DAVIDE CAMPARI-MILANO S.p.A.
INTERIM REPORT ON OPERATIONS
AT 31 MARCH 2016

BUILDING LIFESTYLE BRANDS AND PEOPLE WITH PASSION

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

This interim report on operations at 31 March 2016 was prepared in compliance with the provisions of Legislative Decree 58/1998 as amended ("TUF"). The recognition and measurement criteria are the half-year financial statements to 30 June 2015, to which reference is made. This document has not been audited

It should be noted that, despite the regulatory change introduced by D.Lgs. 25/2016 on the implementation of the new Transparency directive, has eliminated the requirement of publication of quarterly or other interim reports, in addition to the interim and annual ones, the Group decided to be consistent with the past and to maintain the same level of information provided in previous periods, until a complete definition of the regulatory framework will be available.

	First quarter 2016	First quarter 2015	change	
			total	at constant exchange rates
	€ million	€ million	%	%
Net sales	**327.4**	**327.4**	**-**	**3.8%**
Contribution margin	126.7	117.9	7.5%	9.1%
EBITDA before non-recurring items	**66.8**	**56.2**	**18.8%**	**16.2%**
EBITDA	**60.8**	**60.1**	**1.2%**	**-1.3%**
Result from recurring activities	53.9	44.5	21.1%	16.8%
Operating result	**47.9**	**48.4**	**-0.9%**	**-5.0%**
ROS % (operating result/net sales)	**14.6%**	**14.8%**		
Profit before taxes	34.2	35.9	-4.7%	
Group profit before taxes	**34.2**	**35.8**	**-4.3%**	
	31 March 2016	31 December 2015		
	€ million	€ million		
Net debt	**923.1**	**825.8**		

Information on the presented figures

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, or 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 Executive 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)]

Collegio Sindacale[(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 nine 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 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 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, is listed on Euronext (Paris) and had a market capitalisation of € 427 million at 11 March 2016. Its main activities of bottling and packaging are located in Normandy.
The entire transaction, which is described below, will be financed from the Group's available cash.

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

- **The business**

Founded in 1827, SPML is one of the main spirits-producing companies in France, and the owner of the iconic, premium brand, Grand Marnier, the product of a precise and exclusive blend of distilled essence of bitter orange and fine cognac. Grand Marnier, one of the most famous and well-recognised brands in the spirits industry, has a 150-year-old 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 product range offered in premium cocktail bars, 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 in 2015. The portfolio includes Grand Marnier Cordon Rouge, Cherry Marnier, Louis Alexandre, Cuvée du Centenaire, Cuvée du Cent Cinquantenaire and Quintessence.
With regard to its geographical expansion, around 92% of SPML's consolidated sales of finished products are achieved outside France. Its main markets are the United States (approx 60%), Germany, Canada and France. SPML products are currently distributed in over 150 countries by third-party distributors.
In the fiscal year ending 31 December 2015, SPML generated consolidated sales of € 151.7[1] million, of which sales of finished products amounted to € 129.5 million, and a consolidated EBITDA of € 30.5 million[2]. It should be noted that SPML's EBITDA does not include profits made by distributors.

- **Structure and cost of the operation**

Under the agreements signed with the members of the controlling shareholder family of the French listed company, Gruppo Campari will acquire control as follows:
immediate 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 acquisition, from 2021, via put and call options, of all the remaining shares held by members of the family that is the controlling shareholder, equating to 26.6% in full ownership and 2.24% in bare ownership;
- 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;
- if the public purchase offer results in the group holding less than 50.01% of the shares and voting rights of SPML, the family shareholders who are the counterparties of the put and call options are required to sell their shares before 2021 and waive their double voting rights to the extent necessary to allow the Group to acquire control of SPML;

[1] Source: SPML press release '*COMMUNIQUE FINANCIER SUR LES COMPTES ANNUELS 2015'* (FINANCIAL PRESS RELEASE ON THE 2015 ANNUAL FINANCIAL STATEMENTS), published on 15 March 2016.
[2] Source: SPML press release '*COMMUNIQUE FINANCIER SUR LES COMPTES ANNUELS 2015'* (CORRECTED FINANCIAL PRESS RELEASE ON THE 2015 ANNUAL FINANCIAL STATEMENTS), published on 5 April 2016.

- if, following a positive outcome to the public purchase offer, the Group's investment in SPML were to exceed 95% (including the shares subject to the put and call option agreements), Campari would acquire the rest of the free float, leading to the delisting of SPML.

In line with the conditions agreed with the family shareholders, the Group will launch the public purchase offer at a price of € 8,050[3] per share in cash (which implies a premium of 60.4%[4] compared with the current price of the share), plus an earn-out relating 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 will be € 684[5] million while the implied enterprise value will be € 652 million, taking account of the Group SPLM net financial position[6].

- **Impact on the Group's figures at 31 March 2016**

At 31 March 2016, the transaction described above had the following effects on the Group's statement of financial position and income statement.
The purchase 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, entailed an outlay of € 125.5 million, paid in cash, which generated a corresponding reduction in the cash position and hence an increase in the Group's net debt.
In terms of the Group's financial statements, the shares are recorded under available-for-sale investments held by the Group. The only effects of the acquisition on the Group's income statement were the non-recurring charges incurred for consultancy associated with the transaction.

As above-mentioned, the total implied equity value of 100% of SPML will be € 684 million while the implied enterprise value will be € 652 million, of which € 125.5 million have already been booked at 31 March 2016.

It should be noted that, since the distribution agreement starts on 1 July 2016, external growth at 31 March 2016 does not include a value for the Grand Marnier portfolio.

Sale of non-core businesses in Italy

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

Innovation and new product launches

New flavours of SKYY Infusions

In February 2016, two new flavours of SKYY Infusions, Honeycrisp Apple and Tropical Mango, were launched in the US.

Bourbon Whiskey

In the first half 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.

