million. Interest on bond loans was broadly unchanged compared with the first half of 2018 and was only partly impacted by the cost of the new loan issued in April 2019 (please refer to the 'Significant events during the period' section). The change compared with the same period of last year is mainly attributable to the recycled positive effect in 2018 relating to the early settlement of IRS agreements and risk hedging for interest-rate fluctuations on future transactions.
At 30 June 2019, financial charge equal to €0.7 million were recorded, due to the non-cash effects of discounting the liability for future commitments to purchase the remaining Société des Produits Marnier Lapostolle S.A. shares from the former shareholders to present value, and allocated to the year on an accruals basis.
Interest payable on lease was €1.7 million, an increase on the first half of 2018 due to the application of IFRS 16-'Leases'.
The impact of applying the methodology to measure the effects relating to the application of IAS 29-'Financial Reporting in Hyperinflationary Economies' had a negative impact of €2.3 million in the half year under review.

13. Portion of profit (loss) relating to companies measured at equity method

At 30 June 2019, the profit arising from companies measured at equity method was €0.1 million. This amount related entirely to the Group's portion of the joint venture Trans Beverages Co. Ltd. in South Korea. For more information on interests in joint ventures, see note 19-Investments in affiliates and joint ventures-.

14. Income taxes

Income taxes were calculated based on existing regulations, applying the tax rates enacted in each country, taking into account the average tax rate expected for the full year.

Deferred tax assets and liabilities are calculated each year based on the rates enacted at the time the temporary differences are expecte to be reversed; appropriate adjustments are made if the rate has changed from previous years, provided that the related law has already been enacted on the date on which the financial report is drafted.

The amounts of current and deferred taxes recorded directly in the statement of comprehensive income relate to the effects of the remeasurement of pension funds and the measurement at fair value of cash-flow hedging contracts.

Details of current and deferred taxes included in the Group's income statement and statement of comprehensive income are as follows.

	First half 2019 € million	First half 2018 € million
- current taxes for the year	(26.5)	(25.6)
- current taxes relating to previous years	-	3.3
- deferred tax expenses	(4.4)	3.5
Taxes recorded in the income statement	**(30.9)**	**(18.8)**
Taxes recorded in the statement of comprehensive income	**2.1**	**1.4**

Income taxes for the first half of 2019 include a tax benefit of €12.5 million (€14.8 million in the first half of 2018) relating to the Patent Box scheme.

The balance of current and deferred tax assets and liabilities is shown below.

	30 June 2019 € million	30 June 2018 € million
Deferred tax assets	42.1	38.4
Deferred tax liabilities	(374.8)	(368.2)
Net deferred tax	**(332.6)**	**(329.7)**

15. Net tangible fixed assets

Changes in this item are shown in the table below.

	Land and buildings € million	Plant and machinery € million	Other € million	Total € million
Carrying amount at the beginning of the period	338.8	330.4	169.7	838.9
Accumulated amortization at the beginning of the period	(96.2)	(212.1)	(76.2)	(384.5)
Balance at 31 December 2018	**242.6**	**118.3**	**93.5**	**454.4**
Reclassification as assets held for sale	-	(1.6)	-	(1.6)
Investments	2.6	4.8	14.3	21.7
Disposals	(0.1)	-	(3.5)	(3.6)
Depreciation	(5.6)	(8.9)	(7.0)	(21.5)
Exchange rate differences and other changes	2.6	(1.5)	(0.6)	0.5
Balance at 30 June 2019	**242.1**	**111.1**	**96.7**	**450.0**
Carrying amount at the end of the period	344.0	330.3	176.5	850.9
Accumulated amortization at the end of the period	(101.9)	(219.3)	(79.8)	(401.0)

Investment for the period, totalling €21.7 million, mainly related to the purchase of barrels for maturing bourbon, rum and whisky for €11.6 million. In addition, works were carried out to improve the Group's production capacity, which although individually not material, together totalled €2.7 million.

Disposals, amounting to €3.6 million, mainly related to the sale of barrels for maturing inventory.

16. Investment property

At 30 June 2019, investment property, totalling €120.9 million, related to the investment property of Société des Produits Marnier Lapostolle S.A and, for non-significant amounts, to assets owned by the Parent Company. These buildings are recorded in the financial statements at their approximate fair value at the reporting date.

17. Goodwill and brands

Changes during the period are shown in the table below.

	Goodwill	Brands with an indefinite life	Brands with a finite life	Total
	€ million	€ million	€ million	€ million
Carrying amount at the beginning of the period	1,329.3	999.9	38.0	2,367.2
Opening impairment	(2.9)	-	(23.2)	(26.2)
Balance at 31 December 2018	**1,326.4**	**999.9**	**14.7**	**2,341.0**
Depreciation	-	-	(1.1)	(1.1)
Exchange rate differences and other changes	6.7	2.9	0.1	9.8
Balance at 30 June 2019	**1,333.1**	**1,002.9**	**13.8**	**2,349.8**
Carrying amount at the end of the period	1,336.1	1,002.9	37.1	2,376.1
Closing impairment	(3.0)	-	(23.4)	(26.4)

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 annual impairment tests.
Brands with a finite life include the value of the X-Rated Fusion Liqueur brand.

Positive exchange-rate differences and other changes, of €9.8 million, arose when the amounts for brands and goodwill, which were recorded in local currency, were adjusted to period-end exchange rates, particularly in relation to the performance of the US and Canadian dollars.

18. Intangible assets with a finite life

Changes during the period are shown in the table below.

