GRUPPO CAMPARI

DAVIDE CAMPARI MILANO S.p.A.
INTERIM REPORT ON OPERATIONS
AT 30 SEPTEMBER 2016

CONTENTS

Disclaimer

This document contains forward-looking statements relating to future events and the operating, economic and financial results of Gruppo Campari. These statements contain an element of risk and uncertainty since, by their very nature, they depend on future events and developments. Actual results may vary significantly from those forecast for a number of reasons, most of which are beyond the Group's control.

Highlights

INTRODUCTION

This interim report on operations at 30 September 2016 was prepared using the recognition and measurement criteria used to prepare the 2015 annual financial statements and the half-year financial statements at 30 June 2016, to which reference is made. This document has not been audited.
It should be noted that, although Legislative Decree 25/2016 implementing the new Transparency Directive removed the obligation to publish the interim report on operations or other periodic reports in addition to the half-year and annual reports required by Legislative Decree 58/1998 as subsequently amended ("TUF"), the Group has decided that it will continue to provide the same level of reporting as in previous years, ahead of a full definition of the regulatory framework.

	2016	2015	change	
			total	at constant exchange rates
	€ million	€ million	%	%
Net sales	**1,180.4**	**1,144.7**	**3.1%**	**6.8%**
Contribution margin	468.9	439.9	6.6%	9.6%
Adjusted EBITDA (1)	**272.7**	**254.7**	**7.0%**	**9.3%**
EBITDA	**245.0**	**255.7**	**-4.2%**	**-2.1%**
Adjusted result from recurring activities (1)	**234.0**	**220.7**	**6.0%**	**8.0%**
Operating result	**206.4**	**221.7**	**-6.9%**	**-5.2%**
Operating margin (operating result/net sales)	**17.5%**	**19.4%**		
Profit before tax	131.5	178.9	-26.5%	-24.5%
Group profit before tax	**131.5**	**178.5**	**-26.3%**	**-24.3%**
Adjusted Group profit before tax (1)	**183.7**	**177.9**	**3.2%**	
	30 September 2016	31 December 2015		
	€ million	€ million		
Net debt	1,358.6	825.8		

	third quarter 2016	third quarter 2015	change	
			total	at constant exchange rates
	€ million	€ million	%	%
Net sales	**436.5**	**386.8**	**12.8%**	**15.6%**
Contribution margin	171.3	152.6	12.2%	15.6%
Adjusted EBITDA (1)	**100.7**	**93.0**	**8.3%**	**12.9%**
EBITDA	**87.6**	**91.1**	**-3.9%**	**0.7%**
Adjusted result from recurring activities (1)	**87.6**	**82.0**	**6.8%**	**11.7%**
Operating result	**74.5**	**80.1**	**-7.1%**	**-2.2%**
Operating margin (operating result/net sales)	**17.1%**	**20.7%**		
Profit before tax	29.1	65.6	-55.7%	-50.1%
Group profit before tax	**29.1**	**65.5**	**-55.6%**	**-50.0%**
Adjusted Group profit before tax (1)	**71.2**	**67.8**	**5.0%**	

(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'.

Information on the figures presented

For ease of reference, all figures in this Interim report on operations are expressed in millions of euro to one decimal place, whereas the original data is recorded and consolidated by the Group in thousands of euro. Similarly, all percentages that relate to changes between two periods, rather than figures shown as a percentage of sales or other indicators, are always calculated on the basis of the original data in thousands of Euro. The use of values expressed in millions of Euro may therefore result in apparent discrepancies in both absolute values and percentage changes. For information on the definition of alternative performance indicators, see the next section of this Interim report on operations.

Corporate officers

Marco P. Perelli-Cippo	Honorary Chairman

Board of Directors [1]

Luca Garavoglia	Chairman
Robert Kunze-Concewitz	Managing Director and Chief Executive Officer
Paolo Marchesini	Managing Director and Chief Financial Officer
Stefano Saccardi	Managing Director and General Counsel and Business Development Officer
Eugenio Barcellona	Director and member of the Control and Risks Committee and the Remuneration and Appointments Committee[4]
Giovanni Cavallini	Director[5]
Camilla Cionini-Visani	Director and member of the Control and Risks Committee and the Remuneration and Appointments Committee[4][5]
Karen Guerra	Director [5][6]
Thomas Ingelfinger	Director and member of the Control and Risks Committee and the Remuneration and Appointments Committee[4][5]
Annalisa Elia Loustou	Director[5]
Catherine Vautrin-Gérardin	Director[5]

Board of Statutory Auditors[2]

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

Independent auditors[3]

PricewaterhouseCoopers S.p.A.

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

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

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

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

(5) Independent director.

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

Interim report on operations

Significant events during the period

Acquisitions and sales of companies, brands and distribution rights

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

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

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

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

- in its own name, fully owned shares equal to 71.16% of SPML's share capital and in usufruct 2.24% of the share capital, corresponding to 58.40% of the voting rights of shareholders’ ordinary meeting and 55.23% of the voting rights of shareholders’ extraordinary meeting;
- together with other shareholders in the Marnier Lapostolle family, shares for 100% of both SPML's share capital and voting rights in ordinary and extraordinary shareholders’ meetings.

The whole transaction, which is described in more detail in the following sections, was financed by Gruppo Campari out of available cash.
Lastly, on 15 March 2016, the Group signed an exclusive agreement with SPML for the global distribution of its Grand Marnier spirits portfolio. The distribution agreement comes into effect from 1 July 2016 and will remain in force for a period of five and a half years until 31 December 2021. The initial agreement may be renewed for further five-year periods after 2021.

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

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

Structure of the operation

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

- on 15 March 2016, acquisition of the initial shares, equating to 17.19% in full ownership, 1.06% in bare ownership and 1.54% with right of usufruct over SPML's capital, with block transactions with some of the members of the family that is the controlling shareholder;
- agreement to allow the deferred acquisition at a pre-set price, by 2021, of all the remaining shares held by members of the family that is the controlling shareholder, equating to 26.60% in full ownership and 2.24% in bare ownership;
- launch of a public purchase offer on the French regulated equity market under the applicable French legislation on the subject, for the remaining shares of SPML, with a view to acquiring full control of the company;
- in the event of a favourable outcome for the public purchase offer and a Group investment in SPML of more than 95% (including shares covered by deferred purchase agreements), the purchase by Gruppo Campari of the remaining free float and the withdrawal of SPML from listing.

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

At 30 September 2016, the Group held:

- in its own name, fully owned shares equal to 71.16% of SPML's share capital and in usufruct 2.24% of the share capital, corresponding to 58.40% of the voting rights of shareholders' ordinary meeting and 55.23% of the voting rights of shareholders' extraordinary meeting;
- together with other shareholders in the Marnier Lapostolle family, shares for 100% of both SPML's share capital and voting rights in ordinary and extraordinary shareholders' meetings.

Cost of the transaction

The public purchase offer was launched at a price of € 8.050[3] per share in cash (which incorporates a premium of 60.4%[4] over the price per share at the time the transaction was announced), plus an earn-out related to the potential sale of a property in St. Jean Cap Ferrat owned by SPML.
A maximum amount of € 80 million of the net proceeds from the sale of the property will be retained by the Group, while any excess, net of taxes and selling costs, will be distributed to all selling shareholders (including those who have subscribed to the public purchase offer).

Excluding the effects of the sale of the property and the related earn-out, the total implied equity value of 100% of SPML is € 682.9[5] million, while the implied enterprise value is € 650.3 million, taking account of the SPML Group's positive net financial position of € 32.6 million[6]. The implied multiple calculated on the basis of this enterprise value and pro-forma EBITDA (equal to € 47.4 million in 2015) is 13.7 times.

Impact on the Group's figures at 30 September 2016

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

- The consideration paid at 30 September 2016 totalled €489.8 million, which generated a corresponding reduction in the Group's financial resources; the price components are as follows:

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

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

[3] With dividend balance for 2015

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

[5] Based on the 85,000 outstanding shares

[6] The SPML group's positive net financial position on the acquisition date presented in the half-year financial statements to 30 June 2016 was € 35 million, which was later adjusted as a result of the process of provisionally allocating acquisition amounts.

  - the block acquisition of shares in March 2016, involving an outlay of € 125.5 million.
  - the purchase of shares through the launch of a friendly public purchase offer for SPML involving an outlay of € 347.2 million.
  - the acquisition of shares after the completion of the squeeze-out process, involving an outlay of € 17.1 million.
- In addition, a financial payable of € 193.1 million was recorded for the shares not yet held by the Group, resulting in a total acquisition cost of € 682.9 million (without taking account of net financial resources acquired totalling € 32.6 million).
- As above described, at 30 September 2016 the Group held, in its own name, fully owned shares equal to 71.16% of SPML's share capital and in usufruct 2.24% of the share capital; however, considering SPML's shares held in conjunction with other shareholders in the Marnier Lapostolle family amount to 100% of the share capital, the Group wholly consolidates the SPML Group. Since the acquisition was finalised on 29 June 2016, the Group's operating results for the first nine months of 2016 only include the contribution of the business acquired for three months, as described in the sections covering the Group's operating and financial results on which comments are made in this interim operating report, to which reference is made. It should be noted that all ancillary acquisition costs incurred for transaction-related legal and financial consulting were included in the Group's income statement.