Other brands

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

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[3] With dividend balance for 2015.
[4] Based on an SPML share price of € 5,020 at 11 March 2016.
[5] Based on the 85,000 outstanding shares.
[6] The difference of € 32.6 million between the equity value and enterprise value at 31 December 2015 comprised: a positive net financial position of € 32.3 million, pension plans of € 18.0 million (at 31 December 2014), non-controlling interests of € 0.6 million, the proceeds from the sale of own shares under the public purchase offer of € 23.1 million, and an interim dividend of € 4.2 million paid on 25 January 2016.

Other significant events

Purchase of own shares

Between 1 January and 31 March 2016, the Group bought 1,145,337 own shares at an average price of € 7,55, and sold 1,694,805 shares after the exercise of stock options. At 31 March 2016, the Parent Company held 1,171,978 own shares, equivalent to 0.20% of the share capital.

Group operating and financial results

Sales performance

Overall performance

Consolidated net sales totalled € 327.4 million in the first quarter of 2016 and were broadly in line with last year. However, the total change (equal to zero) in the period breaks down into consistent organic growth, offset by negative changes in the perimeter and negative exchange rate effects, as shown in the table below.

	2016		2015		total change		organic change		perimeter effect		exchange rate effect	
	€ million	%	€ million	%	€ million	%	€ million	%	€ million	%	€ million	%
Americas	134.8	41.2%	143.9	43.9%	-9.1	-6.3%	9.9	6.9%	-9.3	-6.4%	-9.7	-6.7%
Southern Europe, Middle East and Africa	111.0	33.9%	106.8	32.6%	4.2	3.9%	5.1	4.8%	-1.1	-1.0%	0.1	0.1%
Northern, central and eastern Europe	58.6	17.9%	53.3	16.3%	5.2	9.8%	7.1	13.3%	-0.6	-1.2%	-1.2	-2.3%
Asia-Pacific	23.1	7.1%	23.4	7.1%	-0.3	-1.1%	1.4	5.8%	0.0	-0.1%	-1.6	-6.8%
Total	**327.4**	**100.0%**	**327.4**	**100.0%**	**0.0**	**0.0%**	**23.5**	**7.2%**	**-11.0**	**-3.4%**	**-12.4**	**-3.8%**

Organic change

The first quarter of the year generated excellent organic growth of 7.2%; this was driven by good performances in all geographical regions, positive development in all the Group's global priority brands, and a highly sustained performance by the regional priority brands.

It should be noted that the first quarter hystorically experiences the lower level of business performance of the year, and it is also significantly impacted from changes in the Easter timing. The first quarter of 2016 benefited from Easter being earlier than the previous year and this timing significantly affected the percentage changes that will be partially reabsorbed in the following quarters.

The main trends by individual geographical region are shown below.

- The **Americas** region closed with organic growth of 6.9%, driven by the excellent performance of the United States (+14.8%), also due to favourable timing of the orders (shipments), but also by other countries, such as Argentina and Canada. These performances offset the contraction in a number of markets, including in Brazil, which was caused by political and economic crisis and early sales in the last quarter of 2015 ahead of a rise in excise duties, and in Jamaica, where the decrease was almost entirely due to one-off factors affecting the non-core sugar business;
- The **Southern Europe, Middle East and Africa** region reported solid organic growth of 4.8% in the first quarter; Italy's positive performance (+2.4%) was driven by strong growth of Campari and Aperol, partly as a result of the different timing of Easter; France and South Africa also posted excellent performances, which offset the contraction in Nigeria and the stability of the duty free channel;
- The **Northern, Central and Eastern Europe** region recorded double-digit organic growth (+13.3%); this positive performance was driven by the main market of Germany (+10.6%), together with growth in the UK, where the Group implemented a local distribution structure in 2015. With reference to the emerging markets, specifically Russia, the Group continues to maintain a prudent approach to the future prospects despite the positive growth (+27.7%), characterised by stable volumes and reduction of promotional activities, boosted by the favourable comparison with the year-earlier period;
- the **Asia-Pacific** region recorded growth of 5.8% in the first quarter due to the recovery of the Australian market (21.5%), which offset the negative performance of the region's other main markets.

The main trends by brand are shown below.

- The **Group's global priority brands** posted organic growth of 11.9%, with all brands making a positive contribution. Specifically, aperitifs (Campari and Aperol) recorded double-digit growth on the back of positive development in their respective main markets, as well as the boost in Italy of an early Easter. **SKYY** closed the quarter with organic growth of 5.9%. The **Wild Turkey** portfolio increased by 1.9% in the period, due to a satisfactory result in its two main markets, the US and Australia, which was partly offset by weakness in Japan. The **Jamaican rums portfolio** reported organic growth of 1.6% overall due to a positive performance by the US, which was partly offset by a decline in Jamaica;
- **Regional priority brands** also posted double-digit growth of 20.7% in the quarter. Growth was spread across all the main brands, especially Frangelico, Averna, Espolòn and GlenGrant;

- In contrast, **local priority brands** contracted by 5.2% in the quarter; this was mainly as a result of a fall in single-serve aperitifs in Italy caused by the unfavourable comparison with the previous year and a decrease in Brazilian brands due to the difficult local macroeconomic environment.

Perimeter effect

The negative perimeter effect of 3.4% was the result of the sale of businesses and the conclusion of new distribution contracts, in line with the Group's strategy to rationalise non-core, low-margin activities and increase its focus on the core business.
With regard to business sales, it should be noted that the Group sold a number of non-core assets in Jamaica during 2015. Regarding the termination of distribution contracts, the Group completed its exit in 2015 from the distribution of general merchandise products in Jamaica and the distribution of agency wines in Italy.

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		
disposals	-2.5	-0.8%
total acquisitions and sales	**-2.5**	**-0.8%**
distribution contracts		
new agency brands distributed	0.2	0.1%
discontinued agency brands	-8.7	-2.7%
total distribution contracts	**-8.5**	**-2.6%**
total perimeter effect	**-11.0**	**-3.4%**

Exchange rate effects

The negative exchange rate impact of 3.8% is due to the depreciation of many of the Group's currencies, except for the US dollar, which rose by 2.2%. This appreciation was more than offset by the euro's rise against the Group's other functional currencies; the Argentine peso, in particular, depreciated by 38.5%.

