DAVIDE CAMPARI-MILANO S.p.A.

Interim Report on Operations
at 31 March 2014

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Highlights

	31 March 2014 € million	31 March 2013 € million	Change %	% change at constant exchange rates
Net sales	**288.7**	**315.2**	**-8.4%**	**-1.7%**
Contribution margin	103.2	115.1	-10.4%	-3.7%
EBITDA before non-recurring income and charges	47.1	57.1	-17.5%	-11.0&
EBITDA	**46.1**	**61.0**	**-24.4%**	**-18.6%**
Result from recurring activities	38.3	47.6	-19.5%	-13.2%
Operating result	**37.3**	**51.5**	**-27.6%**	**-21.9%**
Operating margin (operating result/net sales)	**12.9%**	**16.3%**		
Profit before taxes	20.8	39.5	-47.3%	
Group profit before tax	**20.7**	**39.4**	**-47.4%**	

	31 March 2014 € million	31 December 2013 € million
Net debt	831.6	852.8

Corporate officers

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	Chief Executive Officer 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][5]
Camilla Cionini-Visani	Director and member of the Control and Risks Committee and the Remuneration and Appointments Committee [4][5]
Karen Guerra	Director
Thomas Ingelfinger	Director and member of the Control and Risks Committee and the Remuneration and Appointments Committee [4][5]
Marco P. Perelli-Cippo	Director

Board of Statutory Auditors[2]

Pellegrino Libroia	Chairman
Enrico Colombo	Standing Auditor
Chiara Lazzarini	Standing 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 30 April 2013 by the shareholders' meeting and will remain in office for the three-year period 2013-2015. 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 2015 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 functions, within the value or time limits deemed to fall outside ordinary activities.

[2] The Board of Statutory Auditors was appointed on 30 April 2013 by the shareholders' meeting for the three-year period 2013-2015.

[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][5] The Control and Risks Committee and the Remuneration and Appointments Committee were appointed by the Board of Directors on 30 April 2013 for the three-year period 2013-2015.

Interim report on operations

Significant events during the period

Acquisitions and disposals of companies, trademarks and distribution rights

Acquisition of Forty Creek Distillery Ltd.

On 12 March 2014, Gruppo Campari reached an agreement to acquire 100% of Forty Creek Distillery Ltd., a leading independently owned spirits company in Canada. The transaction is expected to close on 2 June 2014. The acquired business includes the full brand portfolio of forty Creek Distillery Ltd., the stocks, distilleries and manufacturing facilities and a hospitality centre located in Grimsby, Ontario (Canada).

This transaction enables the Group to build its critical mass in key North American markets and marks its first move into the important Canadian whisky segment with a portfolio of premium products. Moreover it adds a high-quality brand to its current portfolio of brown spirits, a strategic high potential category, especially in the US market.

The product portfolio includes whisky, vodka, brandy, rum and liqueurs, with Forty Creek whisky as its core brand. The Forty Creek whisky family includes Barrel Select, Copper Pot Reserve and Forty Creek Cream Whisky and offers high-end limited releases including Forty Creek Confederation Oak, Double Barrel and a special John K. Hall Reserve release. Forty Creek is the fastest growing brand in the Canadian whisky category in Canada, and it is well positioned in the high potential US market.

The final Enterprise Value, on a cash free/debt free basis, is CAD 198.2 million (€ 128.7 million at the exchange rate at the acquisition announcement date), including a price adjustment of CAD 12.6 million thanks to a stronger than expected finish of the fiscal year ended March 31, 2014 in terms of Net sales (CAD 40.3 million) and EBITDA (CAD 13.7 million). The total Enterprise Value, including the price adjustment, corresponds to a multiple of EBITDA for the fiscal year ended March 31, 2014 unchanged at 14.5 times. The transaction is expected to close on June 2, 2014 and the consideration will be paid in cash.

Acquisition of the distribution of Sambuca Molinari in Germany and the duty free channel

In February 2014, the Group signed an agreement with the family that owns the brand to distribute Sambuca Molinari Extra in Germany and some selected markets from 1 April 2014. The agreement also includes the distribution of Molinari Caffè in Germany.

Sale of CISC ‘Odessa Sparkling Wine Company’ in Ukraine

On 13 February an agreement was reached to sell CISC 'Odessa Sparkling Wine Company', the owner of the Odessa sparkling wine brand, with the closing date on 24 April.

At 31 December 2013, the Group had already adjusted the company's asset values to the estimated sale value, resulting in a total write-down of € 4.1 million.

It should be noted that the trading company Campari Ukraine LLC took over the distribution of other products of the Group in Ukraine from CISC 'Odessa Sparkling Wine Company' in October 2013.

Termination of the distribution of Cachaca 51 and Rum Santa Teresa in Italy

In the first few months of 2014, the agreements to distribute Cachaca 51 and Rum Santa Teresa were terminated in order to promote the distribution of the Group’s own products, Sagatiba and Appleton.

Termination of the distribution of Flor de Caña in the US

In the first few months of 2014, the agreements to distribute Flor de Caña in the US were terminated in order to focus on the distribution of the Appleton rum portfolio.

Termination of the distribution of Kimberly Clark consumer products in Jamaica

In February, the agreements to distribute Kimberly Clark consumer products in Jamaica were terminated. The decision is consistent with the Group's desire to increase its focus on distribution agreements with higher profitability.

Innovation and new product launches

Launch of Crodino Twist

In January 2014, a new product was launched in Italy created with two flavours from the Crodino brand - Crodino Twist Orange and Crodino Twist Red Fruits - both in larger sizes than the current Crodino.

Launch of the new flavours of SKYY Green Apple Liqueurs

In the first few months of 2014, the Green Apple flavour of the SKYY liqueurs was launched in Italy, with the aim of expanding the distribution of these products.