At 30 September 2016, the statement of financial position of the Marnier Lapostolle group was incorporated taking account of the best estimate of the fair value of the assets and liabilities acquired.
For more information on the impact of the acquisition on the Group's financial position, please see the condensed half-year financial statements included in the half-year financial statements at 30 June 2016.
Since the distribution agreement came into effect on 1 July 2016, the related impact is reported in the Group's operating figures at 30 September 2016 as external growth for the period.

Sale of non-core businesses in Italy
On 30 March 2016, the Group closed the sale of a non-strategic business belonging to Casoni Fabbricazione Liquori S.p.A., an Italian company wholly owned by Fratelli Averna S.p.A., that produces private-label alcoholic beverages and carries out bottling activities on behalf of third parties. The company had become part of the Group in 2014, following the acquisition of Gruppo Averna. This sale is part of the Group's continuing rationalisation of its non-core, low-margin activities in line with the strategy announced at the time of the acquisition. The closing of the transaction called for a price adjustment concerning the net financial position at 30 March 2016, which was defined during the third quarter of 2016.

Innovation and new product launches

New flavours of SKYY Vodka and SKYY Infusions
In April 2016, a new limited edition bottle of SKYY vodka was launched called "Starry SKYY" which glows when exposed to ultraviolet light. This limited edition was launched in Italy, Switzerland, South Africa, Nigeria, Guam, China, the Philippines, South Korea, Chile, Peru and the Global Travel Retail channel.
In July 2016, the packaging for SKYY Vodka was changed in Brazil; its launch accompanies the new 'Free the New' campaign. Meanwhile, in the US market a new flavour of SKYY Infusion was introduced Barlett Pear.
In February 2016, two new flavours of SKYY Infusions, Honeycrisp Apple and Tropical Mango, were launched in the United States.

Bourbon Whiskey
In the first quarter of 2016, the Group continued with the redesign of the packaging of Wild Turkey products for all markets, including Wild Turkey 101 and Wild Turkey Rye.
In June 2016, the company launched Wild Turkey Decades, a new limited edition of super premium Wild Turkey based on a mix of rare Wild Turkey bourbons aged for 10-20 years. The product was launched in Australia and Japan, and will be introduced in the United States in 2017.
In August 2016, the Oscar winner Matthew McConaughey signed a global agreement as creative director for Wild Turkey, and in September 2016 an advertising campaign directed by and featuring him was launched.

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

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

Cinzano vermouth
In the third quarter of 2016, events to promote the product in 'vermouterias', bars specialising in this category of liqueurs, were conducted, especially in the Argentine and Spanish markets.

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

In 2016, the Group continued with its redesign of the GlenGrant packaging for the 10-year-old single malt range. A new 12-year-old product was also launched, exclusively for the Global Travel Retail channel.

Other significant events

Purchase of own shares
Between 1 January and 30 September 2016, the Group purchased 1,647,508 own shares at an average price of € 7.84, and sold 2,584,536 shares, at an average price of € 3.99, after the exercise of stock options.
At 30 September 2016, the Parent Company held 784,418 own shares, equivalent to 0.14% of the share capital.

Financial debt management
In September 2016, the Group reviewed the composition of its financial debt in order to reduce the total cost of debt and improve its financial flexibility.

In this regard, the Group repaid the following ahead of schedule:
- the bond issued by the Parent Company, with a remaining nominal value of USD 200 million, which was placed on the US institutional market in 2003, with maturity in July 2018 and a fixed annual coupon of 4.63%;
- a private placement issued by the subsidiary Campari America with a remaining nominal value of USD 110 million, which was placed on the US institutional market in 2009, with maturity in June 2019 and a semi-annual coupon at an annual rate of 7.99%.

At the same time, the Group paid bondholders the contractually required make-whole amount of USD 31.6 million (€ 29.0 million at the average exchange rate for the first nine months of 2016), which is included in the Group's financial charges at 30 September 2016.

Early repayments were funded out of a € 300 million bullet loan maturing in three years at a rate of 3-month Euribor plus 0.75% made available by Banco Popolare, Intesa Sanpaolo and Unicredit.
In addition to the term loan, a new revolving credit facility totalling € 200 million, maturing in three years, was replacing the facility closed on 25 February 2015. At 30 September 2016, this credit facility had not been used.

All early-terminated loan agreements noted above included negative pledge clauses and covenants, which, as a result, have been eliminated.

Group operating and financial results

Sales performance in the first nine months and third quarter of 2016

Overall performance

In the first nine months of 2016, the Group's net sales totalled € 1,180.4 million, an overall increase of +3.1% on 2015. During the period, the significant organic growth of +5.4% and perimeter effect of +1.4% were partially offset by negative exchange rate fluctuations (-3.7%).
In the third quarter alone, the organic component was +6.1%.

The following table shows these effects on the various geographical regions.

	2016		2015		total change	% change in the first nine months, of which				% change relating to the third quarter only	
	€/million		€/million		€/million	total	organic	perimeter	exchange rate	total	organic
Americas	494.1	41.9%	490.3	42.8%	3.8	0.8%	3.1%	4.5%	-6.8%	17.8%	3.1%
Southern Europe, Middle East and Africa	381.5	32.3%	373.8	32.7%	7.7	2.0%	3.8%	-1.8%	0.0%	5.3%	4.3%
North, Central and Eastern Europe	225.2	19.1%	203.8	17.8%	21.4	10.5%	13.6%	0.0%	-3.1%	12.8%	14.8%
Asia-Pacific	79.5	6.7%	76.7	6.7%	2.8	3.7%	5.6%	1.2%	-3.2%	15.0%	8.2%
Total	**1,180.4**	**100.0%**	**1,144.7**	**100.0%**	**35.7**	**3.1%**	**5.4%**	**1.4%**	**-3.7%**	**12.8%**	**6.1%**

Organic change

In the first nine months of the year, organic sales growth was +5.4% due to an excellent third quarter (+6.1%). This performance was an improvement over the first half of the year, which had registered highly satisfactory organic growth of +5.0% (the first two quarters posted growth of +7.2% and +3.4% respectively).
Over the nine months as a whole, all geographical regions recorded growth, with the third-quarter figures confirming the positive trend already seen in the first two quarters. Similarly, all the Group's high-margin global priority brands and nearly all regional priority brands continued the growth seen in the first six months of the year. On the whole, the portfolio of global and regional priority brands grew at a faster pace than the Group average. These results have therefore sustained the improved sales mix in terms of products and markets, in line with the Group's strategy.

The main trends by individual geographical region are shown below.

- the **Americas** reported organic growth of +3.1% for both the nine months and third quarter of the year. This performance was driven by the US where growth (+4.8% for the first nine months) gradually normalised after early sales in the first half of the year. Argentina, Canada and Mexico ended the period on a positive note offsetting the negative performance of Brazil due to the continuing weak local macroeconomic situation. The downturn in Jamaica was due entirely to the non-core sugar business;
- **Southern Europe, the Middle East and Africa** reported organic growth of +3.8% in the first nine months of the year, and +4.3% in the third quarter. In Italy, performance was in line with the previous year (+0.1% over the nine-month period). In other countries in the region, growth remained very strong in France, and the performance was again positive in Spain and the duty free channel;
- the **Northern, Central and Eastern Europe** region recorded double-digit organic growth (+13.6% in the first nine months, +14.8% in the third quarter), reflecting a positive performance in all the region's markets, in particular Germany, the UK and other northern and eastern European markets including Russia, partly due to a favourable base of comparison;
- the **Asia-Pacific** region recorded growth of +5.6% in the first nine months (+8.2% in the third quarter), due to continued growth in the Australian market and in the region's other markets.

The main trends by brand are shown below.

- the **Group's global priority brands** posted organic growth of +8.6% (+7.9% in the third quarter), with all brands making a positive contribution. Looking specifically at aperitifs, **Campari** grew steadily in its main markets, except for Brazil, and **Aperol** continued to post double-digit growth, due to a positive performance in all its markets; **SKYY** closed the nine months on a positive note, due to the good performance of core brand SKYY Vodka in various international markets, and largely stable sales in the US. The **Wild Turkey** portfolio rose mainly due to good results in the US, the brand's main market, and in several international markets. Growth in the **Jamaican rums portfolio** was mainly driven by Jamaica's positive performance, but also by its appeal in international markets, as well as good progress in the US;
- **regional priority brands** registered growth of +9.8% over the nine-month period, due in part to a positive third quarter (+9.2%). Growth was spread across virtually all the main brands, especially Frangelico, Cinzano, Averna, Braulio, Espolòn and GlenGrant;
- **local priority brands** continued the negative trend seen in the first two quarters, and despite a slight upturn in the third quarter (+0.8%) they ended the nine-month period with a decrease of -2.1% mainly due to single-serving aperitifs in Italy, while Brazilian brands fully made up for the slowdown in the first half.

Perimeter effect

The positive perimeter effect of +1.4% was due to the combined impact of business acquisitions, non-core disposals and the termination of distribution contracts.

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

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

With regard to business acquisitions, the acquisition of SPML, the owner of the Grand Marnier brand, which was closed on 29 June 2016, affected the change in the perimeter at sales level starting on 1 July 2016.

Sales for the Grand Marnier business totalled € 43.8 million.