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

	average exchange rates		spot exchange rates		
	2016	change compared with 2015	31 March 2016	change compared with 31 March 2015	change compared with 31 December 2015
	: 1 Euro	%	: 1 Euro	%	%
US Dollar (USD)	1.102	2.2%	1.139	-5.5%	-4.4%
Canadian Dollar (CAD)	1.516	-7.9%	1.474	-6.8%	2.6%
Jamaican Dollar (JMD)	133.523	-2.8%	138.482	-10.8%	-5.7%
Mexican Peso (MXN)	19.910	-15.5%	19.590	-15.7%	-3.4%
Brazilian Real (BRL)	4.307	-25.3%	4.117	-15.1%	4.7%
Argentine Peso (ARS)	15.907	-38.5%	16.617	-42.9%	-15.2%
Russian Rouble (RUB)	82.538	-13.9%	76.305	-18.2%	5.7%
Australian Dollar (AUD)	1.530	-6.4%	1.481	-4.4%	0.6%
Chinese Yuan (CNY)	7.211	-2.6%	7.351	-9.3%	-4.0%
UK Pound (GBP)	0.771	-3.5%	0.792	-8.1%	-7.3%
Swiss Franc (CHF)	1.096	-2.3%	1.093	-4.3%	-0.9%

Sales by region

Sales for the quarter are analysed by region and key market below. The comments mainly relate to the organic component of the change in each market.

- **Americas**

The region, broken down into its main markets, recorded overall organic growth of 6.9%.

	2016		2015		total change		organic change		perimeter effect		exchange rate effect	
	€ million	%	€ million	%	€ million	%	€ million	%	€ million	%	€ million	%
the United States	79.7	59.1%	68.0	47.2%	11.7	17.3%	10.0	14.8%	0.0	0.0%	1.7	2.5%
Jamaica	15.3	11.4%	34.1	23.7%	-18.7	-55.0%	-9.5	-27.8%	-8.8	-25.9%	-0.4	-1.3%
Brazil	5.6	4.2%	10.9	7.6%	-5.3	-48.3%	-3.0	-27.2%	-0.4	-4.1%	-1.9	-17.1%
Argentina	10.7	8.0%	9.3	6.5%	1.4	15.3%	8.2	87.6%	0.0	0.0%	-6.7	-72.2%
Canada	9.3	6.9%	8.8	6.1%	0.5	5.6%	1.3	14.5%	0.0	0.0%	-0.8	-9.0%
Other countries	14.1	10.5%	12.9	9.0%	1.2	9.7%	2.8	22.0%	0.0	-0.1%	-1.6	-12.2%
Americas	**134.8**	**100.0%**	**143.9**	**100.0%**	**-9.1**	**-6.3%**	**9.9**	**6.9%**	**-9.3**	**-6.4%**	**-9.7**	**-6.7%**

With an organic growth of 14.8%, the **United States** remained the Group's second-largest market, confirming good performance by all the main brands, during the first-quarter. Above all, we need to highlight that this performance, very high (8.1%) even without the following, was positive influenced by an increase in shipments, that will be partially reabsorbed in the next quarters, as well as by bulk sale of bourbon whisky. This good performance was driven by Wild Turkey, Appleton Estate, Espolòn, Aperol and Averna. Campari sales slowed slightly in the quarter, despite the rise in consumption and depletion of aperitifs and Italian specialty drinks.
The Espolòn brand continued its excellent trend with double-digit performance in the quarter.
In general, these brands enjoyed healthy growth in shipments, however in the first quarter they grew quicker than the depletion and consumption levels.
Despite a good first quarter in terms of shipments for both SKYY Vodka and SKYY Infusions, the SKYY brand is still suffering from fierce competition within the category, which penalised both depletion and consumption levels.

Organic sales in **Jamaica** declined by 27.8% during the quarter, due almost entirely to the non-core sugar business. Stripping out this distortive effect, sales attributable entirely to the spirits and wines core business would have been broadly in line with the previous year (-0.4%). Specifically, the Campari brand showed healthy growth in the period, partially compensated by a decrease of Jamaican rum sales, due to a different phasing of the shipments associated with the increase of the prices.

In **Brazil**, organic sales declined by 27.2% as a result of a contraction in consumption, general difficulties in the market and the effect of early sales in the last quarter of 2015 ahead of a rise in excise duties. However, the first quarter is generally a period of modest trading activity and is not considered significant for this market. The brands that were most affected were local products and Campari. The performance of Aperol, on the other hand, was very positive.

Argentina, due to the new political and economic situation following the change in government and despite the high inflation, general public service price increases and reduced grants that were a feature of the first quarter, reported organic growth of 87.6%; this was partly offset by the peso's 72.2% depreciation. This positive performance was boosted by the contribution of the Group's premium brands, especially Campari, SKYY, Aperol and Cynar, which all posted double-digit volume growth.
Sales in **Canada** rose by 14.5% in the quarter, led by Forty Creek and Carolans. Aperitifs Campari and Aperol continued to grow, albeit starting from a low base in volume terms, confirming the positive trend seen in 2015. SKYY Vodka suffered during the quarter from a slight slowdown in both shipments and depletions.

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

The region, which is broken down by main market in the table below, saw organic growth of 4.8%.