Launch of Mondoro Vermouth

In early 2014, the line extension in the premium vermouth segment of the Mondoro brand was launched in Russia. The new product, which is in addition to Mondoro sparkling wine that is currently sold in Russia, aims to increase the brand's presence in the premium market segment.

Launch of the new Cinzano Vermouth drink

In the first few months of 2014, the new Cinzano 1757 drink, a red vermouth that takes its name from the year the brand was created, was launched in Argentina and Italy. It will be positioned in the premium vermouth segment.

Other significant events

Sponsorship agreement between Aperol and Manchester United

In January 2014, Aperol announced its partnership with Manchester United.
Aperol will be the club's Official Global Spirits Partner from 1 January 2014 until the end of the 2016-2017 season. The brand will be present on Old Trafford's digital advertising board during home games of the Premier League, FA Cup and Capital One Cup. A 360° launch programme was also activated in the key markets, with above-the-line and below-the-line communication, which includes on-trade, digital and public relations activities.

Purchase of own shares

Between 1 January and 31 March 2014, the Group bought 800,000 own shares at an average price of € 5.86, and sold 643,162 shares as a result of stock option exercises.
At 31 March 2014, the Parent Company held 5,273,662 own shares, equivalent to 0.91% of share capital.

Sales performance

Overall performance

In the first quarter of 2014, the Group's net sales totalled € 288.7 million, an overall 8.4% decrease from last year. The change, broken down by organic, external and exchange rate components, is as follows:

	€ million	% change vs. Q1 2013
Net sales in Q1 2014	288.7	
Net sales in Q1 2013	315.2	
Total change	**-26.5**	**-8.4%**
of which:		
Organic change	-9.5	-3.0%
External change	4.1	1.3%
Exchange rate effect	-21.1	-6.7%
Total change	**-26.5**	**-8.4%**

- **Organic change**

The organic reduction of 3.0% during the quarter is analysed in detail by market and brand in the following paragraphs.
Following two consistently solid monthly performances, weaker shipments in March impacted full quarterly results. Specifically, the end of the quarter was affected by a slowdown in Russia due to a less dynamic market and tightened credit control, shipment phasing in the US, and the late Easter which resulted in shifting key promotional programs, and thus shipments, into the second quarter in most European markets.
As a total, during the quarter under review, satisfactory performance in certain countries such as Italy, Brazil and Argentina offset double-digit sales decreases in Russia and Jamaica and the smaller decrease in other markets such as the US, Germany and Australia.
Furthermore, the decrease during the period was affected by the decline in sales in the sparkling wine area, which on the whole were down by about 10%, and especially Cinzano and Mondoro, which were heavily affected by the ongoing crisis in the Russian market.
Lastly, it should be noted that the seasonality of the Group's business traditionally results in a first quarter that is less significant with respect to overall shipments than other quarters of the year.

- **External change**

External growth of 1.3% was attributable to the net effect of acquisitions, new distribution agreements and the termination of distribution agreements. It should be noted that the agreements reached during the quarter to acquire Forty Creek Distillery Ltd are not reflected in the external change for the period since the closing is scheduled for June 2014.
The main components of this change were:

- the distribution, from 1 July 2013, of the entire William Grant&Sons portfolio in Germany including Glenfiddich, Grant's and Balvenie Scotch whisky, Sailor Jerry rum and Hendrick's gin;
- the acquisition in September 2013 of the Copack business in Australia;
- the distribution of other third-party brands including Bulldog Gin from 1 January 2014;
- the termination of several distribution agreements, including Kimberly Clark in Jamaica, Russian Standard vodka in Germany and Caffè Lavazza in Russia.

The impact of these factors on the quarterly sales is analysed in the table below:

Breakdown of external change	% change vs. Q1 2013	€ million
Distribution of William Grant&Sons in Germany (*)	1.5%	4.7
Other third-party brands distributed	0.2%	0.8
New bottling business in Australia	0.9%	2.8
Termination of distribution for third parties	-1.3%	-4.2
Total external change	**1.3%**	**4.1**

(*): excluding Tullamore Dew Irish whisky previously distributed by the Group in the market since 2012

- **Exchange rate effect**

The negative exchange rate effect (6.7%) was due to the large devaluation in average exchange rates compared to 2013 on some of the functional currencies of Group companies such as the Jamaican Dollar (-14.9%), the Argentine Peso (-36.6%), the Australian Dollar (-16.8%), the Brazilian Real (-18.7%), the Russian Rouble (-16.5%) and the US Dollar (-3.6%).

The table below shows the average exchange rates for the first quarter of 2014 and spot rates at 31 March 2014 for the Group's major currencies, together with the percentage change compared with the corresponding exchange rates in 2013.

	Average exchange rates		Spot exchange rates	
	Q1 2014 :1 Euro	Change compared to 2013 %	31 March 2014 :1 Euro	Change compared to 2013 %
US Dollar (USD)	1.370	-3.6%	1.379	-7.1%
Jamaican Dollar (JMD)	147.445	-14.9%	150.697	-16.5%
Mexican Peso (MXN)	18.135	-8.0%	18.015	-12.2%
Brazilian Real (BRL)	3.240	-18.7%	3.128	-17.8%
Argentine Peso (ARS)	10.448	-36.6%	11.035	-40.6%
Russian Rouble (RUB)	48.090	-16.5%	48.780	-18.5%
Australian Dollar (AUD)	1.527	-16.8%	1.494	-17.6%
Chinese Yuan (CNY)	8.359	-1.7%	8.575	-7.2%
UK Pound (GBP)	0.828	2.9%	0.828	2.1%
Swiss Franc (CHF)	1.224	0.4%	1.219	-0.0%

In the following paragraphs, changes in quarterly sales are analysed in relation to performance in the Group's key markets. In terms of organic change for the period, the trends for the core products in each of the major markets are discussed. Lastly, the performance of the main brands is shown at global level.

Sales by region

The breakdown of business by region, shown in the following table, is broadly in line with that in 2013. However, there was a slight increase in contribution to consolidated sales of Italy and other European countries compared with the Americas and Rest of the world, due to an organic decrease and a significant exchange rate effect that negatively affected some of the markets in these two areas.