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

breakdown of the perimeter effect	€ million	% change on 2015
acquisitions and sales of businesses		
acquisitions	43.8	+3.8%
disposals	-15.2	-1.3%
total acquisitions and sales	**28.6**	**2.5%**
distribution contracts		
new agency brands distributed	1.0	0.1%
discontinued agency brands	-13.2	-1.2%
total distribution contracts	**-12.3**	**-1.1%**
total perimeter effect	**16.3**	**1.4%**

Exchange rate effects

The negative exchange rate effect in the first nine months was -3.7% (-2.8% in the third quarter) and related to the depreciation of many of the Group's currencies against the Euro; only the US Dollar was largely stable compared with the first nine months of 2015. In particular, the currencies with the greatest impact on the decline in net sales were the Argentine Peso, Brazilian Real and Jamaican Dollar, which depreciated by -38.4%, -11.3% and -6.5% respectively.

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

	average exchange rates			spot exchange rates		
	2016	2015	change compared with 2015	30 September 2016	change compared with 30 September 2015	change compared with 31 December 2015
	: 1 Euro	: 1 Euro	%	: 1 Euro	%	%
US Dollar (USD)	1.116	1.114	-0.1%	1.116	0.4%	-2.5%
Canadian Dollar (CAD)	1.476	1.403	-4.9%	1.469	2.3%	2.9%
Jamaican Dollar (JMD)	138.322	129.372	-6.5%	142.692	-6.8%	-8.5%
Mexican Peso (MXN)	20.422	17.349	-15.0%	21.739	-12.7%	-13.0%
Brazilian Real (BRL)	3.964	3.518	-11.3%	3.621	23.7%	19.1%
Argentine Peso (ARS)	16.222	9.987	-38.4%	17.022	-38.0%	-17.2%
Russian Rouble (RUB)	76.326	66.569	-12.8%	70.514	3.9%	14.4%
Australian Dollar (AUD)	1.505	1.462	-2.9%	1.466	8.7%	1.6%
Chinese Yuan (CNY)	7.345	6.964	-5.2%	7.446	-4.4%	-5.2%
UK Pound (GBP)	0.802	0.727	-9.4%	0.861	-14.2%	-14.8%
Swiss Franc (CHF)	1.094	1.061	-2.9%	1.088	0.4%	-0.4%

Sales by region

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

- **Americas**

This region, which is broken down into key markets below, reported overall organic growth of +3.1% for both the first nine months and third quarter.

	% of Group sales	2016		2015		total change	% change in the first nine months, of which				% change relating to the third quarter only	
	%	€/million	%	€/million	%	€/million	total	organic	perimeter	exchange rate	total	organic
the United States	25.3%	298.8	60.5%	255.0	52.0%	43.8	17.2%	4.8%	12.5%	-0.2%	31.9%	-1.7%
Jamaica	4.4%	51.5	10.4%	74.6	15.2%	-23.1	-31.0%	-11.7%	-14.5%	-4.8%	-1.0%	8.5%
Brazil	2.8%	33.5	6.8%	43.4	8.8%	-9.9	-22.7%	-11.8%	-1.1%	-9.8%	23.9%	22.8%
Argentina	2.5%	29.1	5.9%	32.6	6.7%	-3.5	-10.6%	45.1%	0.0%	-55.8%	-16.4%	35.4%
Canada	3.1%	36.2	7.3%	35.1	7.2%	1.1	3.1%	4.0%	4.2%	-5.1%	7.1%	-2.8%
other countries	3.8%	45.1	9.1%	49.7	10.1%	-4.6	-9.3%	1.9%	-0.3%	-10.9%	-13.9%	-5.9%
Americas	**41.9%**	**494.1**	**100.0%**	**490.3**	**100.0%**	**3.8**	**0.8%**	**3.1%**	**4.5%**	**-6.8%**	**17.8%**	**3.1%**

The **US** became the main market of the Group in terms of sales, with a weight of 25.3% on sales and 60.5% on area, and closed the first nine months with organic growth of +4.8%. The decrease in the third quarter (-1.7%) reflects the different timing of raw material sales at the beginning of the year. Excluding these sales, growth for the quarter was +2.3%.
All the main brands continued to perform well, including Wild Turkey and American Honey, Aperol, Campari, SKYY and Espolòn.
The SKYY brand was mainly stable, and in line with expectations, as a result of the positive performance of the core vodka brand, while SKYY Infusions continued to suffer from the fierce competition within the flavoured vodka category, which hit both depletion and consumption levels.
Aperitifs and Italian specialities, and specifically Aperol, Campari, Averna and Cynar, continued their solid growth in the third quarter, supported by good consumption and depletion levels.
The Espolòn brand continued its excellent performance with double-digit growth in the first nine months, confirming the excellent year-to-date results.
It should be noted that the significant perimeter effect in the US (+12.5% for the first nine months) was entirely related to the acquisition of SPML, whose products, and especially Grand Marnier, were included in the Group's portfolio starting 1 July 2016.

Organic sales in **Jamaica** declined by -11.7% during the first nine months, due entirely to the contraction in the non-core sugar business. Excluding this distortive effect, sales attributable to the spirits core business were +9.2% higher than in the previous year, as confirmed by a very strong performance also in the third quarter (+8.5%). In particular, global priority brands grew by +24.4% due to Campari and Jamaican rums (in particular Wray&Nephew Overproof).

Brazil closed the first nine months with an organic reduction in sales of -11.8%. The ongoing political and economic crisis generated a double-digit decline in the first nine months, which was partially reduced by a good performance in the third quarter (+22.8%), bolstered by the favourable comparison with the previous year and the re-absorption of the impact of early sales in the last quarter of 2015 in view of an increase in excise duties In this situation, the sharp drop in sales in the first half, which had a negative impact on the global brands Campari and SKYY, was partially offset by a reversal of trend in the third quarter. With regard to local priority brands, Dreher obtained positive results for the first nine months, while Sagatiba confirmed the same negative trend as the Admix whiskies. Aperol's excellent performance continued, although with limited volumes.

In a political and economic environment in transition marked by high inflation and an overall increase in rates for local public services with a significant impact on private consumption, **Argentina** maintained significant organic growth of +45.1% in the first nine months, but at a slower pace in the third quarter (+35.4%) than at the beginning of the year. This positive performance was boosted by the contributions of the Group's high margin premium brands, especially Campari, Cinzano and Aperol, and by positive price effect that compensates the local Inflation. However, a significant negative exchange rate effect in this market during the period (-55.8%) offset this growth, leading to an overall decrease of -10.6% in sales in this market for the nine-month period.

Canada posted growth of +4.0% in the first nine months despite a weaker third quarter (-2.8%). Growth was driven by Campari, Aperol and especially Forty Creek. The Campari and Aperol markets continued to grow, albeit from a low base in volume terms, confirming the positive trend seen in 2015 and in the first few months of 2016. During the period, Appleton

Estate suffered a slowdown mainly due to the phasing of shipments. Conversely, Espolòn continued the positive trend seen in the first half of the year.

Lastly, **Mexico** performed well, with growth of +29.2%, on the back of the excellent performance of Jamaican rums and SKYY ready-to-drink.

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

The region, which is broken down by main market in the table below, posted organic growth of +3.8% in the first nine months, and +4.3% in the third quarter.

	% of Group sales	2016		2015		total change	% change in the first nine months, of which				% change relating to the third quarter only	
	%	€/million	%	€/million	%	€/million	total	organic	perimeter	exchange rate	total	organic
Italy	24.2%	285.8	74.9%	293.1	78.4%	-7.3	-2.5%	0.1%	-2.6%	0.0%	-4.7%	-1.4%
other countries in the region (*)	8.1%	95.7	25.1%	80.8	21.6%	14.9	18.5%	17.3%	1.3%	-0.1%	37.9%	23.0%
Southern Europe, Middle East and Africa	**32.3%**	**381.5**	**100.0%**	**373.8**	**100.0%**	**7.7**	**2.0%**	**3.8%**	**-1.8%**	**0.0%**	**5.3%**	**4.3%**

(*) includes the duty free channel.

In **Italy**, organic growth in the first nine months was +0.1%, as a result of a slight downturn in the third quarter (-1.4%). Global priority brands confirmed again an highly positive performance, and grew by +6.7% in the first nine months (+3.1% in the third quarter). Of particular significance was the growth of Campari, Aperol and SKYY Vodka, which was also reflected in positive sell-out figures. Over the nine-month period, regional priority brands registered growth of +13.2% (+2.1% in the third quarter), driven by Averna, Braulio and GlenGrant. The positive performance of these categories made it possible to offset the accumulated slowdown in the segment of single-serve aperitifs Crodino and Campari Soda, which also declined in the third quarter. However, with regard to Campari Soda, sell-out figures for the last two months show an improved trend in terms of sales.

Other countries in the region reported double-digit growth of +17.3% for the first nine months (+23.0% in the third quarter), due to the good performance, including in the third quarter, of many markets, including France, where there was a continuing improvement in double-digit growth rates, and also in Spain and Greece. Growth was also due to an upturn in the duty free channel.
In France, growth was driven by Aperol, Campari, GlenGrant and Riccadonna.
In the duty free channel, the positive performance was driven by Campari, Aperol, GlentGrant and the bitters (Averna and Braulio).
On the whole, these results were able to fully offset the decline in Nigeria, where macroeconomic conditions remain negative, and the de-stocking in view of the change of the route to market in South Africa, where the Group is going to internalize soon the distribution.

- **Northern, Central and Eastern Europe**

This region reported overall organic growth of +13.6% for the first nine months and +14.8% in the third quarter, broken down as follows in the main markets.