	2016		2015		total change		organic change		perimeter effect		exchange rate effect	
	€ million	%	€ million	%	€ million	%	€ million	%	€ million	%	€ million	%
Italy	85.5	77.1%	84.3	78.9%	1.2	1.4%	2.0	2.4%	-0.8	-1.0%	0.0	0.0%
Other countries in the region (*)	25.5	22.9%	22.5	21.1%	3.0	13.1%	3.1	14.0%	-0.3	-1.2%	0.1	0.3%
Southern Europe, Middle East and Africa	**111.0**	**100.0%**	**106.8**	**100.0%**	**4.2**	**3.9%**	**5.1**	**4.8%**	**-1.1**	**-1.0%**	**0.1**	**0.1%**

(*) includes the duty free channel

First-quarter organic growth of 2.4% in **Italy**, the Group's largest market, was driven by the global brands Campari and Aperol; their performance, which benefited from an early Easter, was also confirmed by the positive sell-out figures. This positive performance offset the decline in Crodino sales, which was particularly hurt by an unfavourable basis of comparison

with the previous year. Averna recorded positive results, although this was partly because 2015 was a relatively favourable basis for comparison due to the adjustments to distribution following its acquisition in 2014.
The **other countries in the region** reported double-digit growth of 14.0%, due to the healthy performance of France, led by Aperol, Appleton, GlenGrant and Riccadonna, and South Africa, driven by SKYY, GlenGrant, Wild Turkey and Cinzano vermouth; this offset the negative performance of Nigeria, which was affected by prolonged socio-economic instability, and the temporary reorganisation of the duty free channel.

- **Northern, Central and Eastern Europe**

The region posted overall organic growth of 13.3%, spread across its main markets.

	2016		2015		total change		organic change		perimeter effect		exchange rate effect	
	€ million	%	€ million	%	€ million	%	€ million	%	€ million	%	€ million	%
Germany	32.3	55.2%	29.7	55.6%	2.6	8.9%	3.1	10.6%	-0.5	-1.7%	0.0	0.0%
Russia	4.2	7.1%	3.8	7.1%	0.4	10.0%	1.0	27.7%	0.0	0.0%	-0.7	-17.7%
Other countries in the region	22.1	37.7%	19.9	37.3%	2.2	11.1%	2.9	14.6%	-0.1	-0.6%	-0.6	-2.8%
Northern, central and eastern Europe	**58.6**	**100.0%**	**53.3**	**100.0%**	**5.2**	**9.8%**	**7.1**	**13.3%**	**-0.6**	**-1.2%**	**-1.2**	**-2.3%**

In **Germany**, the first quarter, which is typically a period of low trading activity, closed with growth of 10.6% on the back of one-off factors and the strong focus on this market of global brands Aperol and SKYY Vodka, which posted healthy growth, regional brand Frangelico and local brand Ouzo.
In **Russia**, a market that suffered from political and economic unrest in 2015, the first quarter of 2016 started on a positive note with growth of 27.7%. However, the Group's first-quarter performance was boosted not only by the highly favourable basis of comparison in 2015 but also by stable volumes despite the reduction of promotional activities. Moreover, although consumption showed some signs of improvement compared with the previous quarter, the macroeconomic environment in Russia is still difficult generally and the credit risk in distributor relationships has increased. Competition remains fierce and macroeconomic instability is set to continue for the whole of 2016. Therefore, the Group's forecasts remain cautious.

The **other countries in the region** grew by 14.6% in the quarter, due especially to the contribution of the UK, where the Group started direct distribution and where Aperol and Campari are currently being developed, and to the healthy performance of aperitifs and whiskies in Central and Eastern European countries.

- **Asia-Pacific**

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

	2016		2015		total change		organic change		perimeter effect		exchange rate effect	
	€ million	%	€ million	%	€ million	%	€ million	%	€ million	%	€ million	%
Australia	18.0	78.0%	15.9	67.9%	2.2	13.7%	3.4	21.5%	0.0	0.0%	-1.2	-7.8%
Other countries in the region	5.1	22.0%	7.5	32.1%	-2.4	-32.4%	-2.1	-27.3%	0.0	-0.3%	-0.4	-4.7%
Asia-Pacific	**23.1**	**100.0%**	**23.4**	**100.0%**	**-0.3**	**-1.1%**	**1.4**	**5.8%**	**0.0**	**-0.1%**	**-1.6**	**-6.8%**

The positive results in the first quarter, which closed with overall organic growth of 5.8% for the region, confirmed the trend already evident in 2015.
In **Australia**, organic growth of 21.5% was caused by the good performance of Wild Turkey ready-to-drink, Wild Turkey bourbon, Aperol, SKYY ready-to-drink and Espolòn. The phasing of the local co-packing business also contributed to the region's growth.
The **other countries** fell by 27.3% due to decreases in sales in New Zealand, China and Japan. Some temporary effects relating to New Zealand and Japan orders will be reabsorbed during the year, while the general economic slowdown in China has also affected the Group's main competitors.

Sales by major brands at consolidated level

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

	Percentage of Group sales	change in percentage sales, of which			
		total	organic	perimeter	exchange rate
Campari	10.7%	11.1%	21.4%	-	-10.3%
SKYY [(1)]	11.4%	4.6%	5.9%	-	-1.3%
Aperol	10.4%	23.2%	24.7%	-	-1.6%
Wild Turkey portfolio [(1)(2)]	7.5%	2.4%	1.9%	-	0.6%
Jamaican rums portfolio [(3)]	5.7%	-1.9%	1.6%	-	-3.5%
global priority brands	**45.8%**	**8.5%**	**11.9%**	**-**	**-3.4%**
Cinzano	4.0%	-6.6%	5.3%	-	-11.9%
Frangelico	1.7%	8.6%	9.7%	-	-1.0%
Averna	1.6%	61.4%	61.6%	-	-0.2%
Forty Creek	1.1%	-9.0%	-3.7%	-	-5.3%
Espolòn	1.5%	67.6%	67.6%	-	0.1%
other	6.2%	22.4%	26.6%	-	-4.2%
regional priority brands	**16.1%**	**14.9%**	**20.7%**	**-**	**-5.8%**
Campari Soda	4.6%	-3.8%	-3.7%	-	0.0%
Crodino	3.8%	-13.6%	-13.6%	-	-0.1%
Wild Turkey ready-to-drink	2.3%	4.8%	12.1%	-	-7.3%
Brazilian brands Dreher and Sagatiba	0.7%	-44.3%	-27.3%	-	-17.0%
other	1.9%	6.9%	6.3%	-	0.6%
local priority brands	**13.4%**	**-7.8%**	**-5.2%**	**-**	**-2.6%**
rest of the portfolio	**24.6%**	**-15.6%**	**-0.1%**	**-11.5%**	**-4.0%**
total	**100.0%**	**0.0%**	**7.2%**	**-3.4%**	**-3.8%**

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

The **Group's global priority brands** (45.8% of Group sales) posted sales growth of +11.9%, while exchange rate variations had a minor negative effect in the quarter (-3.4%).