	2014		2013		% change
	€ million	%	€ million	%	2014 / 2013
Americas	118.7	41.1%	142.2	45.1%	-16.5%
Italy	78.7	27.3%	75.0	23.8%	4.9%
Rest of Europe	61.0	21.1%	60.4	19.2%	1.0%
Rest of the world and duty free	30.3	10.5%	37.6	11.9%	-19.3%
Total	**288.7**	**100.0%**	**315.2**	**100.0%**	**-8.4%**

- **Americas**

The Americas posted an organic decrease of 4.8%. In this region sales are broken down into the main markets with organic, external and exchange rate changes provided for these markets:

	Percentage	2014		2013		% change
	of Group sales	€ million	%	€ million	%	2014 / 2013
US	20.2%	58.3	49.1%	61.8	43.5%	-5.7%
Jamaica	9.9%	28.6	24.1%	46.6	32.8%	-38.5%
Brazil	3.9%	11.3	9.5%	12.6	8.9%	-10.5%
Argentina	2.8%	8.1	6.8%	8.7	6.1%	-6.7%
Canada	1.8%	5.2	4.4%	6.6	4.6%	-20.7%
Other countries	2.5%	7.2	6.0%	5.9	4.2%	20.6%
Total Americas	**41.1%**	**118.7**	**100.0%**	**142.2**	**100.0%**	**-16.5%**

Breakdown of % change	Total	Organic change	External change	Exchange rate effect
US	-5.7%	-2.8%	0.6%	-3.5%
Jamaica	-38.5%	-25.6%	-2.2%	-10.7%
Brazil	-10.5%	10.0%	0.0%	-20.5%
Argentina	-6.7%	47.3%	0.0%	-54.0%
Canada	-20.7%	-10.7%	0.0%	-10.0%
Other countries	20.6%	34.6%	4.4%	-18.4%
Total Americas	**-16.5%**	**-4.8%**	**-0.3%**	**-11.4%**

In the **US**, which is the Group's second largest market after Italy with 20.2% of consolidated revenues, and the main market in the Americas, the organic decrease of 2.8% was due to a positive start-up of shipments in January and February which was negatively impacted by slower shipments in March affecting sales performance for the entire quarter.
SKYY, which is ranked first in the Group's sales in the US, the market representing 75% of sales for the entire franchise, posted an organic decrease of 8.7% due to the continuing weak performance of SKYY Vodka which was partially offset by the excellent performance of the Infusions range, which had double-digit growth, due in part to the positive impact of the launch of new flavours, and especially vanilla and peach, which were launched at the end of 2013 and were well received by the market.
Wild Turkey, which is ranked second in the Group's sales in the US, the market representing 53.7% of sales for the entire franchise, ended the period with an organic decrease of 4.1%. Note that the comparison with the corresponding quarter of 2013 is affected by high sales reported in March 2013 in anticipation of price increases applied in the second quarter.
Within the franchise, an organic loss of 4.8% was posted for Wild Turkey and 2.8% for American Honey. It should be stressed that both brands showed signs of positive depletion following the good performance and growth in the whisky and flavoured whisky markets.
The category of Italian **aperitifs** and specialties was particularly strong with excellent performance in the US. The most important products in this category include Campari, for which the US is the brand's fifth largest market, as well as Aperol, despite the relatively small percentage of the latter out of the total portfolio.
Lastly, there was also a positive organic contribution from Carolans (+15.2%) and Espolòn tequila (+35.6%). Performance was positive for the portfolio of Jamaican rums (Appleton and W&N White Overproof), for which the implementation of new marketing strategies is planned for the second half of the year.

In **Brazil** and **Argentina**, which are the Group's sixth and seventh largest markets representing 3.9% and 2.8% of consolidated sales respectively, performance of the Group's premium brands was particularly impressive. Organic growth was 10.0% and 47.3% respectively.
Of the premium brands, **Campari**, which counts these countries as the second and third most important markets, continues its positive consumption trend, especially with the recruitment of new consumers. In fact, the brand grew by 17.2% in Brazil and continues to show triple-digit growth in Argentina.
SKYY franchise for which Brazil represents the second largest market globally, grew 17.6% also thanks to effective promotional campaigns during the Carnival period in Rio de Janeiro.

Local brands in the Brazilian market posted overall good performance (+2.3%) due to **Dreher's** sound performance, which offset the negative trend reported for **Admix Whiskies**.
Cinzano vermouth continues to report excellent performance in Argentina with organic growth of 15.1%.

Sales in **Jamaica,** the Group's third largest market with 9.9% of consolidated revenues, were down by 25.6%.
In addition to the previously noted effect from the overall organic reduction resulting from the merchandise and sugar business, there was an organic reduction of the rum portfolio that had lower sales due to the impact of different shipment phasing compared with the first quarter of 2013 both in domestic and export markets. It is projected that this temporary impact, which partially affected stock levels in many markets, will, to a large extent, be reabsorbed during the year.

In **Canada**, where Appleton represents nearly half of the revenues, the organic reduction reported for this brand (11.1%) was also impacted by the effects noted above. This impact more than offset the good performance of other major brands in this market such as Campari and SKYY Vodka. Overall, sales for the area were down organically by 10.7% during the period.