	% of Group sales	2016		2015		total change	% change in the first nine months, of which				% change relating to the third quarter only	
	%	€/million	%	€/million	%	€/million	total	organic	perimeter	exchange rate	total	organic
Germany	10.2%	120.9	53.7%	114.2	56.0%	6.7	5.9%	6.3%	-0.5%	0.0%	2.4%	1.3%
Russia	1.1%	13.2	5.9%	10.1	4.9%	3.1	31.1%	50.4%	0.0%	-19.2%	130.1%	145.6%
other countries in the region	7.7%	91.2	40.5%	79.6	39.1%	11.6	14.5%	19.5%	0.6%	-5.6%	18.0%	23.6%
Northern, central and eastern Europe	**19.1%**	**225.2**	**100.0%**	**203.8**	**100.0%**	**21.4**	**10.5%**	**13.6%**	**0.0%**	**-3.1%**	**12.8%**	**14.8%**

In **Germany**, the first nine months closed with growth of +6.3% (+1.3% in the third quarter), driven by global brands Aperol, Campari and SKYY Vodka, regional brands Frangelico and Averna and local brand Ouzo 12. Overall growth was partially offset by a fall in Cinzano sparkling wines and vermouth.
In **Russia**, the favourable trend seen in the first half of the year continued, and the market ended the first nine months with growth of +50.4%, with triple-digit growth in the third quarter. Cinzano, vermouths, sparkling wines and Mondoro were up, as were Aperol and Campari.
However, it should be noted that the comparison basis in 2015 was particularly positive, given the severe crisis that hit the market in that year. Moreover, although consumption showed some signs of improvement, the overall macroeconomic environment in Russia is still generally difficult, with the credit risk in distributor relationships remaining high.

The **region's other countries** grew by +19.5% in the first nine months (+23.6% in the third quarter), due especially to double-digit growth in the UK, where Aperol and Campari are registering continuous growth, and both Jamaican rums and Wild

Turkey are achieving good results. In addition, the good performance of Switzerland, Austria, Belgium and many countries in northern and Eastern Europe continued, due in particular to Aperol's strong performance.

- **Asia-Pacific**

The table below shows the region, broken down into Australia and the other countries, with details of the changes during the period. The first nine months ended with overall organic growth of +5.6% in the region, and growth of +8.2% in the third quarter, confirming the positive trend seen in the first half of the year.

	% of Group sales	2016		2015		total change	% change in the first nine months, of which				% change relating to the third quarter only	
	%	€/million	%	€/million	%	€/million	total	organic	perimeter	exchange rate	total	organic
Australia	4.8%	56.8	71.5%	53.5	69.7%	3.4	6.3%	9.3%	0.1%	-3.2%	7.7%	3.7%
other countries in the region	1.9%	22.7	28.5%	23.2	30.3%	-0.5	-2.3%	-2.9%	3.8%	-3.2%	33.1%	19.6%
Asia-Pacific	**6.7%**	**79.5**	**100.0%**	**76.7**	**100.0%**	**2.8**	**3.7%**	**5.6%**	**1.2%**	**-3.2%**	**15.0%**	**8.2%**

In **Australia**, organic growth was +9.3% (+3.7% in the third quarter), driven by the good performance of all the main portfolio brands, which, as a result of growth rates that outpaced market averages, continued to gain share and, in particular, Wild Turkey ready-to-drink, but also Aperol, SKYY ready-to-drink, Espòlon and GlenGrant. In addition, local co-packing activities also contributed to the positive performance achieved during the period.

In **other countries**, sales were down by -2.9%, but were up in the third quarter (+19.6%) due to the positive performance in Japan, which was more than offset during the first nine months by declining sales in China and New Zealand. Sales in Japan rebounded following the recovery from the slowdown in orders in the first half of the year, while in China the overall slowdown in the economy continued. In New Zealand, negative results were attributable solely to Coruba.

Sales by major brands at consolidated level

The following table summarises growth in the main brands in the first nine months of the year, broken down into the categories identified by the Group based on the priorities (global, regional, local and other) assigned to them. The table below shows organic growth, including that for the third quarter only.

	percentage of Group sales	change in percentage sales in the first nine months, of which			change relating to the third quarter only
		total	organic	exchange rate	organic
Campari	10.0%	1.4%	8.1%	-6.6%	5.3%
SKYY [(1)]	11.2%	-0.5%	1.4%	-2.0%	-0.9%
Aperol	13.1%	17.8%	19.3%	-1.5%	18.6%
Wild Turkey portfolio [(1)(2)]	7.4%	5.6%	6.6%	-1.0%	13.8%
Jamaican rums portfolio [(3)]	5.2%	-0.7%	5.1%	-5.7%	0.0%
global priority brands (excluding Grand Marnier)	**46,9%**	**5,5%**	**8,6%**	**-3,2%**	**7,9%**
Grand Marnier	3.4%	-	-	-	-
global priority brands	**50.3%**	**13.0%**	**8.6%**	**-3.2%**	**7.9%**
Cinzano	3.5%	-8.6%	3.0%	-11.6%	13.7%
Frangelico	1.5%	0.8%	2.4%	-1.6%	-5.4%
Averna and Braulio	1.7%	24.9%	25.2%	-0.3%	18.3%
Forty Creek	1.2%	-3.8%	0.0%	-3.7%	-0.4%
Espolòn	1.7%	41.7%	43.4%	-1.7%	35.3%
other	5.1%	3.9%	7.5%	-3.6%	4.6%
regional priority brands	**14.7%**	**4.7%**	**9.8%**	**-5.1%**	**9.2%**
CampariSoda	3.6%	-5.4%	-5.3%	0.0%	-11.5%
Crodino	3.7%	-6.3%	-6.2%	-0.1%	-4.0%
Wild Turkey ready-to-drink	2.1%	1.6%	4.7%	-3.0%	1.2%
Brazilian brands Dreher and Sagatiba	1.6%	-10.9%	-0.1%	-10.8%	44.7%
other	1.9%	3.5%	3.9%	-0.4%	-8.3%
local priority brands	**12.9%**	**-4.1%**	**-2.1%**	**-2.0%**	**0.8%**
rest of the portfolio	**22.1%**	**-11.5%**	**1.2%**	**-4.8%**	**3.2%**
total	**100.0%**	**3.1%**	**5.4%**	**-3.7%**	**6.1%**

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

The **Group's global priority brands**, which account for over half of the Group's sales, recorded organic sales growth of +8.6% (+7.9% in the third quarter), while exchange rate changes had a minor negative effect in the first nine months of the year (-3.2%). The acquisition of SPML entailed the incorporation of Grand Marnier into the Group's global brands, and its distribution from 1 July 2016 generated sales for € 39.6 million (€ 43.8 million including also minor brands) with a weight of 3.4% on sales.

Campari closed the nine months with highly satisfactory organic growth of +8.1%; this result was achieved due to growth in both the first part of the year (+9.5% in the first half) and in the beginning of the second half, with growth of +5.3% in the third quarter.
Various markets performed well during the period, including Italy, Germany, Argentina, France, Jamaica, the US and the UK, which made up for the slowdown in Brazil.
This organic growth was partly offset by a large negative exchange rate effect (-6.6%), most of which was recorded in Argentina.
SKYY closed the nine-month period with organic growth of +1.4% and recorded a slight decrease in the third quarter (-0.9%).
In the US, SKYY Vodka recorded growth in both the nine-month period and in the third quarter, while SKYY Infusions continues to suffer from the weakness in flavoured vodkas.
With regard to the other markets, SKYY Vodka obtained good results in many markets (including Italy and Germany), while sales declined slightly in South Africa during the period.
Aperol, which continued its excellent organic growth (+19.3% in the first nine months of the year and +18.6% in the third quarter), was the Group's top brand in terms of net sales. The positive results were due to the healthy performances of its core markets – most notably, Italy and Germany – but also generally across all markets where the brand is currently being developed, especially France, the US, Brazil, the UK, Spain, Belgium, Switzerland, Australia, Chile, Czech Republic, Greece and the duty free channel.
The **Wild Turkey** portfolio, which includes American Honey, grew by +6.6% during the period (+13.8% in the third quarter), thanks to a satisfactory result in the US, Japan - where it picked up after recovering from the slowdown in orders in the first half of the year, the UK, and the duty free channel.
Growth in the portfolio is mostly due to Wild Turkey; however American Honey also recovered in the period from the decline recorded in the US.
It should be noted that the performance described does not include the Wild Turkey ready-to-drink portfolio which, given that it is an exclusively domestic business in the Australian market, is classified under local priority brands.
The **Jamaican rums portfolio** (Appleton Estate, J.Wray and Wray&Nephew Overproof) reported overall organic growth of +5.1% in the nine-month period, while performance in the quarter was in line with last year. Very positive performances were achieved in Jamaica, the US, the UK and Mexico, but the results were partly offset by a slight slowdown in some markets (Canada and the duty free channel).