Campari generated organic growth of +21.4% in the period due to the strong growth recorded in Italy, which was partly boosted by the effect of an early Easter, as well as in Argentina, Jamaica, the UK, Canada and Germany. These positive factors offset the temporary decline in some markets and the weakness in Brazil, in a season that typically sees low trading activity. This organic growth was partly offset by a large negative exchange rate effect (-10.3%), mainly as a result of Argentina.

SKYY closed the quarter with organic growth of +5.9%, due to the healthy results in its main market of the US (+2.6%), where both SKYY Vodka and SKYY Infusions reported growth at the end of the quarter, due also to a favourable timing of the shipments that will be reabsorbed in the next quarters. Other markets, such as Italy, Germany and Argentina, also closed the first quarter with good results, thus offsetting the slowdown in Brazil, due to the early sales seen in the last quarter of 2015 ahead of the rise in excise duties, and China.

Aperol reported substantial organic growth of +24.7%, 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, US, Brazil, UK, Spain, Belgium, Australia, Chile and the duty free channel.

Sales in the **Wild Turkey** portfolio, which includes American Honey, increased by +1.9% on the back of a satisfactory result in the two main markets of the US (+7.6%) and Australia (+10.6%). Sales in Japan continued to decline, as had become apparent in the previous period, due to the timing of the orders. Growth in the portfolio was mainly driven by Wild Turkey in the US and Australia, while American Honey, although reporting slight growth in the US, continued to experience difficulties in its segment in both countries.

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 +1.6% due to phasing effects, which had been particularly high in the year-earlier quarter; performance in the US was positive (+9.4%), but the brands slowed temporarily in its largest market of Jamaica (-10.0%). Canada and the UK reported positive performance in the quarter, as did other markets where sales are still insignificant.

Regional priority brands (16.1% of Group sales) also posted double-digit growth of +20.7% in the quarter. Growth was spread across all the main brands, especially Frangelico, Averna, Espolòn and GlenGrant.
In addition to its positive performances in the US, Canada and the UK, **Frangelico** (+9.7%) reported an excellent first-quarter result in Germany.
It should be noted that, with regard to **Averna** (+61.6%), which recorded positive results in its main markets of Italy, US and Germany, this was partly because 2015 was a relatively favourable basis for comparison due to the adjustments to distribution of the brand portfolio in the various markets following its acquisition in 2014.
Espolòn (+67.6%) continued to report double-digit growth in the US, as well as good results in the markets in which the brand is currently being developed, including Australia and Italy.
Of the regional brands, **Cinzano** also achieved good organic growth (+5.3%), but this performance was offset by negative exchange rate effects (-11.9%), mainly in Argentina and Russia.
Specifically, Cinzano vermouth grew by +14.4% in Argentina, Russia, South Africa and many other markets. Cinzano sparkling wines, however, decreased by -2.9% on the back of a decline in Italy, which was only partly offset by positive performances in Russia and Germany.
Despite a good performance on the Canadian market, **Forty Creek** posted a negative performance in the quarter (-3.7%) due to a fall in American sales in the period.
All **other brands** in the category (GlenGrant, Carolans, Cynar, Braulio and the other sparkling wines, Riccadonna and Mondoro) posted good results in the first quarter, due to the generally positive performance of all their main markets, namely Italy, US, France, Russia and Argentina.

In contrast to the previous categories, however, **local priority brands** (13.4% of the Group's portfolio) fell by -5.2% in the quarter. With reference to the main brands, Campari Soda and Crodino, contracted in Italy, partly as a result of a negative basis of comparison in the previous year. The Brazilian brands came to a standstill, mainly due to the difficult local macroeconomic environment. These results were partly offset by the good performance of Wild Turkey ready-to-drink in Australia and Ouzo 12 in Germany.

The **rest of the portfolio**, which represents about one quarter of Group sales (including agency brands, which account for around 10% of Group sales), was broadly in line with the previous year (-0.1%). Note the good performance in this category of SKYY ready-to-drink in Mexico and Australia and the agency brands in Germany and Argentina. Conversely, negative performances were recorded by Coruba in New Zealand and Zedda Piras in Italy.

Income statement

Preliminary remarks

The income statement for the first quarter of 2016 shows a positive trend in all performance indicators compared with 2015, as well as a sustained organic growth.

The first quarter of the year, which, due to the seasonal nature of the business, normally makes a smaller contribution to annual profitability, had a very positive start, boosted in part by Easter falling earlier than 2015, as well as the favourable timing of orders in the United States. Overall, sales were in line with the previous year, while the gross margin in absolute terms rose by +7.8%, the contribution margin by +7.5% and the result from recurring activities by +21.1%. Conversely, the Group's profit before tax fell by -4.3% due to non-recurring charges for the period. Excluding non-recurring items for the period, the Group's profit before tax rose by +26.1% to € 40.2 million.

This change is composed of the following components:

- At organic level, the first quarter of 2016 posted a positive result, with sales growth of +7.2%, generated across all geographical regions. Organic growth in the gross margin and the result from recurring activities were +11.3% and +20.3% respectively, due to an across-the-board reduction in production and sales costs and overheads. Global priority brands, especially Aperol and Campari, continued their positive trend. Regional priority brands, especially Espolòn, Frangelico and Averna, also showed a highly positive performance. This effect was strengthened by a generally positive geographical mix, which, in the major developed markets, where profitability exceeds the Group average, allowed the Group to improve gross profit by 200 basis points at organic level, compared with the year-earlier period. In terms of the result from recurring activities, profitability improved by 290 basis points overall, of which 170 related to organic growth.
- The exchange rate effect was -3.8% on sales and +4.3% on the result from recurring activities; the depreciation of the Argentine and Brazilian currencies contributed to these effects.
- The effect of external growth was not material during the period and had a negative effect of -3.4% on sales and of -3.5% on the result from recurring activities.