	Software	Other	Total
	€ million	€ million	€ million
Carrying amount at the beginning of the period	88.8	17.4	106.2
Accumulated amortization at the beginning of the period	(55.2)	(8.1)	(63.3)
Balance at 31 December 2018	**33.6**	**9.3**	**42.9**
Investments	4.0	0.1	4.0
Amortisation for the period	(5.2)	(0.4)	(5.5)
Exchange rate differences and other changes	0.2	-	0.2
Balance at 30 June 2019	**32.6**	**9.0**	**41.6**
Carrying amount at the end of the period	93.2	17.5	110.7
Accumulated amortization at the end of the period	(60.6)	(8.6)	(69.2)

Intangible assets with a finite life are amortised on a straight-line basis based on their remaining useful life.
Investment in intangible assets with a finite life during the period, totaling €4.0 million, mainly related to projects to continuously upgrade and integrate the IT systems currently used by Group companies.

19. Investments in affiliates and joint ventures

At 30 June 2019, the Group owned 40% of the shares in Trans Beverages Co. Ltd, a joint venture in South Korea, following the signing of an agreement in March 2018 with local partner BNC F&B Co. Ltd. The Group has a call option on the remaining shares, which represent 60% of the share capital.
The Group's interest in the joint venture at 30 June 2019 is explained below.

Name of entity	**Country of business**	**% of ownership interest**	**Nature of relationship**	**Measurement method**	**Currency**	**Carrying amount**
						€ million
Trans Beverage Co. Ltd	South Korea	40.0%	*Joint-venture*	Equity method	KRW	0.5
Total investments in associates and joint-venture						**0.5**

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

	€ million
Balance at 31 December 2018	**0.4**
Share of net profit (loss)	0.1
Balance at 30 June 2019	**0.5**

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

Trans Beverege Co Ltd.	30 June 2019	30 June 2019
	€ million	South Korea Won million
Total assets	5.5	7,176.7
Total shareholders' equity	**1.8**	**2,358.9**
Revenues	5.1	6,609.0
Net income of the period	0.3	358.9

20. Other non-current assets

This item breaks down as follows:

	Balance at 30 June 2019 € million	Balance at 31 December 2018 € million
Financial receivables	15.6	11.0
Term deposit	5.1	4.8
Non-current financial assets	**20.7**	**15.8**
Equity investment in other companies	0.4	0.4
Security deposits	1.0	1.1
Other non-current receivables from main shareholders	2.2	2.2
Other non-current tax receivables	4.3	4.4
Other non-current assets	**8.0**	**8.1**
Total other non-current assets	**28.7**	**23.9**

Financial receivables essentially included interest-bearing financial receivables from sales of businesses totalling €1.4 million, as well as put option, for an amount of €3.2 million, for purchasing the remaining non-controlling shares of J.Wray & Nephew Ltd.

The other non-current tax receivables, totalling €4.3 million, included receivables from the tax authorities due to the Group's Italian companies. These arose from the entitlement to refunds of higher income tax paid in previous years due to the non-deductibility of IRAP (regional production tax). Additional receivables totalling €2.2 million and due from the ultimate shareholder Lagfin S.C.A., Société en Commandite par Actions were recorded for the tax consolidation periods from 2007 to 2011.

Please see note 34-Related Parties for details of the relationships with the ultimate shareholder Lagfin S.C.A., Société en Commandite par Actions.

21. Inventories and current biological assets

This item breaks down as follows:

	Balance at 30 June 2019 € million	Balance at 30 June 2018 € million
Raw materials, supplies and consumables	52.6	45.8
Work in progress	73.2	70.1
Maturing inventory	357.2	340.1
Finished products and goods for resale	145.7	109.2
Inventories	**628.6**	**565.3**
Current biological assets	0.7	0.8
Current biological assets	**0.7**	**0.8**
Total	**629.3**	**566.1**

Inventories totalled €629.3 million at 30 June 2019, a total increase of €63.2 million on the amount at 31 December 2018. This increase is largely due to the factors summarised below:

- the organic increase in maturing inventory, finished products and merchandise, of €61.4 million, was mainly due to the natural effect of the seasonal nature of the aperitifs business in the summer period;
- exchange-rate effects accounted for €1.9 million of the increase in inventory at 30 June 2018.

Current biological assets represent the fair value of the harvest of sugar cane plantations that are not yet mature. This fair value estimate is based on the production costs incurred minus any impairment, calculated on the basis of the estimated revenues from the sale of the harvest minus the costs of cultivation, harvesting and transportation to point of sale.

Inventories are reported minus the relevant impairment provisions. The changes are shown in the table below.

	€ million
Balance at 31 December 2018	**(15.0)**
Accruals/Release	(0.7)
Utilisation	0.9
Exchange rate differences and other changes	0.1
Balance at 30 June 2019	**(14.7)**

22. Current financial receivables

This item breaks down as follows:

	Balance at 30 June 2019	Balance at 31 December 2018
	€ million	€ million
Securities and term deposit	**-**	**27.4**
Valuation at fair value of forward contracts	0.9	0.3
Financial assets from associates	0.6	0.6
Financial asset for leases	2.8	-
Other financial assets	0.4	0.8
Other current financial receivables	**4.6**	**1.7**
Current financial receivables	**4.6**	**29.1**

The decrease in the Securities and Term Deposits item is attributable to the cashing-in of marketable securities that represented a temporary investment of cash.
Financial receivables for leases, totalling €2.8 million, related to amounts recognised as a result of applying the new financial standard IFRS 16. For more information, see note 4 – Changes in accounting standards.
Other financial assets included the costs incurred for entering into the revolving credit facility (RCF), which are charged to the income statement as financial expenses over the term of the credit facility.