- **Italy**

Italy, which accounts for 27.3% of consolidated sales, grew by 5.2% in the first quarter on an organic basis. It should be recalled that in 2013 the market experienced a considerable mismatch between sales and consumption due to the introduction of new legislative provisions concerning payment terms that had a sharp impact on sales in the first quarter, the effects of which were gradually absorbed in later quarters leading to a gradual recovery in the growth of the main brands.
In particular, in the first quarter of 2014, in the area of long aperitifs, **Campari**, the Group's largest brand, grew by 7% in Italy, the largest of the brand's core markets. **Aperol**, a brand for which Italy accounts for about 58% of sales, ended the quarter with a moderate performance due to tough comps of the first quarter of 2013. With regard to single-serve aperitifs, excellent performance was posted by **Campari Soda** (+14.4%) and by **Crodino**, which grew by 25.8% also thanks to the excellent launch of the new product Crodino Twist, which has been distributed since January 2014 in both the on-trade and off-trade channels. In the area of soft drinks, **Lemonsoda** grew by 13.9%.
Both Sella&Mosca still wines and Cinzano (sparkling wines and vermouth) rose substantially with growth of 13.3% and 23.2% respectively.
In addition, it should be noted that the timing of the Easter holidays, which were later than the previous year, had a negative impact on the quarterly sales in Italy and led to the shift t of several orders to the second quarter.

- **Rest of Europe**

Organic growth of 0.4% in the Rest of Europe can be broken down into the following main markets:

	Percentage	2014		2013		% change
	of Group sales	€ million	%	€ million	%	2014 / 2013
Germany	9,4%	27,1	44,4%	26,0	43,1%	4,1%
Russia	2,5%	7,2	11,7%	12,7	21,1%	-43,8%
Other countries	9,3%	26,8	43,9%	21,6	35,8%	23,8%
Total Rest of Europe	**21,1%**	**61,0**	**100,0%**	**60,4**	**100,0%**	**1,0%**

Breakdown of % change	Total	Organic change	External change	Exchange rate effect
Germany	4,1%	-5,7%	9,8%	0,0%
Russia	-43,8%	-24,0%	-8,7%	-11,1%
Other countries	23,8%	22,2%	2,1%	-0,5%
Total Rest of Europe	**1,0%**	**0,4%**	**3,1%**	**-2,5%**

Germany, which is the Group's fourth largest market with about 10% of consolidated sales and the most important country in the Rest of Europe area, posted an organic decline of 5.7%, which was more than offset by the external component (+9.8%) from the distribution of the entire William Grant&Sons portfolio, net of certain brands that are no longer distributed, including Russian Standard.
With regard to this market, it should also be noted that the organic portion of the business was impacted by a late Easter holiday, which led to the shift of several orders to the second quarter. As a result, **Campari**, **Cinzano**, **SKYY**

Vodka, **Ouzo** and **GlenGrant** posted a decrease, which was partly offset by the good performance of **Aperol**, which resumed its growth in the first quarter (+6.5%), **Frangelico**, **Cynar**, **Crodino** and third party brands.

In **Russia**, the second-largest market in the Rest of Europe area, registered an organic decline of 24.0% due to the significant slowdown affecting the Russian economy due to both internal and external pressures, including the heavy political crisis in Ukraine which is still unfolding. The rouble suffered repercussions from this crisis losing 16.5% in comparison to average rates for the first quarter of 2013. However, in this highly unstable environment, the premium market segment is less affected than value products.
In this difficult situation, the Group has prioritized credit control to avoid negative impact on future profitability in the area. As a result, the main brands in that market, **Mondoro**, **Cinzano sparkling wine** and **Cinzano vermouth** posted organic declines of 32.2%, 1.3% and 44.9% respectively.

The **other countries in the area** had impressive results on the whole, with organic growth of 22.2%, due in particular to **Austria**, **France** and **Belgium**. The three most important brands in these countries, **Campari**, **Aperol** and **GlenGrant** posted double-digit growth.

- **Rest of the world and duty free**

The Rest of the world area, which posted an organic decline of 18.0%, can be broken down among Australia and other countries in the area, including the duty free channel:

	Percentage	2014		2013		% change
	of Group sales	€ million	%	€ million	%	2014 / 2013
Australia	5,0%	14,6	48,0%	14,8	39,4%	-1,6%
Other countries	5,5%	15,8	52,0%	22,8	60,6%	-30,8%
Total Rest of the world	**10,5%**	**30,3**	**100,0%**	**37,6**	**100,0%**	**-19,3%**

Breakdown of % change	Total	Organic change	External change	Exchange rate effect
Australia	-1,6%	-4,6%	19,0%	-16,0%
Other countries	-30,8%	-26,6%	0,2%	-4,3%
Total Rest of the world	**-19,3%**	**-18,0%**	**7,6%**	**-8,9%**

The sharp decline in the area was due to the large decrease in the duty free channel as a result of a change in promotional phasing as compared to 2013. Excluding this part of the business, the area had an organic decrease of 7.0%.
Australia is the main market in this area with 5% of consolidated sales (the Group's fifth largest market) and 60% of sales in the area excluding duty free. In this market there was an organic decrease of 4.6% due to **American Honey** and **American Honey ready-to-drink**, and it was only partially offset by the stable performance of other core brands such as **Wild Turkey ready-to-drink** and **Riccadonna**, but also by the good performance of brands such as Campari and Aperol with a growing importance in this market. However, it should be noted that the Australian market continues to face strong competitive pressure in the brown spirits segment leading to conservative projections for the remainder of the current year despite Group performance which continues to be satisfactory in comparison to leading market competitors.

Among the other countries in this area, Nigeria, China and South Africa reported good performance (+83.6%, +11.1% and +36.3% respectively) making it possible to recover lagging performance reported in Japan (-40.6%) and New Zealand (-35.5%). In particular, the leading brands in the area include Campari and SKYY Vodka with good performance, which was partially offset by decreases in Wild Turkey and Jamaican rums.

Sales by major brands at the consolidated level

Below is a summary of organic and total growth of the Group's major brands in the first quarter with comments on the most significant organic changes to supplement information already provided on individual markets.