Income statement

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

	2016		2015		total change		of which organic		of which external		of which due to exchange rates	
	€ million	%	€ million	%	€ million	%	€ million	%	€ million	%	€ million	%
Net sales	**327.4**	**100.0**	**327.4**	**100.0**	**0.0**	**0.0%**	**23.5**	**7.2%**	**(11.0)**	**-3.4%**	**(12.4)**	**-3.8%**
Cost of goods sold	(148.3)	-45.3	(161.2)	-49.2	12.9	-8.0%	(4.6)	2.9%	9.4	-5.8%	8.1	-5.0%
Gross margin	**179.2**	**54.7**	**166.2**	**50.8**	**12.9**	**7.8%**	**18.9**	**11.3%**	**(1.6)**	**-1.0%**	**(4.3)**	**-2.6%**
Advertising and promotional costs	(52.4)	-16.0	(48.3)	-14.8	(4.1)	8.5%	(6.5)	13.5%	(0.0)	0.0%	2.4	-5.0%
Contribution margin	**126.7**	**38.7**	**117.9**	**36.0**	**8.8**	**7.5%**	**12.3**	**10.5%**	**(1.6)**	**-1.4%**	**(1.9)**	**-1.6%**
Overheads	(72.8)	-22.2	(73.4)	-22.4	0.6	-0.8%	(3.3)	4.5%	0.1	-0.1%	3.8	-5.2%
Result from recurring activities	**53.9**	**16.5**	**44.5**	**13.6**	**9.4**	**21.1%**	**9.1**	**20.3%**	**(1.6)**	**-3.5%**	**1.9**	**4.3%**
Non-recurring income (charges)	(6.0)	-1.8	3.9	1.2	(9.8)							
Operating result	**47.9**	**14.6**	**48.4**	**14.8**	**(0.5)**	**-0.9%**						
Net financial income (charges)	(13.7)	-4.2	(12.5)	-3.8	(1.2)	9.8%						
Profit before tax and non-controlling interests	**34.2**	**10.5**	**35.9**	**11.0**	**(1.7)**	**-4.7%**	**-**	**-**	**-**	**-**	**-**	**-**
Non-controlling interests	(0.0)	0.0	(0.1)	0.0	0.1	-97.5%	-	-	-	-	-	-
Group profit before tax	**34.2**	**10.5**	**35.8**	**10.9**	**(1.5)**	**-4.3%**	**-**	**-**	**-**	**-**	**-**	**-**
Total depreciation and amortisation	(12.9)	-3.9	(11.7)	-3.6	(1.2)	10.0%	(1.7)	14.6%	0.1	-0.6%	0.5	-4.0%
EBITDA before other non-recurring income and charges	**66.8**	**20.4**	**56.2**	**17.2**	**10.6**	**18.8%**	**10.8**	**19.1%**	**(1.6)**	**-2.9%**	**1.4**	**2.5%**
EBITDA	**60.8**	**18.6**	**60.1**	**18.4**	**0.7**	**1.2%**						

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

dilution in basis points (*)	total	organic
Cost of goods sold after distribution costs	390	200
Gross margin	**390**	**200**
Advertising and promotional costs	-130	-90
Contribution margin	**270**	**110**
Overheads	20	60
Result from recurring activities	**290**	**170**

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

Net sales for the quarter totalled € 327.4 million, broadly in line with the first quarter of 2015. The components of organic growth and the change in the perimeter had contrasting effects of +7.2% and -3.4% respectively. Added to this, the exchange rate effect was negative at -3.8%. For more details on these effects and on sales by region and brand, please refer to the section above.

Gross margin was € 179.2 million and, in absolute terms, increased by +7.8% compared with the first quarter of 2015.
As a percentage of sales, it increased from 50.8% in 2015 to 54.7% in 2016, with an increase of 390 basis points in profitability, due to organic growth and exchange rate effects. At organic level, the improvement led to an increase in 200 basis points due to the favourable product/market mix of sales, attributable to various contrasting factors: the first quarter saw good organic growth in the United States and Italy, which more than offset the dilution from growth in less profitable countries such as Argentina. In addition, the mix was boosted by the reduced contribution of the less profitable sugar business in Jamaica.

Traditionally, the first quarter of the year is the period when consumption of the Group's products is at its lowest, which means that advertising and promotional costs as a percentage of sales are normally lower than the annual average (17.3% in the full year 2015). These costs were 16.0% of sales in the first quarter of 2016, a rise on the figure of 14.8% in the first quarter of the previous year.

The **contribution margin** for the quarter was € 126.7 million, an increase of +7.5% compared with last year, thanks to a combination of positive effects due mainly to organic growth of +10.5%, which was partially offset by a perimeter effect of -1.4% and and an exchange rate effect of -1.6%. Consequently, profitability as a percentage of sales increased by 270 basis points in total and 110 basis points at organic level.

Overheads fell slightly overall by -0.8% compared with the year-earlier period, due to an unfavourable exchange rate effect of -5.2% and organic growth of +4.5%. In the two periods under comparison, despite an overall +7.2% increase in sales, overheads as a percentage of sales fell by 20 basis points, including 60 basis points at organic level, from 22.4% in 2015 to 22.2% in 2016.

The result from recurring activities was € 53.9 million, an increase of +21.1% compared with the same period of last year.
As a percentage of sales, it was 16.5% compared with 13.6% last year, leading to a 290-basis point improvement, including 170 basis points at organic level, attributable to:

- an improvement in gross margin, which boosted profitability at organic level by 200 basis points;
- an increase in advertising and promotional costs, which had a dilutive effect of 90 basis points on profitability;
- a decrease in overheads with the resulting 60-basis-point positive effect on its percentage of sales.

The decrease in the perimeter effect on the result from recurring activities (-3.5%) was due to the effect of business sales and the termination of distribution agreements.

Non-recurring income and charges showed a net negative balance of € 6.0 million (of which € 2.5 million related to the acquisition of SPML and the rest to restructuring and sales of non-core businesses), while in 2015, the net balance was positive at € 3.9 million, due mainly to the sale of the Federated Pharmaceutical division in Jamaica.