23. Cash and cash equivalents and reconciliation with the net financial debt

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

	Balance at 30 June 2019	Balance at 31 December 2018
	€ million	€ million
Bank current accounts and cash	487.9	315.9
Term deposit maturing within 3 months	280.9	298.0
Cash and cash equivalents	**768.8**	**613.9**

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

Reconciliation with the net financial debt

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

	Balance at 30 June 2019	Balance at 31 December 2018
	€ million	€ million
Cash and cash equivalents	768.8	613.9
Cash (A)	**768.8**	**613.9**
Securities	-	27.4
Other current financial receivables	4.1	1.1
Current financial receivables (B)	**4.1**	**28.5**
Current bank payables	(7.7)	(9.3)
Current portion of lease payables	(14.9)	(0.5)
Current portion of private placement and bonds	(219.1)	(219.1)
Other current financial payables	(21.4)	(10.1)
Current portion of payables for put option and earn-out	(51.4)	(36.6)
Current financial payables (C)	**(314.4)**	**(275.6)**
Net current financial debt (A+B+C)	**458.5**	**366.9**
Non-current bank payables	(300.0)	(300.0)
Non-current portion of lease payables	(76.3)	(1.0)
Non-current portion of bonds	(943.7)	(790.8)
Other non current financial payables	0.6	0.5
Non-current portion of payables for put option and earn-out	(96.9)	(137.7)
Non-current financial debt (D)	**(1,416.3)**	**(1,229.0)**
Net debt (A+B+C+D)(*)	**(957.8)**	**(862.1)**
Reconciliation with the Group's financial debt, as shown		
Term deposits	9.7	9.3
Non-current financial receivables	10.9	6.5
Group net financial debt	**(937.1)**	**(846.3)**

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

For all information on the items that make up the net financial debt, excluding liquidity, see note 20 – Other non-current assets, note 22 – Current financial receivables, note 32 - Financial instruments - additional information and note 33 – Assets and liabilities valued at fair value.

Reconciliation with the cash flow statement

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

	Cash flow generated (absorbed) from financial liabilities						
	Bonds		Payables for matured interest	Payables to banks		Leasing asset (liabilities)	
€ million	Current	Non current	Current	Current	Non current	Current	Non current
31 December 2018	(218.6)	(778.7)	(9.0)	(2.5)	(300.0)	(0.2)	(0.2)
IFRS16 adoption (*)	-	-	-		-	(15.6)	(69.8)
New financing	-	(150.0)	-	-	-	-	(3.3)
Repayment	-	-	4.1	0.5	-	7.4	-
Exchange rate effects	-	-	-	-	-	1.9	(1.9)
Reclassification	-	-	-	-	-	(5.8)	5.8
Other movements	(0.3)	0.1	(15.3)	-	-	0.2	(1.5)
30 June 2019	**(218.9)**	**(928.7)**	**(20.1)**	**(2.0)**	**(300.0)**	**(12.1)**	**(70.9)**

(*) For more information on the first-time application of the accounting standard IFRS 16-'Leases', see the comments in note 4 – Changes in accounting standards.

24. Net assets held for sale

This item breaks down as follows:

	31 December 2018	Reclassification as assets held for sale of the period	30 June 2019
	€ million	€ million	€ million
Assets			
Net tangible assets	7.8	1.6	9.4
Total asset classified as held for sale	**7.8**	**1.6**	**9.4**

Net assets held for sale are valued at the lower of net book value and fair value less selling costs.
At 30 June 2019, this item included:
- properties in France;
- non-business real estate assets relating to a residual portion of the site in Termoli, Italy;
- production assets located in Brazil, including the Sorocaba facility;
- an industrial component used in the production unit in Lawrenceburg, Kentucky, which was held for sale in the first half of 2019.

25. Lease

The effects of the application of the accounting principle IFRS-16 'Leases', applied from 1 January 2019, are provided below. For more information on the first-time application of the new accounting standard, see the comments in note 4- Changes in accounting standards.

Amounts recognized in balance sheet.

Changes in right of use underlying assets are shown in the table below.

Right of use for:	Land and buildings	Plant and machinery	Other	Total
	€ million	€ million	€ million	€ million
Balance at 1 January 2019	**61.1**	**5,7**	**10,2**	**77.0**
Investments	2.5	0.6	0.1	3.3
Depreciation	(4.3)	(0.6)	(1.5)	(6.4)
Balance at 30 June 2019	**59.4**	**5.7**	**8,7**	**73.8**
Carrying amount at the end of the period	63.6	6.3	10.3	80.3
Accumulated amortization at the end of the period	(4.3)	(0.6)	(1.6)	(6.4)

There are no restrictions or covenants on the above right-of-use assets.

Changes in the lease financial liabilities and receivables are provided in the table below.