The **regional priority brands** (14.7% of Group sales) posted growth of +9.8% during the first nine months (+9.2% in the third quarter), due to many of the main brands, particularly Averna, Braulio, Espolòn and GlenGrant, but also Cinzano and the other sparkling wines.
Frangelico reported growth of +2.4% over the nine-month period, thanks to the results achieved in Germany and the UK, despite a decrease of -5.4% in the third quarter, which was due to a decline in its main market, the United States.
Averna and Braulio (+25.2% in the nine-month period, +18.3% in the third quarter) recorded positive results in their main markets, Italy and Germany, but also in many other markets, including the US and the duty free channel.
Espolòn (+43.4% in the nine-month period, +35.3% in the third quarter) continued to report double-digit growth in the US, as well as highly encouraging results in the various international markets in which the brand is currently being developed, including Australia, Canada and Italy.
Cinzano reported growth of +3.0% in the nine-month period, thanks to a good third quarter (+13.7%). This performance was the result of good growth by Cinzano vermouth (+11.5% in the first nine months of the year), partly offset by a contraction in Cinzano sparkling wines (-5.8%).
Specifically, it should be noted that sales of Cinzano vermouth and sparkling wines recovered in Russia – partly due to the favourable basis of comparison – and sales of Cinzano vermouth rose in Argentina, making up for the losses caused by the decline in sales of both Cinzano vermouth and sparkling wine in Germany owing to the fierce competition in the category.
Forty Creek closed the nine-month period and the third quarter in line with 2016. The good performance in its main market of Canada was, however, partially offset by a fall in US sales.
The **other brands** in the category (GlenGrant, Cynar, Braulio and the other sparkling wines, Riccadonna and Mondoro) recorded good results in the first nine months of the year, due to the positive performance of all their main markets, namely Italy, the US, France, Russia and Argentina. Carolans was the only brand to contract temporarily in the US in the period.

Local priority brands (12.9% of the Group portfolio) declined by -2.1% in the first nine months of the year; although the third quarter was positive (+0.8%), it was not sufficient to make up for the fall in previous quarters.
With specific reference to the main brands, Campari Soda and Crodino recorded negative organic growth. However, as for Campari Soda, the sell-out data of the last two months show an improving trend compared to sales data. Regarding Crodino, the negative performance is mainly due to the traditional sales channel. The Brazilian brands made up for the fall in the

first half and closed the nine-month period in line with the year-earlier period. Wild Turkey ready-to-drink and Ouzo 12 also closed the nine-month period with positive results in Australia and Germany respectively.

The **rest of the portfolio**, which represents about one fifth of the Group's sales (including agency brands, which account for around 8% of Group sales), reported slight organic growth (+1.2%) compared with the previous year. The good performance in this category of SKYY ready-to-drink in Mexico and Australia and the agency brands in Germany and Argentina should be noted. Conversely, negative performances were recorded by Coruba in New Zealand and by Zedda Piras in Italy.

Income statement for the first nine months of 2016

Preliminary remarks

The income statement for the first nine months of the year shows a positive performance overall by all of the main operating profitability indicators. The third quarter shows a continuation of the increase in sales seen in the already satisfactory results of the first half of 2016 and, at the same time, reflects the planned acceleration in spending on advertising and promotions and a strengthening of the Group's distribution structures.

At consolidated level, sales grew overall across all geographical regions. All the Group's global priority brands and nearly all the regional priority brands continued the growth seen in the first six months of the year. Overall, sales grew by +3.1% compared with the first nine months of the previous year, essentially attributable to the combination of positive effects arising from organic growth of +5.4% and perimeter changes of +1.4%, which were partly offset by negative exchange rate changes of -3.7%. At operating performance level, the gross margin increased by +7.3% (+6.9% at organic level), the contribution margin by +6.6% (+6.2% at organic level) and the result from recurring activities by +6.0% (+4.5% at organic level) due to a favourable sales mix. The Group's profit before tax decreased by -26.3%, due entirely to adjustments to operating and financial income (charges); these comprised ancillary costs relating to the acquisition of SPML, contractual charges for the early repayment of some loans and Group restructuring costs. Before deduction of these costs, the Group's profit before tax would have been € 183.7 million, a rise of +3.2%.

Income statement

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

	2016		2015		total change		of which organic		of which external		of which due to exchange rates	
	€ million	%	€ million	%	€ million	%	€ million	%	€ million	%	€ million	%
Net sales	**1,180.4**	**100.0**	**1,144.7**	**100.0**	**35.7**	**3.1%**	**61.8**	**5.4%**	**16.3**	**1.4%**	**(42.4)**	**-3.7%**
Cost of goods sold	(502.8)	-42.6	(513.4)	-44.8	10.6	-2.1%	(18.4)	3.6%	5.3	-1.0%	23.7	-4.6%
Gross margin	**677.6**	**57.4**	**631.3**	**55.2**	**46.3**	**7.3%**	**43.4**	**6.9%**	**21.6**	**3.4%**	**(18.7)**	**-3.0%**
Advertising and promotional costs	(208.7)	-17.7	(191.5)	-16.7	(17.2)	9.0%	(16.1)	8.4%	(6.8)	3.5%	5.7	-3.0%
Contribution margin	**468.9**	**39.7**	**439.9**	**38.4**	**29.0**	**6.6%**	**27.3**	**6.2%**	**14.8**	**3.4%**	**(13.0)**	**-3.0%**
Overheads	(234.9)	-19.9	(219.2)	-19.1	(15.7)	7.2%	(17.3)	7.9%	(7.1)	3.3%	8.8	-4.0%
Adjusted result from recurring activities [(1)]	**234.0**	**19.8**	**220.7**	**19.3**	**13.3**	**6.0%**	**9.9**	**4.5%**	**7.6**	**3.5%**	**(4.2)**	**-1.9%**
Adjustments to operating income (charges) [(1)]	(27.7)	-2.3	1.0	0.1	(28.7)							
Operating result	**206.4**	**17.5**	**221.7**	**19.4**	**(15.3)**	**-6.9%**						
Financial income (expenses)	(50.4)	-4.3	(42.3)	-3.7	(8.1)	19.2%	-	-	-	-	-	-
Adjustments to financial income (expenses) [(1)]	(24.5)	-2.1	(0.5)	-	(24.0)	-	-	-	-	-	-	-
Profit before tax and non-controlling interests	**131.5**	**11.1**	**178.9**	**15.6**	**(47.4)**	**-26.5%**	**-**	**-**	**-**	**-**	**-**	**-**
Non-controlling interests	-	-	(0.5)	-	0.5	-99.3%	-	-	-	-	-	-
Group profit before tax	**131.5**	**11.1**	**178.5**	**15.6**	**(46.9)**	**-26.3%**	**-**	**-**	**-**	**-**	**-**	**-**
Adjusted Group profit before tax [(1)]	**183.7**	**15.6**	**177.9**	**15.5**	**5.8**	**3.2%**	**-**	**-**	**-**	**-**	**-**	**-**
Total depreciation and amortisation	(38.6)	-3.3	(34.0)	-3.0	(4.6)	13.6%	(5.5)	16.0%	(0.7)	1.9%	1.5	-4.4%
Adjusted EBITDA [(1)]	**272.7**	**23.1**	**254.7**	**22.3**	**18.0**	**7.0%**	**15.4**	**6.0%**	**8.3**	**3.3%**	**(5.7)**	**-2.3%**
EBITDA	**245.0**	**20.8**	**255.7**	**22.3**	**(10.7)**	**-4.2%**						

[(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 resulting changes in the Group's total and organic profitability, calculated in basis points, are as follows.

changes in profitability in basis points (*)	total	organic
Cost of goods sold after distribution costs	230	80
Gross margin	**230**	**80**
Advertising and promotional costs	-100	-50
Contribution margin	**130**	**30**
Overheads	-70	-50
Result from recurring activities	**50**	**-20**

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

Net sales in the first nine months of the year totalled € 1,180.4 million, an increase of +3.1% compared with the same period of 2015. The organic component had a positive impact of +5.4%, although this was offset by a negative exchange rate effect of -3.7%. The perimeter effect was positive at +1.4%. For more details on these effects and on sales by region and brand, please refer to the section above.

Gross profit was € 677.6 million, an increase of +7.3% compared with the first nine months of 2015.
As a percentage of sales, it rose from 55.2% in 2015 to 57.4% in 2016, with an increase in profitability of 230 basis points. At organic level, the improvement led to an increase in gross profit as a percentage of sales of 80 basis points. This result was obtained thanks to a favourable product/market mix of sales, caused by an excellent performance of the high-margin global priority brands and of nearly all the regional priority brands, which more than offset the dilution arising from the growth in low-margin countries, such as Argentina and Russia, and the decline in local priority brands such as single-serve aperitifs in Italy. The improvement in organic profitability was partly offset by the negative impact of the non-core sugar business in Jamaica.

Advertising and promotional costs were 17.7% of sales in the first nine months of 2016, an increase on the previous year's figure of 16.7%. Organic costs rose by +8.4%, generating dilution of 50 basis points, an effect due essentially to the acceleration in spending in advertising and promotions planned for the second half of the year.

The **contribution margin** for the first nine months was € 468.9 million, an increase of +6.6% compared with last year, thanks to a combination of positive effects mainly due to organic growth of +6.2% and a perimeter effect of +3.4%, which partially offset the negative exchange rate effects of -3.0%. Consequently, profitability as a percentage of sales increased by 130 basis points in total and 30 basis points at organic level.

Overheads increased by +7.2% overall to € 234.9 million, due substantially to organic growth of +7.9%. The perimeter and exchange rate effects were almost fully offset, resulting in changes of +3.3% and -4.0% respectively. In the two periods under comparison, overheads as a percentage of sales increased slightly from 19.1% in 2015 to 19.9% in 2016, with a total dilutive effect of 70 basis points, of which 50 related to organic growth. The organic increase resulted from the strengthening of the Group's distribution structure in some markets, such as:
- United States, where an investment programme was launched to upgrade the sales structure for the on-premise channel, a strategic distribution segment for the entire premium spirits portfolio, also in connection with the newly acquired Grand Marnier brand,
- South Africa, where the Group is developing a new commercial structure,
- as well as the effect of inflation in some emerging markets such as Argentina.