The operating result for the first quarter of 2016 was € 47.9 million, a decrease of -0.9% compared with the first quarter of last year.
Stripping out the exchange rate and perimeter effects, organic growth was +8.5%.
The return on sales, i.e. the operating result expressed as a percentage of net sales was 14.6% (slightly less than in 2015), despite the negative impact of the non-recurring items in the period.

Depreciation and amortisation for the period totalled € 12.9 million, up by € 1.2 million from the first quarter of 2015.
EBITDA before non-recurring income and charges increased by +18.8% (+19.1% on a same-structure basis and at constant exchange rates) to € 66.8 million.
EBITDA came in at € 60.8 million, an increase of +1.2%.

Net financial charges in the first quarter of 2016, which include the effects of exchange rate differences, stood at € 13.7 million, slightly higher than the figure of € 12.5 million in the year-earlier period. The amount includes non-recurring income of € 5.3 million from sales of financial assets which were classified as available for sale on 31 December 2015, after the closure of pension plans in Jamaica.
Average net debt for the first quarter of 2016 (€ 874.5 million) improved compared with the year-earlier period (€ 991.4 million), while the average cost of debt, excluding exchange rate effects and non-recurring financial components, was 8,0%, compared with 5.7% in 2015. This increase was mainly due to the recognition of net financial liabilities arising from the issue of the Eurobond 2015 bond. These were not offset by the accrued interest on available liquidity, due to the negative carry, in an environment of close-to-zero market rates, relating to the cost paid on medium- and long-term debt.
Lastly, it should be recalled that debt for the first quarter of 2016 reflects the issue of the bond loan in both the medium- to long-term debt items and in cash and cash equivalents, and that the effect of the acquisition of SPML was € 125.5 million at 31 March 2016.

Group profit before tax was € 34.2 million in the first quarter of 2016, a fall of -4.3% year-on-year.

Financial position

Breakdown of net debt

	31 March 2016 € million	31 December 2015 € million	change € million
cash and cash equivalents	444.7	844.3	(399.6)
payables to banks	(29.1)	(29.3)	0.2
real estate lease payables	-	(0.1)	0.1
private placement and bond	(437.7)	(441.6)	3.9
other financial receivables and payables	340.7	50.1	290.6
short-term net cash position	**318.6**	**423.4**	**(104.8)**
payables to banks	(3.3)	(4.4)	1.1
real estate lease payables	(0.7)	(2.0)	1.2
private placement and bond (*)	(1,262.4)	(1,266.5)	4.0
other financial receivables and payables	29.2	28.2	1.0
medium-/long-term net financial position	**(1,237.3)**	**(1,244.7)**	**7.4**
debt relating to operating activities	**(918.7)**	**(821.2)**	**(97.4)**
payables for put options and earn-outs	(4.5)	(4.6)	0.1
net financial position	**(923.1)**	**(825.8)**	**(97.3)**

(*) including the relevant derivatives

The Group's net debt at 31 March 2016 was € 923.1 million, a net increase of € 97.3 million on the figure of € 825.8 million recorded at 31 December 2015. This was mainly due to the payment of the purchase price of € 125.5 million for the first block of shares in SPML.
It should be noted that the total implied equity value of 100% of SPML will be € 684 million while the implied enterprise value will be € 652 million, of which € 125.5 million have already been booked at 31 March 2016. For further information on the transaction, see section on 'Significant events during the period'.
The effect of fluctuating exchange rates during the two periods under comparison did not have a significant impact on the overall net financial position.

A breakdown of the net financial position at 31 March 2016 continued to show a positive split between short and medium/long-term debt.

The short-term final net cash position was € 318.6 million, a decrease of € 104.8 million compared with 31 December 2015, due to the acquisition of the first block of shares in SPML, totalling € 125.5 million.
The short-term debt position breaks down as follows:
- cash and cash equivalents of € 444.7 million;

- short-term net financial assets totalling € 340.7 million, mainly relating to financial receivables and securities of € 370.7 million, restricted deposits of € 3.2 million (including cash allocted to the purchase of the remaining shares of J. Wray & Nephew Ltd.) and net interest accrued on existing loans, totalling € 33.2 million;
- payables to banks totalling € 29.1 million;
- payables relating to bonds (nominal value of € 350 million maturing in October 2016) and private placement (nominal value of USD 100 million maturing in June 2016) totalling € 437.4 million. The remaining tranches of the Parent Company's bonds and Campari America's private placement are all classified as medium/long-term debt since they mature more than 12 months after the date of this Report.

The change compared with 31 December 2015 in cash and cash equivalents (which fell by € 399.6 million) and other financial receivables and payables (which rose by € 290.6 million) was essentially due to the allocation of financial resources for the successful outcome of the public purchase offer on the shares of SPML.

Medium-to-long-term debt of € 1,237.3 million, almost exclusively comprising existing bonds, decreased substantially due to changes in the US Dollar exchange rate during the period, which reduced the debt figure by € 4.4 million.

Separately, the Group's net debt included a financial payable of € 4.5 million, which was essentially unchanged from 31 December 2015, relating to the payment of the earn-out on Sagatiba and the residual debt for the repurchase of non-controlling interests associated with the Jamaican acquisition, described above.

It should be noted, lastly, that the agreements relating to a number of bond issues, the Parent Company's revolving credit facility and the Campari America private placement include negative pledges and covenants. The covenants include the Group's obligation to maintain particular levels for certain financial indicators, most notably the ratio of net debt to EBITDA. At 31 March 2016, this multiple was 2.4 (2.2 at 31 December 2015).