Financial liabilities for leases	Balance at 1 January 2019	Addition	Payments	Interest expenses	Reclassification	Exchange rate differences and other changes	Balance at 30 June 2019
	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Within 12 months	(18.3)	-	8.3	-	(5.4)	0.5	(14.9)
Over 12 months	(76.5)	(3.3)	-	(1.9)	5.4	-	(76.3)
Financial liabilities for lease	**(94.8)**	**(3.3)**	**8.3**	**(1.9)**	**-**	**0.5**	**(91.2)**

Financial assets for leases	Balance at 1 January 2019	Addition	Collection	Interest income	Reclassification	Exchange rate differences and other changes	Balance at 30 June 2019
	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Within 12 months	2.7	-	(0.9)	0.2	0.5	0.5	2.8
Over 12 months	6.5	-	-	-	(0.5)	(0.6)	5.4
Financial assets for lease	**9.1**	**-**	**(0.9)**	**0.2**	**-**	**(0.2)**	**8.2**

Amounts recognized in profit and losses

€ million	2019
Interest of lease	1.7
Depreciation and amortization on right-of-use underlying assets	6.4
Variable lease payment not included in measurement of lease liability	3.0
Expense related to short terms leases	0,3
Expense related to leases with low value	1.6

Amounts recognized in the statement of cash flow

€ million	30 June 2019	30 June 2018(*)
Total cash outflow for leases	7.4	0.3

(*) 2018 balances are related to financial lease payments based on previously applied IAS 17.

Contractual commitments for the use of third-party assets out of scope for the lease accounting.

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

	30 June 2019 € million	31 December 2018 € million
Within 1 year	3.2	18.1
1-5 years	0.5	43.4
After 5 years	-	40.9
Total	**3,7**	**102.4**

26. Shareholders' equity

The Group manages its capital structure and makes changes to it on the basis of the prevailing economic conditions and the specific risks of the underlying asset.

To maintain or change its capital structure, the Group may adjust the dividends paid to the shareholders and/or issue new shares.

In this regard, like other groups operating in the same sector, the Group uses the net debt/EBITDA multiple as a monitoring tool.

Net debt is the Group's net financial position calculated at average exchange rates for the previous 12 months; EBITDA is the Group's adjusted operating result, on an adjusted basis, before depreciation, amortisation and non-controlling interests, pro-rated to take account of sales and acquisitions in the past 12 months.

At 30 June 2019, this multiple was 2.1x (compared with 1.9x at 31 December 2018).

Share capital

At 30 June 2019, the share capital of Davide Campari-Milano S.p.A. was €58,080,000, fully paid-up, comprising 1,161,600,000 ordinary shares with a nominal value of €0.05 each.

Outstanding shares and own shares

The Group has a share buyback programme in place, pursuant to art. 5 of EU Regulation 596/2014, in accordance with a resolution passed at the Shareholders' Meeting held on 16 April 2019, which authorised the purchase and sale of own shares to service, *inter alia*, the existing stock option plan reserved for individuals other than directors of the Parent company. The broker responsible for implementing the programme is Goldman Sachs International Ltd. Purchases are made in compliance with the statutory limits and the stipulations of the above-mentioned shareholders' resolution. The transactions carried out under the programme are regularly communicated to Consob and the market, pursuant to the applicable legislation.

The following table shows the reconciliation between the number of outstanding shares at 30 June 2019 and the figures for two prior years.

For information on the composition of and changes in shareholders' equity for the periods under review, see the statement of changes in shareholders' equity.

	No. of shares			Nominal value		
	30 June 2019	31 December 2018	31 December 2017	30 June 2019	31 December 2018	31 December 2017
				€	€	€
Outstanding shares at the beginning of the period	1,146,618,042	1,152,546,887	1,158,915,312	57,330,902	57,627,344	57,945,766
Purchases for the stock option plan	(3,550,826)	(10,007,486)	(10,910,000)	(177,541)	(500,374)	(545,500)
Disposals	8,669,284	4,078,641	4,541,575	433,464	203,932	227,079
Outstanding shares at the end of the period	1,151,736,500	1,146,618,042	1,152,546,887	57,586,825	57,330,902	57,627,344
Total own shares held	9,863,500	14,981,958	9,053,113	493,175	749,098	452,656
Own shares as a % of share capital	0.85%	1.29%	0.78%			

In the first half of 2019, 3,550,826 own shares were acquired at a purchase price of € 30.1 million, equating to an average price of €8.48 per share.
A total of 8,669,284 shares were sold at a price of €23.0 million for the exercise of stock option rights.
On 13 May 2019, an amount of 6,903,053 shares (approximately 0.6% of the share capital of Davide Campari-Milano S.p.A.), has been purchased by 49 beneficiaries of the stock option plan granted on 11 May 2012. Simultaneously the same amount of share has been sold by the relevant beneficiaries via a block trade through Goldman Sachs International Ltd., with the aim to allow it in an ordered manner, among institutional investors only.

Dividends paid and proposed

The dividends approved and paid during the period and in the previous year, and the dividends proposed to the Shareholders' Meeting convened to approve the financial statements for the year ended 31 December 2018 are shown below.