The **adjusted result from recurring activities** was € 234.0 million, an increase of +6.0% compared with the same period of last year. This equates to 19.3% of sales compared with 19.8% the previous year, an improvement of 50 basis points.
Organic profitability was in line with the previous year, but fell slightly by 20 basis points, and includes the effect of three contrasting factors that offset each other during the first nine months of 2016:
- an improvement in gross profit, which boosted organic profitability by 80 basis points;
- an increase in advertising and promotional costs, which had a dilutive effect of 50 basis points on profitability;
- an increase in overheads, which grew more quickly than organic sales, as a result of which organic profitability was diluted by 50 basis points.

The impact of perimeter changes on the result from recurring activities equates to +3.5% and is due to the following events:
- acquisition of SPML, which only affected the change in the perimeter (by +4.8%) from 1 July 2016;
- sales of non-core businesses and businesses with a lower profit margin than the Group's average and the termination of general merchandise distribution agreements in Jamaica and agency wine distribution agreements in Italy (-1.3%).
With specific reference to SPML, it should be noted that the business contributed € 43.8 million to net sales and € 10.5 million to the adjusted result from recurring activities during the period.

Adjustments to operating income (charges) showed a net negative balance of € 27.7 million (of which € 8.2 million related to ancillary costs connected with the acquisition of SPML and the rest to restructuring operations and sales of non-core businesses), while in 2015, the net balance was negative at € 1.0 million, due mainly to the sale of the non-core Federated Pharmaceutical division in Jamaica, net of the restructuring costs relating to various Group companies.

The **operating result** was € 206.4 million, a decrease of -6.9% compared with the first nine months of last year, entirely attributable to the above-mentioned adjustments to operating income and charges.
Owing to these adjustments, ROS (return on sales, i.e. operating result as a percentage of net sales) was 17.5%, lower than the 19.4% recorded in 2015.

Depreciation and amortisation in the period totalled € 38.6 million, an increase of +13.6% compared to 2015. The organic increase was partly due to the effect of recognising amortisation on the income statement for the X-Rated brand, for which the useful life had been amended from 2016. The perimeter effect was due to the consolidation of SPML.

Adjusted EBITDA amounted to € 272.7 million, an increase of +7.0% (+6.0% at organic level equal to 10 basis points) compared with the same period of the previous year.

EBITDA came in at € 245.0 million, a decrease of -4.2% due to the adjustments to operating income and charges in the period.

Net **financial expenses** stood at € 50.4 million, an increase of € 8.1 million compared with the € 42.3 million recorded in the same period of 2015.

Adjustments to financial income and expenses of € 24.5 million includes the financial effects of the following events that occurred in the first nine months of 2016:

- the early repayment, on 22 September 2016, of private placement loans issued by Campari America in 2009 and of the bond issued by the Parent Company in 2003 (please see the section 'Significant events during the period' for more details), which incurred contractual changes of € 29.0 million (known as 'make-whole' charges, corresponding to the current value of future coupons, calculated based on the spread between the contractually agreed interest rate and the US Treasury yield applicable for the same maturity),
- the acquisition of SPML, which was completed on 29 June 2016, generated financial charges of € 0.6 million,
- the sale of financial assets arising from the closure of pension plans in Jamaica, which were classified as 'available for sale' at 31 December 2015, generated income of € 5.1 million.

Average net debt for the first nine months of 2016 (€ 1,112.6 million) was higher than in the same period in 2015 (€ 981.6 million), while the average cost of debt, excluding exchange rate effects and the above-mentioned financial components for the period in question, was 6.4%, higher than the average cost for the first nine months in 2015, when the figure was 5.9%. The early repayment of the financial payable described above was made in September 2016, and thus the effects of the general reduction in the overall cost of debt are not reflected in the income statement for the first nine months of 2016. Lastly, it should be noted that the acquisition of SPML was financed entirely from the Group's available cash, totalling € 489.8 million (of which € 125.5 million was paid on 15 March 2016, € 347.2 million on 29 June 2016 and € 17.1 million in July 2016, in connection with the squeeze-out transactions), with a resulting effect on the Group's financial position at 30 September 2016.

The Group's profit before tax was € 131.5 million, a decrease of -26.3% compared with the same period of 2015. Group profit as a percentage of sales was 11.1% (15.6% in the same period of 2015). Group profit, excluding adjustments to operating and financial charges for the period (€ 27.7 million and € 24.5 million respectively), was € 183.7 million, an increase of +3.2% compared with the same period in 2015, which was also adjusted in the same manner. The adjustments of operating and financial income and charges generated a positive tax effect of € 18.3 million.

There were no **portions of profit relating to non-controlling interests** in the first nine months of 2016 (€ 0.5 million in the same period of the previous year).

Income statement for the third quarter of 2016

The income statement for the third quarter of 2016 shows an increase of +12.8% in sales, which is reflected in particularly significant rises in gross profit (+14.8%), and in the result from recurring activities (+6.8%).

Analysing just the organic component of the business, sales growth in the third quarter of 2016 of +6.1% contributed to an increase in gross profit of +6.4%. The result from recurring activities posted a decrease of -1.2%, due to the growth of investment in advertising and promotions, as well the higher costs incurred to strengthen the Group's distribution structures in recently-created direct markets and in the US, where the sales structure for the on-premise channel is currently being upgraded, partly in connection with the integration of Grand Marnier.

During the quarter under review, the external component, which was chiefly due to the effects of the integration of the SPML business from 1 July 2016, showed a significant positive effect; this contributed to sales growth of +9.5% for the quarter, boosted gross profit by +11.3% and the result from recurring activities by +12.9%.
Exchange rate effects, however, continued the negative trend seen in 2016 at all levels of profitability. Specifically, in the third quarter of the year, they had an impact on sales of -2.8%, which is reflected in gross profit, with an effect of -3.0%, and the result from recurring activities, with an effect of -4.9%.

The table below shows the income statement for the third quarter of 2016 and a breakdown of the total change by organic growth, external growth and exchange rate effects.

	third quarter 2016		third quarter 2015		total change		of which organic		of which external		of which due to exchange rates	
	€ million	%	€ million	%	€ million	%	€ million	%	€ million	%	€ million	%
Net sales	**436.5**	**100.0**	**386.8**	**100.0**	**49.6**	**12.8%**	**23.7**	**6.1%**	**36.8**	**9.5%**	**(10.8)**	**-2.8%**
Cost of goods sold after distribution costs	(184.9)	-42.4	(167.7)	-43.3	(17.2)	10.3%	(9.5)	5.7%	(12.0)	7.2%	4.3	-2.6%
Gross profit after distribution costs	**251.6**	**57.6**	**219.2**	**56.7**	**32.4**	**14.8%**	**14.1**	**6.4%**	**24.8**	**11.3%**	**(6.5)**	**-3.0%**
Advertising and promotional costs	(80.3)	-18.4	(66.6)	-17.2	(13.7)	20.6%	(8.1)	12.2%	(6.9)	10.4%	1.3	-1.9%
Contribution margin	**171.3**	**39.2**	**152.6**	**39.5**	**18.7**	**12.2%**	**6.0**	**3.9%**	**17.8**	**11.7%**	**(5.2)**	**-3.4%**
Overheads	(83.7)	-19.2	(70.6)	-18.3	(13.1)	18.5%	(7.0)	9.9%	(7.3)	10.3%	1.2	-1.7%
Adjusted result from recurring activities (1)	**87.6**	**20.1**	**82.0**	**21.2**	**5.6**	**6.8%**	**(1.0)**	**-1.2%**	**10.5**	**12.9%**	**(4.0)**	**-4.9%**
Adjustments to operating income (charges) (1)	(13.1)	-3.0	(1.9)	-0.5	(11.3)	0.0%						
Operating result	**74.5**	**17.1**	**80.1**	**20.7**	**(5.7)**	**-7.1%**						
Financial income (expenses)	(16.4)	-3.7	(14.2)	-3.7	(2.2)	15.3%	-	-	-	-	-	-
Adjustments to financial income (expenses) (1)	(29.0)	-6.7	(0.3)	-0.1	(28.7)	-	-	-	-	-	-	-
Profit before tax and non-controlling interests	**29.1**	**6.7**	**65.6**	**17.0**	**(36.6)**	**-55.7%**	**-**	**-**	**-**	**-**	**-**	**-**
Non-controlling interests	-	-	(0.1)	-	0.1	-100.0%	-	-	-	-	-	-
Group profit before tax	**29.1**	**6.7**	**65.5**	**16.9**	**(36.4)**	**-55.6%**	**-**	**-**	**-**	**-**	**-**	**-**
Adjusted Group profit before tax (1)	**71.2**	**16.3**	**67.8**	**17.5**	**3.4**	**5.0%**	**-**	**-**	**-**	**-**	**-**	**-**
Total depreciation and amortisation	(13.1)	-3.0	(11.0)	-2.8	(2.1)	19.4%	(1.6)	14.8%	(0.8)	7.1%	0.3	-2.5%
Adjusted EBITDA (1)	**100.7**	**23.1**	**93.0**	**24.0**	**7.7**	**8.3%**	**0.6**	**0.7%**	**11.3**	**12.2%**	**(4.3)**	**-4.6%**
EBITDA	**87.6**	**20.1**	**91.1**	**23.6**	**(3.5)**	**-3.9%**	**-**	**-**	**-**	**-**	**-**	**-**

(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 resulting changes in the Group's total and organic profitability, calculated in basis points, are as follows.

changes in profitability in basis points (*)	total	of which organic
Cost of goods sold after distribution costs	100	20
Gross profit	**100**	**20**
Advertising and promotional costs	-120	-100
Contribution margin	**-20**	**-80**
Overheads	-90	-70
Result from recurring activities	**-110**	**-150**

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

For information on **sales** growth in the third quarter, see the section 'Sales performance in the first nine months and third quarter of 2016'.