Operating working capital

The breakdown of the total change in operating working capital compared with 31 December 2015 and 31 March 2015 is as follows:

	31 March 2016	31 December 2015	change	of which organic	31 March 2015	change	of which organic
	€ million	€ million	€ million	€ million	€ million	€ million	€ million
receivables from customers	235.3	295.9	(60.6)	(57.4)	282.5	(47.2)	(26.7)
inventories, of which:							
- maturing inventory	*256.2*	*269.8*	*(13.6)*	*0.2*	*272.4*	*(16.2)*	*3.4*
- other inventory	*247.4*	*228.4*	*19.0*	*23.7*	*273.2*	*(25.7)*	*(8.8)*
total inventories	503.7	498.2	5.4	23.9	545.6	(41.9)	(5.4)
payables to suppliers	(182.2)	(217.2)	35.0	31.2	(201.1)	18.9	9.6
operating working capital	**556.8**	**576.9**	**(20.2)**	**(2.3)**	**627.0**	**(70.2)**	**(22.5)**
sales in the previous 12 months	1,656.8	1,656.8			1,598.6		
working capital as % of sales in the previous 12 months:	33.6	34.8			39.2		

At 31 March 2016, operating working capital totalled € 556.8 million, a decrease of € 20.2 million compared with the figure at 31 December 2015.
Net of the exchange rate effect, which reduced working capital by € 17.9, this item fell by € 2.3 million overall, in organic terms, in the first quarter.
Compared with 31 December 2015, organic seasonal effects in the first quarter caused a sharp decrease (of € 57.4 million) in the value of trade receivables, which at year-end traditionally show higher absolute values than during the next quarters. This reduction is almost entirely offset by an increase in inventories of finished goods (of € 23.9 million), ahead of the seasonal peak in the second half of the year, and by a reduction in the value of trade payables (of € 31.2 million).
Organic growth in inventories was attributable to a rise in finished product stocks and other merchandise of the Group, in the amount of € 23.7 million, while stocks of maturing inventory were broadly unchanged in organic terms. In relation to maturing inventory, located in the Americas and Scotland, the exchange rate effect was significant (€ 13.8 million), and had an impact on the overall reduction in stocks of maturing inventory.

With regard to a comparison with the year-earlier period, operating working capital at 31 March 2016 was down by € 70.2 million. This change was primarily due to significant exchange rate effects between the two dates under comparison, which led to a decrease in working capital of € 47.8 million. This resulted in an organic decrease of € 22.5 million.

Operating working capital as a percentage of net sales in the previous twelve months was 33.6%, a reduction compared with both the figure at 31 December 2015 (34.8%) and at 31 March 2015 (39.2%).

Events taking place after the end of the period

Innovation and new product launches

Other brands

The Group continued, in the first three months of the year, with its redesign of the GlenGrant packaging, especially for the 10-year-old single malt. A new 12-year-old product was also launched, exclusively for the Global Travel retail channel.

Other significant events

Ordinary shareholders' meeting of the Parent Company

On 29 April 2016, the ordinary shareholders' meeting of Davide Campari-Milano S.p.A. approved the 2015 financial statements and agreed the distribution of a dividend of € 0.09 per share outstanding, increased by 12.5% compared with the dividend paid for 2014.

The total dividend, calculated on the shares outstanding and excluding own shares (1,545,938 shares), was € 52,132,866.

The shareholders' meeting also:

- appointed the new board of directors for the three-year period 2016-2018. The new board comprises Giovanni Cavallini, Camilla Cionini-Visani, Luca Garavoglia, Thomas Ingelfinger, Robert Kunze-Concewitz, Annalisa Elia Loustau, Paolo Marchesini, Stefano Saccardi, Francesca Tarabbo e Catherine Gérardin Vautrin;
- appointed Marco P. Perelli-Cippo as honorary chairman of Davide Campari S.p.A.;
- renewed Luca Garavoglia's mandate as chairman for the three-year period 2016-2018;
- appointed the board of statutory auditors, also for the three-year period 2016-2018, comprising Pellegrino Libroia as chairman, and Enrico Colombo and Chiara Lazzarini as statutory auditors.

On 29 April 2016 the board of directors appointed Karen Guerra as directors, in place of Francesca Tarabbo.

Conclusions on the first quarter 2016 and outlook

In the first quarter of 2016 the Group delivered very positive results across all organic operating performance indicators. These results reflect the consistent execution of the Group's growth strategy, which is delivering a continuous improvement of the sales mix by brand and market. In particular, the positive momentum on the highmargin global priority brands continued, driving their outperformance of the Group's overall organic growth as well as the operating margin accretion. Moreover, the Group achieved a positive organic growth in all regions, particularly in the high margin developed markets, such as North America and Western Europe. However, it should also be noted that the first quarter is traditionally a small quarter and that this year the Group'r performance was impacted by some one-off's drivers, positive as well as negative. On the positive side, these results benefitted overall from an earlier Easter than in 2015 as well as from some shipments phasing in the US which will partially reverse in the next quarters. On the negative side, the Group's net sales performance was affected by a decline in the non-core and low margin sugar business in Jamaica due to temporary events which are not expected to reverse in the remainder of the year.

Given the above, notwithstanding the very positive start to the year in the first quarter 2016, the outlook shared at the beginning of the year remains unchanged. In particular, with reference to the macroeconomic environment, the Group expect the volatility in some emerging markets and the recent devaluation of the key foreign currencies to continue during 2016. At the same time, the Group remains confident to deliver a positive and profitable performance driven, on the one hand, by the growth of high-margin global priority brands, particularly aperitifs, American whiskies and Jamaican rums and, on the other hand, by the positive performance of the Group's core strategic markets. The Group expects to continue exploiting the growth potential of the key brands and markets thanks to the consistent investments in brand building, the positive contribution from innovation, and the continued contribution of the Group's strengthened route-to-market.

Lastly, with respect to the Group's scope, in the second half of the year the perimeter change will reflect the positive effects of the exclusive agreement for the worldwide distribution of the Grand Marnier spirits portfolio as well as the consolidation of SPML business. In particular, the effect of the latter event will vary based of the timing and the results of the Tender Offer, as described in the paragraph 'Significant events during the period'.

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 defined as they were in the 2015 annual report, are used to analyse the Group's performance in the 'Highlights' and 'Interim Report on Operations' sections

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), Monday 9 May 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, this interim report accurately represents the figures contained in the Group's accounting records.

Paolo Marchesini

Chief Financial Officer

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