	Total amount		Dividend per share	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018
	€ million	€ million	€	€
Dividends approved and paid during the year on ordinary	57,3	57,5	0,050	0,050
Dividends proposed on ordinary shares(*)		57,3		0,050

(*) Calculated based on outstanding shares at 31 December 2018

Other reserves

	Stock options	Cash flow hedging	Foreign currency translation reserves	Hyperinflation effect reserve	Remeasurement reserve for actuarial effects relating to defined benefit plans	Total
	€ million	€ million	€ million	€ million	€ million	€ million
Balance at 31 December 2018	**33.6**	**(9.7)**	**(125.2)**	**11.3**	**0.1**	**(89.8)**
Cost of stock options for the period	4.0	-	-	-	-	4.0
Stock option exercised	(6.6)	-	-	-	-	(6.6)
Losses (profits) reclassified in the income statement	-	0.9	-	-	-	0.9
Profits (losses) allocated to shareholders' equity	-	(9.4)	-	-	-	(9.4)
Tax effect recognised in shareholder's equity	-	2.1	-	-	-	2.1
Translation difference	-	-	13.3	-	-	13.3
Effects from hyperinflation accounting standard adoption	-	-	-	7.1	-	7.1
Balance at 30 June 2019	**31.0**	**(16.1)**	**(111.9)**	**18.4**	**0.1**	**(78.4)**

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 plans.
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 the euro.
The hyperinflation reserve includes the impact of measuring the related effects in Argentina.
The remeasurement reserve for actuarial effects relating to defined benefit plans includes the effects of changes to the actuarial assumptions used to calculate the net obligations for defined benefits.

27. Bonds and other non-current liabilities

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

	30 June 2019	31 December 2018
	€ million	€ million
Bond (Eurobond) issued in 2015	578.7	578.7
Bond issued in 2017	200.0	200.0
Bond issued in 2019	149.9	-
Total non current bonds	**928.7**	**778.7**
Payables and loans due to banks	300.0	300.0
Financial liabilities for lease	76.3	1.0
Non current liabilities for hedging derivatives	15.0	12.1
Payables for put option and earn-out	96.9	137.7
Non-current financial liabilities	**488.2**	**450.8**
Other non-financial liabilities	11.7	12.9
Total other non-current liabilities	**499.9**	**463.7**

Bonds

At 30 June 2019, the Bonds item included the following issues placed by the Parent Company:

- Eurobond 2015, maturing on 30 September 2020 and with a nominal value of €580.9 million. The offer was placed at 99.715% of the nominal value. Coupons are payable at a nominal fixed interest rate of 2.75%. The gross return on the bond is therefore 2.81%;
- bond issued in 2017, maturing on 5 April 2022, with a nominal value of €50 million. The bond pays a fixed annual coupon of 1.768%;
- bond issued in 2017, maturing on 5 April 2024, with a nominal value of €150 million. The bond pays a fixed annual coupon of 2.165%.
- bond issued on 23 April 2019, maturing on 30 April 2024, with a nominal value of €150 million. The bond pays a fixed annual coupon of 1.655%.

The changes recorded in the first half of 2019 relating to the effects of the amortised cost of the above bonds were negative at €0.2 million.

Payables and loans due to banks

This item includes euro-denominated loans entered into with leading banks; interest is mainly due at floating market rates. Specifically, the Parent Company took out a €300 million bullet loan in 2016, at a rate of 3-month Euribor plus a 0.85% spread. In conjunction with the term loan, a revolving credit facility (RCF) was granted in an amount of €200 million, with a maturity of August 2021, which had not been used at 30 June 2019.

Financial liabilities relating to lease

This item includes non-current financial liabilities that reflect the obligation to pay rent. The change in the item is due to the new accounting standard, IFRS 16-'Leases'. Please see note 4-Changes in accounting standards for details of the effects of the first-time adoption of the new standard. Please see note 25-Lease for more information on the effects of applying the new standard at 30 June 2019.

Payable for put option and earn-out

At 30 June 2019, the long-term portion of the item 'Payables for put option and earn-out' represented the liability resulted from the agreements signed with some of the former shareholders of Société des Produits Marnier Lapostolle S.A. dedicated to the purchase of all the remaining shares held by them by 2021.
The changes during the first half of the year were attributable to the revision of estimates made on the basis of existing contractual agreements, as well as non-cash effects deriving from amortised costs and the reclassification under current payables of the portion due to be paid in the next 12 months, particularly the estimated earn-out payable linked to the acquisition of Bulldog.

Other non-financial liabilities

The other non-financial liabilities at 30 June 2019 mainly included medium- to long-term liabilities relating to incentive-based plans accrued on behalf of employees, totalling €5.5 million. They also included medical plan and profit-sharing benefits for employees of €5.5 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 2019	31 December 2018
	€ million	€ million
Payables and loans due to banks	**4.6**	**4.5**
Other financial liabilities	3.1	4.8
Short-term portion of Parent Company bond (Eurobond) issued in 2012	218.9	218.6
Accrued interest on bonds	20.0	8.9
Financial liabilities for lease	14.9	0.5
Liabilities on hedging contracts	0.5	1.6
Payables for put option and earn-out	51.4	36.6
Total other financial payables	**308.8**	**271.1**

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.

Payable for put option and earn-out

The short-term portion of these payables included payables for put option (€30.9 million) and earn-out (€20.5 million).
The payable for put option breaks down as follows:
- €3.2 million for the purchase of the remaining non-controlling shares in J.Wray & Nephew Ltd, which is secured by Group of restricted cash;
- €27.7 million for the option to purchase some shares still held by former shareholders of Société des Produits Marnier Lapostolle S.A., exercisable within the next 12 months.

The earn-out payables include:
- an estimated payable of €20.4 million for the earn-out relating to the acquisition of Bulldog, to be settled between 2020 and 2022.
- €0.1 million relating to the last tranche of Sagatiba.