	Percentage of Group sales	Organic change %	Total change %
Top Franchises			
Campari	10,1%	17,2%	8,0%
Aperol	9,4%	11,1%	10,5%
SKYY	10,5%	-4,0%	-8,8%
Wild Turkey	8,7%	-6,5%	-15,4%
Jamaican rums	6,4%	-13,5%	-23,3%
Cinzano	5,1%	-12,5%	-22,6%
Local brands			
Campari Soda	5,3%	15,3%	15,3%
Crodino	4,2%	24,6%	24,6%
Lemonsoda drinks	2,4%	12,7%	12,7%
Brazilian brands (Old Eight, Drury's and Dreher)	1,9%	2,3%	-16,7%
Other liqueurs, wines, tequila and Scotch whisky			
Carolans and Frangelico	3,0%	0,8%	-4,5%
Tequila (Cabo Wabo and Espolòn)	1,5%	0,5%	-4,2%
GlenGrant and Old Smuggler	1,7%	-2,9%	-13,1%
Other sparkling wines (Riccadonna and Mondoro)	1,8%	-14,8%	-26,0%
Sella & Mosca wines	1,2%	-4,0%	-4,1%

Campari, which represented about 10% of the Group's sales in the first quarter, generated organic growth of 17.2% during the quarter, which, in absolute terms, is the largest contributor to the total organic component during the period.
This growth came from all the major markets analysed above, Italy (+7.0%), Brazil (+17.3%) and Argentina (+144.2%), while the reduction reported in Germany (-10.8%) was mainly absorbed by good performance in other markets in central Europe (Austria, France and Belgium) and the ongoing growth in new markets such as Nigeria.

Aperol, which represented about 9% of consolidated sales, reported organic growth of 11.1% due to good performance in Germany (+6.5%) and other markets in central Europe, and flat sales in Italy.

The **SKYY** franchise, which represents about 10% of the Group's sales, ended the quarter with an organic decline of 4.0%.
The market that contributed most to this decrease was the US, a core market for this franchise, due to the effects explained above in the market analysis.
Within this franchise, with the launch of the new peach and vanilla flavours, SKYY Infusions posted positive performance of 11% in the US, which partially offset the organic decrease (13.6%) in SKYY Vodka sales.
With regard to other countries, SKYY Vodka performed well in Brazil (+18.2%), Canada (+8.0%), South Africa and Argentina with triple-digit growth in the latter two markets, while results in other countries such as Italy and Germany were mostly unchanged.

The **Wild Turkey** franchise, which represents about 9% of the Group's revenues, posted an organic decline of 6.5% brought about by its three core markets, the US, Australia and Japan, which account for 95% of its overall sales.
In particular, in Australia the decrease was due to American Honey and American Honey ready-to-drink, which suffered most from the tensions in the brown spirit market, while Wild Turkey ready-to-drink, the market's leading brand, remained stable.
In the US and Japan, the phasing of sales should absorb the quarterly decrease during the year.

The Jamaican rums, **Appleton Estate**, **W&N White Overproof** and **Coruba**, were down by 13.5% overall on an organic basis. Several key markets such as Jamaica, Canada, New Zealand and the UK posted a decrease that was only partially offset by modest gains in the US due to a change in the phasing of sales from 2013, the first year the acquisition was consolidated.

The **Cinzano** franchise, which represents about 5% of consolidated sales, posted an organic decrease of 12.5% during the quarter due to the previously noted impact from the crisis in the Russian market (-24.0%) and the decline in Germany (due in part to the timing of the Easter holidays), which were only partially offset by growth in the Argentine, US and Italian markets.

Carolans and **Frangelico**, which represent about 3% of consolidated revenues, generated organic growth of 0.8% during the quarter. To be specific, Carolans had satisfactory performance in its main market, the US.

Cabo Wabo and **Espolòn** tequilas, which represent about 1% of the Group's revenues, rose on the whole by 0.5% due to Espolòn's contribution in its main market, the US, and Cabo Wabo's contribution in other markets with a growing importance for the brand such as Canada and Australia.

Campari Soda and **Crodino,** which on the whole represent about 9% of the Group's sales, and the revenues from which are nearly totally concentrated in Italy, reported growth of 15.3% and 24.6% respectively during the quarter. Although it is still difficult to assess the performance of the January launch of Crodino Twist, it appears to be well received in both the on-trade and off-trade distribution channels.

Income statement

The situation outlined in the section above, depicting an organic reduction in sales and a sharp negative exchange rate effect, led to a decrease in the Group's operating results in the first quarter of 2014.

Specifically, the first quarter of the year, which, due to the seasonality of the business, contributes less to annual profitability, had a rather slow start that led to an organic reduction in sales of 3.0% and a 13.0% organic reduction in operating result before non-recurring components.

In addition, quarterly figures were affected by the devaluation of several currencies with respect to both sales (-6.7%) and result from recurring activities (-6.3%). It should be recalled that about 50% of the Group's consolidated sales are exposed to the fluctuations of exchange rates of currencies other than the Euro, and about 20% of sales are generated in US Dollars. However, the Group's direct presence in several markets makes it possible to recover a portion of these fluctuations at the level of profits as a result of costs incurred by subsidiaries in their functional currencies.

Therefore, looking at total changes including organic, external and exchange rate components, the result from recurring activities was down as compared to the first quarter of 2013 in both absolute terms (-19.5%) and as a percentage of sales (13.3% in 2014 compared to 15.1% in 2013) with a dilution of profitability of 180 basis points.
The following table provides a breakdown of the total change in organic and external growth and the exchange rate effect.