Gross profit in the third quarter rose in absolute terms by +14.8%, due to the combination of positive effects provided by organic growth of +6.4% and a positive perimeter effect of +11.3%, which were only partly offset by negative exchange rate effects of -3.0%. As a percentage of sales, gross profit rose by 100 basis points in total compared with the third quarter of 2015, rising from 56.7% in 2015 to 57.6% in 2016**.**

Organic growth, which amounted to 20 basis points, was mainly supported by the performance of the global priority brands and nearly all the regional priority brands, which was partly offset by growth in markets with a low profit margin such as Argentina and Russia, and by the decline in local priority brands such as single-serve aperitifs in Italy. Organic growth was also partly offset by the negative impact of the non-core sugar business in Jamaica. Lastly, there was an unfavourable basis of comparison with the same period of the previous year, when the increase in profitability, at organic level, was 110 basis points.

Spending on **advertising and promotions** as a percentage of sales increased on the previous year from 17.2% in 2015 to 18.4% in 2016, due to the planned acceleration of promotional activity in the second half of the year. At organic level, this increase had a dilutive effect of 100 basis points on profitability.

The **contribution margin** for the quarter increased by +12.2% to € 171.3 million, mainly due to organic growth of +3.9% and external growth of +11.7% associated with the contribution of the SPML business from 1 July 2016; this was partly offset by negative exchange rate effects (-3.4%). Overall, the contribution margin recorded a dilution of 20 basis points, of which 80 basis points were at organic level.

Overheads for the quarter grew by +18.5% in absolute terms. As a percentage of sales, they increased from 18.3% in 2015 to 19.2% in 2016. Stripping out perimeter and exchange rate effects, organic growth was +9.9%, with a dilutive effect of 70 basis points. The organic increase resulted from the strengthening of the Group's distribution structures in some markets, such as:

- United States, where an investment programme was launched to upgrade the sales structure for the on-premise channel, a strategic distribution segment for the entire premium spirits portfolio, also in connection with the newly acquired Grand Marnier brand,
- South Africa, where the Group is developing a new commercial structure,
- as well as the effect of inflation in some emerging markets such as Argentina.

The **adjusted result from recurring activities** amounted to € 87.6 million, an increase of +6.8% compared with the third quarter of the previous year. At organic level, profitability was diluted by 150 basis points; it incorporated the effect of three contrasting factors which offset each other in the period:

- an improvement in gross profit, which boosted organic profitability by 20 basis points;
- an increase in advertising and promotional costs, which had a dilutive effect of 100 basis points on profitability;
- an increase in overheads, which grew more quickly than organic sales, as a result of which organic profitability was diluted by 70 basis points.

Adjustments to operating income (charges) were negative at € 13.1 million, essentially due to ancillary costs connected with the acquisition of SPML and to the Group's reorganisation processes.

The **operating result** came to € 74.5 million, a decrease of -7.1% compared with the third quarter of 2015, due to adjustments to operating income and charges in the period.

Depreciation and amortisation for the period totalled € 13.1 million, an increase of € 2.1 million (+19.4%) from the same quarter of 2015. The organic increase was partly due to the effect of recognising amortisation on the income statement for the X-Rated brand, for which the useful life had been amended from 2016. The perimeter effect was due to the consolidation of SPML.

Adjusted EBITDA came in at € 100.7 million, an increase of +8.3%.

EBITDA decreased by -3.9% compared with the third quarter of 2015 to € 87.6 million, due to adjustments to operating income and charges in the period.

Net **financial expenses** for the quarter amounted to € 16.4 million, chiefly in line with the same period of the previous year.

Adjustments to financial income and expenses, totalling € 29.0 million, include the contractually agreed charge for the early repayment of the private placement loan issued by Campari America in 2009 and the bond issued by the Parent Company in 2003 (please see the section 'Significant events during the period' for more details).

The Group's profit before tax was € 29.1 million, a decrease of -55.6% compared with the same period of 2015, Net profit as a percentage of sales was 6.7% (16.9% in the same period of 2015), entirely due to the adjustments to operating and financial income and charges in the period. Profit excluding adjustments to operating and financial charges for the period (€ 13.1 million and € 29.0 million respectively), was € 71.2 million, an increase of +5.0% compared with the same period in 2015, which was also adjusted in the same manner.

There were no **portions of profit relating to non-controlling interests** in the third quarter of 2016 (€ 0.1 million in the same period of the previous year).

Financial position

Breakdown of net debt

At 30 September 2016, the consolidated net financial position was negative for € 1,358.6 million, an increase of € 532.8 million on the amount of € 825.8 million reported at 31 December 2015.

The table below shows how the debt structure changed between the beginning and end of the period.

	30 September 2016	31 December 2015	total
	€ million	€ million	€ million
Cash and cash equivalents	571.1	844.3	(273.3)
Payables to banks	(109.2)	(29.3)	(80.0)
Real estate lease payables	-	(0.1)	-
Private placement and bond	(350.0)	(441.6)	91.6
Other financial receivables and payables	(26.5)	50.1	(76.6)
Short-term net cash position	**85.3**	**423.4**	**(338.1)**
Payables to banks	(302.6)	(4.4)	(298.2)
Real estate lease payables	(2.0)	(2.0)	0.0
Private placement and bond (*)	(991.9)	(1,266.5)	274.6
Other financial receivables and payables	50.1	28.2	21.9
Medium-/long-term net financial position	**(1,246.4)**	**(1,244.7)**	**(1.7)**
Debt relating to operating activities	**(1,161.1)**	**(821.2)**	**(339.8)**
Payables for put options, earn-out and commitment for the purchase of SPML shares	(197.5)	(4.6)	(193.0)
Net financial position	**(1,358.6)**	**(825.8)**	**(532.8)**

(*) including the related derivatives

The increase in the Group's net debt at 30 September 2016 was mainly due to the acquisition of SPML. The transaction was carried out in various phases, which entailed a cash outlay, broken down as follows:

- initial payment of € 125.5 million in March 2016 to purchase the first block of SPML shares;
- payment of € 347.2 million in June 2016, via a public purchase offer, to acquire the majority of the Marnier Lapostolle Group's shares;
- payment of € 17.1 million in July 2016 to complete the squeeze-out transactions.

In addition, the payable to purchase the remaining shares by the Group is recorded under 'Payables for the exercise of put options, earn-out payments and commitments to purchase SPML shares', in an amount of € 193.1 million.
Lastly, it should be noted that the incorporation of SPML had a positive impact on the Group's net financial position of € 32.6 million, corresponding to the positive net financial position of SPML on the acquisition date.

The effect of fluctuating exchange rates in the comparison period did not have a significant impact on the overall net financial position.
In terms of structure, the net financial position at 30 September 2016 continued to comprise a dominant medium/long-term debt component compared with the short-term portion.

The short-term final net cash position was € 85.3 million, a decrease of € 338.1 million compared with 31 December 2015, due to the payment for the SPML shares, as commented on above.

The short-term debt position breaks down as follows:
- cash and cash equivalents of € 571.1 million;
- payables relating to Parent Company bonds (nominal value of € 350 million maturing in October 2016); in June 2016, the maturing tranche of the private placement issued in America (nominal value of USD 100 million);
- payables to banks totalling € 109.2 million;
- short-term net financial assets totalling € 26.5 million, mainly relating to interest accrued on existing loans in the period.

The medium-to-long-term component, totalling € 1,246.4 million, comprises existing bonds of € 991.9 million and bank payables of € 302.6 million. It should be noted that, although the total change on the period under comparison is not significant (€ 1.7 million), the various components of the debt have changed substantially, as described below.
In September 2016, after reviewing the composition of the financial payables, the Group made early repayment of the remaining tranches of the Parent Company bond issue and the private placement issued by Campari America for a total nominal value of USD 310 million. At the same time, taking advantage of the favourable economic conditions, the Group subscribed to a bullet loan of € 300 million with a three-year maturity, which is classified under non-current bank payables. The above-mentioned transactions reduced the ‘private placement and bond’ item by € 274.6 million and increased bank payables by € 298.2 million.

The other non-recurring financial receivables and payables item, amounting to € 50.1 million, mainly included cash investments by the Parent Company.

Separately, the Group's net financial position showed the recording of a financial payable of € 197.5 million, an increase of € 193.0 million compared with 31 December 2015, due to the acquisition of SPML, as commented on above. The item also included € 4.5 million relating to earn-out payments on Sagatiba and the remaining debt for the purchase of non-controlling interests in respect of the Jamaican acquisition, which was broadly unchanged compared with the previous year.

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 access external sources of funding. The Group monitors changes to its net debt/EBITDA ratio on an ongoing basis. Net debt is the Group’s net financial position calculated at average exchange rates for the previous 12 months; EBITDA is the Group’s operating result before depreciation, amortisation and non-controlling interests, pro-rated to take account of acquisitions in the past 12 months. At 30 September 2016, this multiple was 3.3 times (2.2 times at 31 December 2015 and in line with the multiple recorded at 30 June 2016, in tandem with the closing of the SPML acquisition.