29. Provisions for risks and charges

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

	Tax provision	Restructuring provisions	Agent severance fund	Other	Total
	€ million	€ million	€ million	€ million	€ million
Balance at 31 December 2018	**80.4**	**16.0**	**1.2**	**21.0**	**118.7**
Accruals	-	1.1	0.1	-	1.3
Utilizations	-	(2.6)	(0.1)	(0.6)	(3.3)
Releases	(0.2)	(0.8)	-	(0.7)	(1.6)
Exchange rate differences and other changes	0.4	0.1	-	0.5	0.9
Balance at 30 June 2019	**80.7**	**13.7**	**1.3**	**20.3**	**116.0**
of which estimated outlay:					
- due within 12 months	0.2	5.1	1.3	1.8	8.5
- due after 12 months	80.5	8.6	-	18.4	107.5

No significant uses or releases had been made in the first half of the year from the tax provision, which totalled €80.7 million at 30 June 2019.
In relation to changes in the provisions for risks and charges compared with the 2018 annual financial statements, it should be noted that allocations of €1.1 million were made during the year in connection with the restructuring processes under way within the Group, and utilisations of €2.6 million were drawn from the restructuring provision for payments made during the first half.
Other provisions reflected the recognition by the Parent Company and subsidiaries of liabilities for various lawsuits, including a legal dispute totalling €12.4 million relating to a distribution agreement.

The information reported below concerns contingent liabilities arising from outstanding disputes, in relation to which the Group did not, however, deem it necessary to make provisions as at the date of this report.
Various disputes are outstanding with the Brazilian tax authorities; however, the Group believes it is unlikely to lose the cases, based on the information available at the date of this report.

• At 30 June 2019, one dispute relating to production tax (IPI) was outstanding, in which the tax authorities are contesting the correct classification of products sold by Campari do Brasil Ltda.
  In the first half of the year, the local administrative authority issued the final ruling in the Group's favour. The total amount relating to the dispute was BRL15.4 million (€3.5 million at the exchange rate on 30 June 2019) plus interest.
  As at today's date, a dispute for an amount of BRL6.9 million, including related penalties (€1.6 million at the

exchange rate on 30 June 2019) is still pending.
Based on the assessments of external legal consultants, the Group believes that the outcome of the dispute will be in favour of the Company. It is therefore deemed unnecessary at present to create a specific provision.

- Another outstanding dispute relates to a tax inspection report concerning the payment of ICMS (tax on the consumption of goods and services) with respect to sales made by Campari do Brasil Ltda to four customers in 2000, 2005, 2007 and 2008. The amount specified, including penalties, totalled BRL46.9 million (€10.7 million at the exchange rate on 30 June 2019) plus interest.
The dispute is pending before the administrative court, and is not expected to be settled in the near future.
Based on the assessments of external legal consultants, which have appealed the findings of the local tax authorities, the Group believes that the outcome of the dispute will be in favour of the Company. It is therefore deemed unnecessary at present to create a specific provision.
- In June 2016, the Company received a tax inspection notice relating to the years 2012 and 2013, alleging non-compliance in the use of a tax benefit relating to the sales of finished products manufactured in the Suape plant. The contested amount is BRL24.5 million (€5.6 million at the exchange rate at 30 June 2019) including the related penalties, plus interest. The Company's lawyers have prepared an appeal that shows compliance with all the requirements laid down in tax law. Based on the advice of its lawyers, the Group continues to believe that there is no reason to make a specific provision.

In December 2015, a claim for compensation totalling USD23 million was notified to subsidiary J.Wray & Nephew Ltd by Algix Jamaica Limited. This company maintained that it had suffered damage to its fish farm due to the waste water from the sugar processing carried out by J.Wray & Nephew Ltd.
During the proceedings, to enable the company to continue with its sugar production business, J.Wray & Nephew Ltd was requested to comply with specific new environmental regulations. In 2017, J.Wray & Nephew Ltd. complied with the above-mentioned rules and the sugar production business was therefore authorised.
In the first half of 2019, a settlement agreement was signed with the counterparty for a total amount of USD1.2 milion (€1.1 million at the exchange rate at 30 June 2019). However, the economic and financial impact was neutral for the Group as it made appropriate use of its existing insurance cover.

30. Income tax receivables and payables

This item breaks down as follows:

	Balance at 30 June 2019 € million	Balance at 31 December 2018 € million
Income taxes receivables	16.9	19.3
Receivables from main shareholders for tax consolidation	1.1	3.1
Income tax receivables	**18.0**	**22.4**
Income taxes payables	(16.9)	(12.9)
Due to controlling shareholder for tax consolidation	(10.0)	(1.0)
Total income tax payables	**(26.9)**	**(13.9)**

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

31. Stock option plan

Please refer to note 41 of the consolidated financial statements for the year ended 31 December 2018 for full information on the Group's stock option plans.
The Shareholders' Meeting of 16 April 2019 approved a new stock option plan reserved for individuals other than directors of the Parent Company, establishing the maximum number of shares that may be granted and authorising the Board of Directors of the Parent Company to identify, within the limits established by the Shareholders' Meeting, the beneficiaries and the number of options that may be granted to each.
The options were therefore granted on 9 May 2019 to the individual beneficiaries, with the right to exercise options in the two-year period following the end of the fifth year from the grant date.
The total number of options granted in 2019 for the purchase of further shares was 364,400, with an average grant price of €8.85, equivalent to the weighted average market price in the month preceding the day on which the options were granted.
The following table shows the changes in stock option plans during the periods concerned.