	31 March 2014	31 March 2013	Total change	of which:		
				organic	external	exchange rate
	€ million	€ million	%	%	%	%
Net sales	**288.7**	**315.2**	**-8.4%**	**-3.0%**	**1.3%**	**-6.7%**
Cost of goods sold after distribution costs	(143.7)	(154.8)	-7.1%	-2.8%	2.5%	-6.7%
Gross profit after distribution costs	**145.0**	**160.4**	**-9.6%**	**-3.2%**	**0.2%**	**-6.7%**
Advertising and promotional costs	(41.8)	(45.3)	-7.7%	-2.1%	0.8%	-6.4%
Contribution margin	**103.2**	**115.1**	**-10.4%**	**-3.6%**	**-0.1%**	**-6.8%**
Overheads	(64.8)	(67.5)	-4.0%	3.0%	0.0%	-7.0%
Result from recurring activities	**38.3**	**47.6**	**-19.5%**	**-13.0%**	**-0.2%**	**-6.3%**
Non-recurring income (charges)	(1.1)	3.9	-127.4%	-	-	-
Operating result	**37.3**	**51.5**	**-27.6%**	**-**	**-**	**-**
Net financial income (expense)	(16.5)	(12.0)	37.5%	-	-	-
Profit before tax and non-controlling interests	**20.8**	**39.5**	**-47.3%**	**-**	**-**	**-**
Non-controlling interests	(0.1)	(0.1)	-3.8%	-	-	-
Group profit before tax	**20.7**	**39.4**	**-47.4%**	**-**	**-**	**-**
Total depreciation and amortisation	(8.8)	(9.5)	-7.5%	-4.0%	3.7%	-7.2%
EBITDA before non-recurring income and charges	**47.1**	**57.1**	**-17.5%**	**-11.5%**	**0.4%**	**-6.5%**
EBITDA	**46.1**	**61.0**	**-24.4%**	**-**	**-**	**-**

The following table provides a breakdown of the income statement with respect to profitability as a percentage of sales with a separate indication of profitability on an organic basis with the resulting variation of profitability, expressed in basis points, as compared to 2013.

Summary of profitability as % of sales	At 31 March 2014		At 31 March 2013	Variation of profitability	
	Total	Recalculated on a same-perimeter basis at 2013 (*)	Total	Total	Organic (**)
	%	%	%	basis point	basis point
Net sales	**100.0**	**100.0**	**100.0**	**-**	**-**
Cost of goods sold after distribution costs	-49,8	-49,2	-70	-70	-10
Gross profit after distribution costs	50,2	50,8	50,9	-70	-10
Advertising and promotional costs	-14,5	-14,5	-14,4	-10	-10
Contribution margin	**35,7**	**36,3**	**36,5**	**-80**	**-20**
Overheads	-22,5	-22,8	-21,4	-100	-130
Result from recurring activities	**13,3**	**13,6**	**15,1**	**-180**	**-160**
Non-recurring income (charges)	-0,4	-	1,2	-	
Operating result	**12,9**	**-**	**16,3**	**-**	
Net financial income (expense)	-5,7	-	-3,8	-	
Profit before tax and non-controlling interests	**7,2**	**-**	**12,5**	**-**	
Non-controlling interests	0,0	-	0,0	-	
Group profit before tax	**7,2**	**-**	**12,5**	**-**	
Total depreciation and amortisation	-3,0	-3,0	-3,0	3	
EBITDA before non-recurring income and charges	**16,3**	**16,5**	**18,1**	**-180**	**-160**
EBITDA	**16,0**	**16,2**	**19,3**	**-340**	

(*): At 31 March 2014, profitability, which was recalculated on a same-perimeter basis as 2013, was calculated on the pro-forma income statement that excludes both perimeter effects and exchange rate effects for the period.
(**): Organic variation of profitability is equal to the difference between profitability recalculated on a same-perimeter basis as 2013 and profitability for 2013.

Net sales for the quarter were € 288.7 million, a decrease of 8.4% compared to the first quarter of 2013. This change was due to negative effects such as the adverse impact of exchange rates (6.7%) and the organic decrease in sales (3.0%) that were only partially offset by external growth of 1.3%. See the section above for more detailed comments on these effects and changes in sales by region and business area.

Gross margin was € 145.0 million, a decrease of 9.6% compared to the first quarter of 2013.
The 70 basis-point dilution in gross margin in the first quarter of the year was entirely due to external growth and exchange rate effects. Thus, this measure as a percentage of sales went from 50.9% in 2013 to 50.2% in 2014, while on an organic basis (50.8% of sales), it remained essentially in line with the previous year .
In fact, compared to the first quarter of 2013, the increase in the production costs (raw materials and labour) per unit, was almost entirely absorbed by the increase in net sales prices, and the sales mix effect was neutral.

Historically the first quarter of the year is the low-season period for the consumption of the Group's products, and it is characterised by a lower percentage of **advertising and promotional costs** than the yearly average (16.4% in the full year 2013): in the first quarter of 2014, this measure was 14.5% of sales, which was essentially in line with the first quarter of the previous year at 14.4%.

Contribution margin for the quarter was € 103.2 million, a decrease of 10.4% compared to last year as a result of a negative exchange rate effect of 6.8% and an organic decrease of 3.6%.

During the quarter, **overheads** were down by 4.0% due to a positive exchange rate effect of 7%, which was partially offset by organic growth of 3.0% that was attributable to the effect of inflation as compared to 2013 and the Group's direct presence in a growing number of markets.
Moreover, in the two periods being compared, despite an overall 8.4% decline in sales, overheads as a percentage of sales rose by 100 basis points from 21.4% in 2013 to 22.5% in 2014.

The **result from recurring activities** totalled € 38.3 million, a decrease of 19.5% compared to last year. This measure as a percentage of sales was 13.3% compared to 15.1% last year leading to a 180 basis-point dilution due to:

- an overall dilution in gross margin (70 basis points);
- a slight overall increase in advertising and promotional costs (10 basis points);
- a total increase in overheads (100 basis points) mainly due to the organic component as noted above.

Net of negative variations in perimeter (-0.2%) and negative exchange differences (-6.3%), the result from recurring activities was down by 13.0% on an organic basis, and the organic dilution of profitability was 160 bps.

Net **non-recurring income and charges** were negative at € 1.1 million, while the net balance in 2013 was positive at € 3.9 million from capital gains on the sale of assets. The net negative balance for the first quarter of 2014 was due to restructuring costs of € 0.7 million and miscellaneous non-recurring charges of € 0.4 million.