Operating working capital

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

	30 September 2016	31 December 2015	change			
			total	of which organic	of which external[1]	of which due to exchange rates
	€ million	€ million	€ million	€ million	€ million	€ million
Receivables from customers	222.5	295.9	(73.4)	(95.7)	22.3	(0.1)
Inventories, of which:						
- maturing inventory	*282.3*	*269.8*	*12.5*	*(3.6)*	*33.4*	*(17.3)*
- other inventory	*323.4*	*228.4*	*95.0*	*62.4*	*37.3*	*(4.6)*
Total inventories	605.8	498.2	107.5	58.8	70.6	(21.9)
Payables to suppliers	(223.4)	(217.2)	(6.2)	5.4	(15.2)	3.6
Operating working capital	**604.9**	**576.9**	**27.9**	**(31.5)**	**77.8**	**(18.4)**
Sales in the previous 12 months	1,692.5	1,656.8				
Working capital as % of sales in the previous 12 months	35.7	34.8				

Operating working capital at 30 September 2016 was € 604.9 million, an increase of € 27.9 million on 31 December 2015.

The exchange rate effect in the first nine months of 2016 led to a decrease in operating working capital of € 18.4 million, while the organic decrease of € 31.5 million was more than offset by the contribution from the change in perimeter due to the acquisition of SPML, which produced an incremental effect of € 77.8 million.

Trade receivables, which historically show higher absolute values at the end of the year than in the other quarters, decreased sharply in the period concerned (€ 95.7 million) compared with 31 December 2015.

The increase in inventories of € 58.8 million was largely due to growth in the Group's stocks of finished goods and other merchandise totalling € 62.4 million in preparation for the seasonal peak at the end of the year. Stocks of maturing inventory remained largely unchanged on an organic basis (down by just € 3.6 million), but since inventories were located in the Americas and Scotland, the exchange rate effect of € 17.3 million resulted in a decrease in the overall amount of these stocks.

At 30 September 2016, operating working capital amounted to 35.7% of net sales in the previous 12 months, an increase over the figure at 31 December 2015.
However, since the acquisition of SPML took place in June 2016, the statement of financial position at 30 September 2016 includes the working capital of the acquired companies, while the sales reported for the previous 12 months include sales from the acquired brands for the third quarter of 2016 only. If the statement of financial position and income statement figures were adjusted to take account of the consolidation of the acquired companies, operating working capital would be reduced to 31.9% of net sales.

Events taking place after the end of the period

Innovation

Campari Calendar (R)evolution

In October 2016, the group launched the new global initiative "Campari Calendar (R)evolution" with the aim of promoting a new way of providing information on the brand. The aim of "Campari Red Diaries" is to convey the concept that "each cocktail tells a story" by celebrating cocktails as an art form, and the experiences that inspire bartenders to create them. The lead story, entitled "Killer in Red," was written and directed by Paolo Sorrentino, and featured Clive Owen.

Other significant events

Consolidation and strengthening of the sales force in South Africa

Starting on 1 January 2017, Gruppo Campari will start to distribute its owned brands in the South African market, acting directly through Campari South Africa PTY Ltd. The respective sales force is now being strengthened with the aim of capitalising on growth opportunities for the Group's entire portfolio in this market.

[1] On the acquisition date, the net working capital resulting from incorporating the SPML group, as reported in the half-year financial statements at 30 June 2016 was later adjusted and reclassified as a result of the process of provisionally allocating acquisition amounts.

Conclusions on the first nine months of 2016 and outlook

The first nine months of 2016 delivered a sustained organic growth across sales and all operating performance indicators. This result was achieved thanks to the sustained outperformance of Global and Regional Priorities in key high-margin developed markets, such as North America and Western Europe, in line with the Group's strategy. Moreover, these positive results were very satisfactory given the negative impact of the non-core low-margin Jamaican sugar business, due to contingent factors. This impact, which negatively affected the first half results, is considered irrecoverable in the rest of the year.
With particular reference to the third quarter 2016, the Group achieved a further acceleration in the net sales organic growth, with respect to the first half, as well as a positive gross margin expansion, thanks to the consistent sales mix improvement, driven by the sustained growth of Global priorities brands, in line with the Group's strategy. Simultaneously, in the third quarter 2016, the organic performance of the operating margin reflected the accelerated investments in marketing initiatives and the strengthening of the Group's distribution capabilities, particularly in the US, as planned. Moreover, in the third quarter 2016, the Group started to benefit from the positive contribution of the newly acquired Grand Marnier business.
Finally, the non-recurring operating and financial adjustments, which affected the reported results in the nine months, reflect a series of initiatives aimed at improving the Group's future positioning in terms of its financial profile, brand portfolio and organizational structure.

Looking at the remainder the year, the Group expects the current outlook to remain broadly unchanged. In particular, with reference to the macroeconomic environment, although not further deteriorating, the volatility in some emerging markets and the uncertainty on the movements of the Group's key foreign currencies are expected to persist.
At the same time, the Group remains confident to deliver a positive and profitable performance.
With regard to the brand portfolio, the Group expects a continued growth of high-margin Global Priorities, particularly the aperitifs, American whiskies and Jamaican rums, thanks to the sustained brand building investments, which accelerated in the third quarter. With regard to the markets, the Group remains confident to achieve a positive performance in the Group's core strategic regions, thanks to the continued contribution of the Group's strengthened route-to-market. In particular, in the US the Group will further enhance its capabilities in the on premise, a strategic channel for Grand Marnier and the Group's premium portfolio overall. Moreover, with regard to new distribution initiatives, in South Africa the Group will strengthen its local presence via a new in-market company aimed to leverage the growth potential of its premium portfolio, particularly vodka and Scotch whisky.

Alternative performance indicators

This interim report on operations presents and comments upon certain financial indicators and reclassified financial statements that are not defined by IFRS.
These indicators, which are described below, are used to analyse the Group's business performance in the 'Highlights' and 'Interim report on operations' sections, in compliance with the requirements of Consob communication DEM 6064293 of 28 July 2006 as subsequently amended and supplemented (Consob communication 0092543 of 3 December 2015, which incorporates the Guidelines on Alternative Performance Measures (ESMA/2015/1415).
The alternative performance measures listed below should be used to supplement the information required by the IFRS to help users of the financial report come to a better understanding of the Group's economic, financial and capital position.
The method used by Gruppo Campari to calculate these adjustment measures has been consistent over the years. It should also be noted that these methods could be different from those used by other companies.

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

Contribution margin: calculated as the difference between net sales, the cost of goods sold (in its materials, production and distribution cost components) and advertising and promotional costs.
Adjustments to operating income (charges): defined as certain transactions or events, identified by the Group as adjustment components for the result from recurring activities.
- capital gains/losses on the sale of tangible and intangible assets
- penalties arising from the settlement of tax disputes
- impairment losses on fixed assets
- restructuring and reorganisation costs
- ancillary costs associated with acquisitions/sales of businesses or companies
- other non-recurring income (charges).

The above-mentioned items were deducted from or added to the following indicators: operating result, EBITDA, profit/loss before tax for the period and net profit/loss for the period after tax.
The Company believes that these indicators, appropriately adjusted, are useful to both management and investors in assessing the Group's financial and economic results against those of other companies in the sector, as they exclude the impact of some items that are not relevant for assessing operating performance.
Adjusted result from recurring activities: the operating result for the period net of the above-mentioned adjustments to operating income (charges).
EBITDA: the operating result before depreciation and amortisation of tangible and intangible assets.
Adjusted EBITDA: EBITDA as defined above, excluding adjustments to operating income (charges) as described above.
Adjustments to financial income (charges): several transactions or events identified by the Group as components adjusting the net profit/loss related to events covering a single period or financial year such as:
- charges related to the early termination of financial liabilities
- financial charges associated with acquisitions/sales of businesses or companies
- other non-recurring financial income (charges).

Group's adjusted profit/loss before tax: profit for the period before tax and net of adjustments to operating income (charges) and adjustments to financial income (expenses) described above, and before the tax effect.
Group's adjusted profit/loss: the profit/loss for the period, net of the above-mentioned adjustments to operating income (charges), adjustments to financial income (expenses), the related tax effect and other positive/negative tax adjustments for the period.
ROS (return on sales): the ratio of the operating result to net sales for the period.
ROI (return on investment): the ratio of the operating result for the period to fixed assets at the end of the period (see the definition of fixed assets below).

- **Financial position**

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

Net financial position: calculated as the algebraic sum of:
- cash and cash equivalents
- non-current financial assets, posted to other non-current assets
- current financial assets, posted to other receivables
- payables to banks
- other financial payables
- bonds
- non-current financial liabilities, posted to other non-current liabilities.

Other information

In accordance with Article 70, paragraph 8, and Article 71, paragraph 1-bis, of Consob's Issuer Regulations, the Board of Directors has decided to take advantage of the option to derogate from the obligations to make available to the public the information documents prescribed in relation to significant mergers, spin-offs, capital increases through contributions in kind, acquisitions and disposals.

Sesto San Giovanni (MI), Tuesday, 8 November 2016

Chairman of the Board of Directors

Luca Garavoglia

Paolo Marchesini, the director responsible for preparing the company's accounting statements, hereby declares that, pursuant to paragraph 2, Article 154-*bis* of the TUF, the accounting information contained in this interim report on operations accurately represents the figures contained in the Group's accounting documents, ledgers and records.

Paolo Marchesini

Chief Financial Officer

Davide Campari-Milano S.p.A.

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