	30 June 2019		31 December 2018	
	No. of shares	Average allocation/exercise price (€)	No. of shares	Average allocation/exercise price (€)
Options outstanding at the beginning of the period	60,550,159	3.87	56,402,473	3.32
Options granted during the period	364,400	8.85	11,298,000	6.25
(Options cancelled during the period)	(788,564)	4.61	(3,071,673)	3.73
(Options exercised during the period)(*)	(8,669,282)	2.66	(4,078,641)	2.95
Options outstanding at the end of the period	51,456,713	4.10	60,550,159	3.87
of which those that can be exercised at the end of the period	8,718,543	2.59	15,198,854	2.64

(*) The average market price on the exercise date was €8.68.

The fair value of stock options is represented by the value of the option calculated by applying the Black-Scholes model, which takes into account the conditions for exercising the option, as well as the current share price, expected volatility and the risk-free rate, and the non-vesting conditions for the plans.
Volatility was estimated with the help of data supplied by a market information provider together with a leading bank, and corresponds to the estimate of volatility recorded in the period covered by the Plan.
The following assumptions were used for the fair value measurement of options issued in 2019.

	2019	2018
Expected dividends (€)	0.05	0.05
Expected volatility (%)	22.8%	20.2%
Historic volatility (%)	22.8%	20.2%
Market interest rate	0.20%	0.67%
Expected option life (years)	7.00	7.00
Exercise price (€)	8.85	6.25

32. Financial instruments – disclosures

The value of individual categories of financial assets and liabilities held by the Group at 30 June 2019 and 31 December 2018 is shown below. These values are based on the classification rules set out in the accounting standard IFRS 9-'Financial Instruments'.

30 June 2019 € million	Measured at amortized cost	Measured at fair value through profit and loss	Measured at fair value with changes recognized in the statement of comprehensive income
Cash and cash equivalents	768.8	-	-
Trade receivables	284.1	-	-
Current financial receivables	3.8	-	-
Other non-current financial assets	10.1	5.1	-
Other non-current assets	-	0.4	-
Receivables for lease	5.4	-	-
Payables to banks	(305.4)	-	-
Payables for lease	(91.2)	-	-
Bonds	(1,147.5)	-	-
Accrued interest on bonds	(20.0)	-	-
Other financial liabilities	(3.1)	-	-
Put option and earn-out payables	(127.8)	(20.5)	-
Trade payables	(195.4)	-	-
Non-current assets for hedge derivatives, not in hedge accounting	-	0.7	-
Current assets for hedging derivatives	-	-	0.2
Non-current liabilities for hedging derivatives	-	-	(15.0)
Current liabilities for hedging derivatives	-	-	(0.4)
Non-current liabilities for hedging derivatives, not in hedge accounting	-	(0.2)	-
Total	**(818.4)**	**(14.5)**	**(15.1)**

31 December 2018 € million	Measured at amortized cost	Measured at fair value through profit and loss	Measured t at fair value with changes recognized in the statement of comprehensive income
Cash and cash equivalents	613.9	-	-
Trade receivables	285.9	-	-
Current financial receivables	1.4	27.4	-
Other non-current financial assets	10.2	4.8	-
Other non-current assets	-	0.4	-
Receivables for lease	0.8	-	-
Payables to banks	(304.5)	-	-
Payables for lease	(1.5)	-	-
Bonds	(997.3)	-	-
Accrued interest on bonds	(8.9)	-	-
Other financial liabilities	(4.8)	-	-
Put option and earn-out payables	(153.7)	(20.6)	-
Trade payables	(216.0)		-
Non-current assets for hedge derivatives, not in hedge accounting	-	0.1	-
Current assets for hedging derivatives	-	-	0.3
Non-current liabilities for hedging derivatives	-	-	(12.1)
Current liabilities for hedging derivatives	-	-	(1.0)
Non-current liabilities for hedging derivatives, not in hedge accounting	-	(0.6)	-
Total	**(774.5)**	**11.5**	**(12.8)**

33. Assets and liabilities measured at fair value

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

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

Fair value of non-financial instruments:
- for fixed biological assets, the cost method net of accumulated depreciation was used to calculate their carrying amount;
- for current biological assets (agricultural produce), the fair value was determined based on the sale price net of estimated sales costs;
- investment property is valued at fair value or at cost.

The tables below detail the hierarchy of financial and non-financial instruments measured at fair value, based on the valuation methods used:
- Level 1: the valuation methods use prices quoted on an active market for the assets and liabilities subject to valuation;
- Level 2: the valuation methods take into account inputs other than the quoted market prices in Level 1, but only those that are observable on the market, either directly or indirectly;
- Level 3: the methods used take into account inputs that are not based on observable market data.

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

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

30 June 2019	Level 1 € million	Level 2 € million	Level 3 € million
Assets valued at fair value			
Current financial receivables	-	-	-
Other non-current financial assets	5.1	-	-
Futures currency contracts	-	0.9	-
Hedging derivatives not in hedge accounting	-	-	-
Liabilities valued at fair value			
Put option and earn-out payables	-	20.5	-
Interest rate swap on future transactions	-	15.0	-
Forward currency contracts	-	0.4	-
Hedging derivatives not in hedge accounting	-	0.2	-

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

The Level 1 valuation for the financial assets was derived using a methodology based on the NAV (Net Asset Value), which was obtained from specialist external sources.
The Level 2 valuation used for financial instruments measured at fair value is based on parameters such as exchange rates and interest rates, which are quoted on active markets or are observable on official yield curves.
In the first half of 2019, 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.

30 June 2019	Level 1 € million	Level 2 € million	Level 3 € million
Assets valued at fair value			
Investment properties	-	120.9	-
Biological assets	-	0.7	-

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

In the first half of 2019, no reclassifications were made between the levels indicated above in the fair value hierarchies.