The **operating result** for the first quarter of 2014 was €37.3 million representing an overall decrease of 27.6% compared to the first quarter of last year.
Net of the negative impact of exchange rate changes (5.6%), the decrease was 21.9%.
The return on sales, i.e., operating result expressed as a percentage of net sales, dropped to 12.9% (16.3% in 2013) as a direct result of non-recurring charges for the period.

Overall **depreciation and amortisation** for the period totalled € 8.8 million, which was down by € 0.7 million from the first quarter of 2013.
EBITDA before non-recurring income and charges amounted to €47.1 million reflecting a decrease of 17.5% (-11.5% on a same exchange rate and perimeter basis).
EBITDA was € 46.1 million, a decrease of 24.4% (-18.6%on a same exchange rate and perimeter basis).

In the first quarter of 2014 **net financial expenses** totalled € 16.5 million, an increase of € 4.5 million over the corresponding period in 2013 when this figure was € 12.0 million.
Average net debt in the first quarter of 2014 (€ 842.2 million) was lower than the average for the first quarter of 2013 (€ 891.9 million). It should be noted that debt at the end of the period did not include the cost of acquiring Forty Creek Distillery (and of the Averna Group, referred to in the paragraph 'Events taking place after the end of the period') since the closing of both operations is scheduled for June 2014.
Average borrowing costs, excluding effects from exchange rates differences, were in line with the previous year (6.9%).

Group profit before tax in the first quarter of 2014 was € 20.7 million, a 47.4% decrease compared to 2013 (-42.6% at constant exchange rates).

Statement of financial position

Breakdown of net debt

	31 March 2014 € million	31 December 2013 € million	Change € million
Cash and cash equivalents	379,2	444,2	(65,0)
Payables to banks	(15,8)	(122,3)	106,5
Short-term portion of private placement	(29,0)	(28,9)	(0,0)
Other financial receivables and payables	(16,5)	18,9	(35,4)
Short-term net cash position	**318,0**	**311,9**	**6,1**
Payables to banks	(0,5)	(0,6)	0,0
Real estate lease payables	(0,9)	(1,3)	0,3
Private placement and bonds (*)	(1.168,2)	(1.167,7)	(0,5)
Other financial receivables and payables	24,8	9,6	15,2
Medium-/long-term net debt	**(1.144,8)**	**(1.159,9)**	**15,1**
Debt relating to operating activities	**(826,9)**	**(848,0)**	**21,1**
Payables for the exercise of put options and potential earn-out payments	(4,8)	(4,8)	(0,0)
Net debt	**(831,6)**	**(852,8)**	**21,1**

(*) including the relevant derivatives

At 31 March 2014 the Group's net debt was € 831.6 million, an improvement of € 21.1 million compared to 31 December 2013 (€ 852.8 million) due to the generation of cash during the period.
As noted above, the debt at the end of the period did not include the cost of acquiring Forty Creek Distillery (and of the Averna Group, referred to in the paragraph 'Events taking place after the end of the period') since the closing is scheduled for June 2014.
The Group's net debt at 31 March 2013 was € 914.1 million.

In terms of the structure of the net financial position, the generation of cash during the quarter resulted in an improvement in the medium-term financial position of € 15.1 million and in the short-term financial position (€ 6.1 million).

Overall, currency fluctuations between the two dates under comparison resulted in a positive effect on consolidated net financial position of € 1.8 million.

Separately, the Group's net debt included a financial payable of € 4.8 million, which was essentially unchanged from 31 December 2013, for the payment of the earn out on Sagatiba and the remaining debt for the repurchase of minority interests related to the Jamaican acquisition.

Operating working capital

The table below shows figures corresponding to 31 March 2014 compared to those at 31 December 2013 and 31 March 2013; in addition, operating working capital is shown, for each period, as a proportion of sales over the previous 12 months.

	31 March 2014	31 December 2013	Total change	31 March 2013	Total change
	€ million	€ million	€ million	€ million	€ million
Receivables from customers	221,1	288,5	(67,4)	285,2	(64,0)
Inventories	480,9	447,1	33,8	485,4	(4,5)
Payables to suppliers	(181,2)	(198,1)	16,9	(200,9)	19,8
Operating working capital	**520,9**	**537,5**	**(16,7)**	**569,6**	**(48,8)**
Sales in the previous 12 months	1.497,6	1.524,1	(26,5)	1.376,7	120,9
Working capital as % of sales in the previous 12 months	34,8	35,3		41,4	

At 31 March 2014 operating working capital totalled € 520.9 million representing a decrease of € 16.7 million compared to the figure at 31 December 2013.
Net of the exchange rate effect attributable to the devaluation of several functional currencies of Group Companies, which resulted in a decrease in working capital of € 7.3 million, the change in working capital for the quarter was an organic decrease of € 9.4 million.

Compared to 31 December, there are seasonal effects in the first quarter that cause a sharp decrease in the amount of trade receivables, which at 31 December are at historically high levels compared to the remaining periods of the year. This decrease is partially offset by an increase in inventories of finished goods in light of the seasonal peak in the second quarter of the year.

Comparing to the same period of the previous year, operating working capital at 31 March 2014 was down by € 48.8 million. This change was primarily due to significant exchange rate effects between the two dates being compared that resulted in a decrease in working capital of € 54.7 million.
The resulting organic change was an increase of € 5.9 million.

At 31 March 2014, operating working capital as a percentage of net sales for the previous 12 months was 34.8%, a reduction in comparison to the figure at 31 December 2013 (35.3%) and at 31 March 2013 (41.4%, or 36.0% net of the effects related to the Jamaican acquisition).

Events taking place after the end of the period

Acquisitions and sales of companies, trademarks and distribution rights

Acquisition of Fratelli Averna S.p.A.

On 15 April 2014 Gruppo Campari reached an agreement to purchase 100% of Fratelli Averna S.p.A., hereinafter, "Averna Group", an independent company with registered office in Caltanissetta (Sicily), Italy. The transaction is expected to close on 3 June 2014.
Averna Group is a leading company in the spirits market in Italy, and the owner of Averna, the second largest bitter brand in Italy, and one of the most well-known and popular Italian liqueurs in the world. In addition, Averna Group owns a portfolio of products characterised by their premium positioning, high profitability and leadership in the categories concerned, including Braulio, an herb-based bitters that is particularly popular in northern Italy; Limoncetta, a naturally sweet liqueur obtained from lemon peels; and Grappa Frattina, which marks the entry of Gruppo Campari into the grappa category. The acquisition of Averna Group is an opportunity to leverage the direct distribution structure in key markets for brands acquired in order to accelerate their profitable growth in keeping with the growth strategy through acquisitions.
The total enterprise value for 100% of the share capital of Averna Group is confirmed at € 103.75 million, consisting of a cash payment of € 98.0 million, not subject to closing price adjustment mechanisms, and net debt at 31 December 2013 of € 5.75 million and corresponding to a multiple of 9.2 times of the pro-forma EBITDA for the year ended December 31, 2013. The consideration will be paid in cash.
In the year ending 31 December 2013, Averna Group generated total net sales of € 61.8 million, an increase of 3.1% over the previous year. About 40% of sales are from Averna, and 11% from Braulio and Limoncetta. In terms of geographic distribution, Italy represents about 65% of total revenues of the business acquired, while 35% of international sales are generated mainly in Germany and Austria.

Termination of distribution of products under the Suntory brand

Following the recent acquisition of Beam Inc. by Suntory Holdings Ltd. and of the subsequent change in Suntory's distribution and marketing presence on the U.S. market, the Suntory group announced that, effective the second half of 2014, it would terminate the distribution of products under the Suntory brand including Midori, Yamazaki, Hibiki, Hakashu, Bowmore, Glen Garioch,McClelland’s and Auchentoshan. Revenue from products under the Suntory brand generated in this market in 2013 represents around 1% of the Group's revenues.

Other significant events

Opening of visitor centre in Lawrenceburg, Kentucky

On 15 April 2014 Gruppo Campari inaugurated the new visitor centre in Lawrenceburg, Kentucky, the site of one of the Group's distilleries. In light of its significance from an architectural and historical standpoint as being representative of the bourbon industry in Kentucky, the inauguration was a major media event in the local area and the Governor of Kentucky Steve Beshear attended the event. The Kentucky Bourbon Trail offers a full display and complete information on the art of producing bourbon, and the Group expects to receive around 80,000 visitors annually.

Ordinary shareholders’ meeting of the Parent Company

On 30 April 2014, the ordinary shareholders’ meeting of Davide Campari-Milano S.p.A. approved unanimously the financial statements for fiscal year 2013 and agreed the payment of a dividend of €°0.08 per share outstanding, up 14.29% on the dividend paid out for fiscal year 2012.
The total dividend, calculated on the shares outstanding and excluding own shares (4,790,138 shares) was € 46,080,789.

Outlook

After a positive start in the first two months of the year, the Group's results for the first quarter, which were analysed in the sections above, were heavily affected, from the standpoint of organic growth, by the crisis occurring in certain markets, especially Russia and Ukraine, and slow sales in March in other markets (especially the US and Europe), and by a later Easter than in the previous year that resulted in the shift of several orders.
In addition, exchange rates continued to deteriorate, although at a lower rate than in 2013, but the comparison with average rates in the first quarter of 2013 led to a significant impact on results.

With regard to the development of operations, the outlook below draws attention to a range of positive developments as well as significant downside risks from macro-economic conditions.

The crisis affecting major markets in recent years has resulted in a gradual reduction in the level of gross domestic product in many countries that will be difficult to recover in the future. And even though most countries have made impressive reform efforts, there remains much more to do to spur growth in most advanced and emerging economies. At the same time, however, several positive signs in major areas lead us to an optimistic outlook in the future. In particular, the risks of further major economic disruption have receded, while downside risks still dominate, ranging from geopolitical risks in Ukraine and Russia to deflationary pressures in the euro area and to economic and financial tensions in certain emerging countries, they now coexist with upside risks which are stronger than before.

As regards the impact of this uncertain political and economic situation on the Group though, on the positive side it is worth highlighting good underlying progress across many key Brand/Market combinations, notably: a better performing single-serve aperitifs business in Italy, a stabilizing Aperol in Germany with early signs of growth, and an improvement in the Brazilian local brands. Lastly, we continued to benefit from the strong performance of our Aperitifs business across markets, a sustained positive performance of SKYY in international markets and strong depletions momentum across the whole portfolio in the key US market.

Net in net, traditionally a small quarter, the first quarter in 2014 is not reflective of the underlying business momentum which is improving across most markets. Net sales year-to-date to the end of April 2014, thanks to the normalization due to the full inclusion of the Easter effect, were back to positive territory in terms of organic growth.
Going forward, whilst the political and macroeconomic context and forex outlook remain challenging for the remainder of the year, we expect our marketing initiatives to bear their fruits and continue to gradually strengthen the underlying business.

Information on the figures presented

For ease of reference, all figures in this interim report on operations are expressed in million euro to one decimal place, whereas the original data are recorded and consolidated by the Group in thousand 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.
Therefore, reporting in million euro may result in some apparent discrepancies in respect of absolute values and percentage changes.

Other information

In accordance with Article 70, paragraph 8, and Article 71, paragraph 1-*bis*, of Consob regulation 11971 of 14 May 1999, the Board of Directors has decided to take advantage of the option to derogate from the obligations to make available to the public the information documents prescribed in relation to significant mergers, spin-offs, capital increases through contributions in kind, acquisitions and disposals.

Sesto San Giovanni (MI), Tuesday, 13 May 2014

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 Testo Unico della Finanza law, this interim report accurately represents the figures contained in the Group's accounting records.

Paolo Marchesini

Chief Financial Officer