34. Related parties

Davide Campari-Milano S.p.A. is controlled by Lagfin S.p.A. Société en Commandite par Actions.
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 2014-2019, which was extended at the start of the year to 2021.
The tax receivables and payables of the individual Italian companies are therefore recorded as payables to the Parent Company's direct controlling shareholder, Lagfin S.p.A. Société en Commandite par Actions.

Moreover, Lagfin S.C.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 2019, the Parent Company and its Italian subsidiaries owed Lagfin S.C.A., Société en Commandite par Actions, €14.0 million for VAT.
The receivables and payables arising as a result of the tax consolidation procedure are non-interest-bearing.

Dealings with related parties form part of ordinary operations and are carried out under market conditions (i.e. conditions that would apply between two independent parties) or using criteria that allow for the recovery of costs incurred and a return on invested capital.
All transactions with related parties were carried out in the Group's interest.
The amounts for the various categories of transaction entered into with related parties are set out in the table below.

	Receivables for tax consolidation	Payables for tax consolidation	Receivables (payables) for Group VAT	Other non-current tax receivables
30 June 2019	€ million	€ million	€ million	€ million
Lagfin S.C.A., Société en Commandite par Actions	1.1	(10.0)	(14.0)	2.2
Total	**1.1**	**(10.0)**	**(14.0)**	**2.2**
% on related financial statements item	**6.0%**	**37.3%**	**9.9%**	**7.8%**

	Receivables for tax consolidation	Payables for tax consolidation	Receivables (payables) for Group VAT	Other non-current tax receivables
31 December 2018	€ million	€ million	€ million	€ million
Alicros S.p.A.	3.1	(1.0)	0.5	2.2
Total	**3.1**	**(1.0)**	**0.5**	**2.2**
% on related financial statements item	**13.8%**	**7.3%**	**1.5%**	**9.4%**

No transactions generating a significant impact on the income statement were carried out during the two periods under comparison.

35. Commitments and risks

For information regarding the Group's commitments and risks, please see note 45-Commitments and risks in the consolidated financial statements for the year ended 31 December 2018.

For contractual commitments for the use of third-party assets out of scope for the lease accounting see note 25-Lease.

36. Events taking place after the end of the period

Campari Group enters into exclusive negotiations with Groupe Chevrillon in relation to the acquisition of French rums Trois Rivières and La Mauny.

On 20 July 2019, the Group announced it has entered into exclusive negotiations with Compagnie Financière Chevrillon and a group of minority shareholders, and granted thereto in such context a put option, with a view to acquire the company Rhumantilles SAS, owner of 96.5% of the Martinique based company Bellonnie & Bourdillon Successeurs.

The projected transaction scope includes the brand Trois Rivières and Maison La Mauny (strategic premium brands) and Duquesne (brand designed for the local Martinique market), the land holdings, the related distilleries and visitor centers as well as a high-quality aged rum inventory.

The reported net sales value of Rhumantilles SAS in 2018 was €24.1 million.

With this contemplated acquisition Campari Group will have an opportunity to add prestigious rhum agricole brands to its offering and enhance its exposure to rum, a premiumising category currently at the heart of the mixology trend and growing cocktail culture. Moreover, France is poised to become one of the Group's strategic markets and with this acquisition Campari Group has the opportunity to add significant critical mass in this market.

Sesto San Giovanni (MI), Tuesday, 30 July 2019

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 subsequent revisions and amendments

1. We, the undersigned, Robert Kunze-Concewitz, as managing director, and Paolo Marchesini, 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 2019.

2. The half-year 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 half-year report on operations also contains an accurate assessment of information on significant transaction with related parties.

3. We further certify that the condensed half-year financial statements at 30 June 2019:

a) were prepared in accordance with the applicable international accounting standards recognised in the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;

b) correspond to the figures contained in the accounting records;

c) provide a true and fair view of the financial position of the issuer and the group of companies included in the basis of consolidation.

Sesto San Giovanni (MI), Wednesday 30 July 2019

Chief Executive Officer
Robert Kunze-Concewitz

Chief Executive Officer
and director responsible for preparing
the company's accounting statements
Paolo Marchesini

This report has been translated into English from the Italian original solely for the convenience of international readers.

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Building a better working world

Review report on the condensed interim consolidated financial statements
(Translation from the original Italian text)

To the Shareholders of
Davide Campari-Milano S.p.A.

Introduction

We have reviewed the condensed interim consolidated financial statements, comprising the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the statement of changes in shareholders' equity and the related notes of Davide Campari-Milano S.p.A. and its subsidiaries (the "Campari Group") as of 30 June 2019. The Directors of Davide Campari-Milano S.p.A. are responsible for the preparation of the condensed interim consolidated financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of July 31, 1997. A review of condensed interim consolidated 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 an 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 interim consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements of Campari Group as at 30 June 2019 are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

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Other matters

The consolidated financial statements for the year ended 31 December 2018 and the condensed interim consolidated financial statements for the half-year period ended 30 June 2018 have been respectively audited and reviewed by another auditor who expressed an unqualified opinion on the consolidated financial statements on 21 March 2019 and expressed an unqualified conclusion on the condensed interim consolidation financial statements on 2 August 2018.

Milano, July 30, 2019

EY S.p.A.
Signed by: Alberto Romeo, Partner

This report has been translated into the English language solely for the convenience of international readers.

Davide Campari-Milano S.p.A.

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