



**First quarter 2014 results impacted by unfavourable exchange rates and contingent effects, magnified in a small quarter**

**Improving underlying business momentum not reflected in the first quarter 2014 results**

#### **FIRST QUARTER 2014 RESULTS HIGHLIGHTS**

- Sales: € 288.7 million (-8.4%, organic change -3.0%)
- Contribution after A&P: € 103.2 million (-10.4%, organic change -3.6%, 35.7% of sales)
- EBITDA pre one-offs: € 47.1 million (-17.5%, organic change -11.5%, 16.3% of sales)
- EBIT pre one-offs: € 38.3 million (-19.5%, organic change -13.0%, 13.3% of sales)
- Group pre-tax profit: € 20.7 million (-47.4%)
- Net financial debt: € 831.6 million (€ 852.8 million as of 31 December 2013)

**Milan, May 13, 2014** - The Board of Directors of Davide Campari-Milano S.p.A. (Reuters CPRI.MI-Bloomberg CPR IM) approved the consolidated results for the quarter ended March 31, 2014.

**Bob Kunze-Concewitz, Chief Executive Officer:** *'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. On the positive side, though, 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.'*

## CONSOLIDATED P&L FOR THE FIRST QUARTER ENDED 31 MARCH 2014

	3M 2014 € million	3M 2013 € million	Reported change	Organic change	Forex impact	Perimeter impact
Net sales	288.7	315.2	-8.4%	-3.0%	-6.7%	+1.3%
Contribution after A&P <sup>(1)</sup>	103.2	115.1	-10.4%	-3.6%	-6.8%	-0.1%
EBITDA pre one-off's	47.1	57.1	-17.5%	-11.5%	-6.5%	+0.4%
EBITDA	46.1	61.0	-24.4%			
EBIT pre one-off's	38.3	47.6	-19.5%	-13.0%	-6.3%	-0.2%
EBIT	37.3	51.5	-27.6%			
Group pre-tax profit	20.7	39.4	-47.4%			

<sup>(1)</sup> EBIT before SG&A.

In the first quarter of 2014 **Group sales** totalled **€ 288.7 million** showing a reported decrease of **-8.4%**, driven by a **sales organic change** of **-3.0%**, a negative **exchange rates effect** of **-6.7%**, due to a devaluation in most of the Group functional currencies and a **perimeter effect** of **+1.3%**, mainly contributed by the net effect of acquisitions and new distribution agreements.

**Gross margin** decreased by **-9.6%** to **€ 145.0 million (-3.2% organic change)** or **50.2%** of sales.

**Advertising and promotion spending (A&P)** was down by **-7.7%** to **€ 41.8 million**, or **14.5%** of sales.

**CAAP** (Contribution after A&P) was down by **-10.4%** to **€ 103.2 million (-3.6% organic change)**, or **35.7%** of sales.

**Structure costs**, i.e. selling, general and administrative costs, decreased by **-4.0%** to **€ 64.8 million**, or **22.5%** of sales.

**EBITDA pre one-offs** was down by **-17.5%** to **€ 47.1 million (-11.5% organic change)**, or **16.3%** of sales.

**EBITDA** reached **€ 46.1 million**, a decrease of **-24.4%**, or **16.0%** of sales.

**EBIT pre one-offs** declined by **-19.5%** to **€ 38.3 million (-13.0% organic change)**, or **13.3%** of sales.

**EBIT** reached **€ 37.3 million**, a reduction of **-27.6%**, or **12.9%** of sales.

**Group pre-tax profit** was **€ 20.7 million**, down by **-47.4%**.

As of March 31, 2014, **net financial debt** stood at **€ 831.6 million** (€ 852.8 million as of December 31, 2013) thanks to **healthy generation of cash flow**. It should be noted that the net financial debt as of March 31, 2014 does not include the effects of the completion of the following transactions, for which the completion takes place after the first quarter 2014, as described below.

On March 12, 2014, Gruppo Campari announced an agreement to **acquire 100% of Forty Creek Distillery Ltd.**, a leading independently owned spirits company in Canada, owner of a portfolio of leading **premium Canadian whiskies**. **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.

On April 15, 2014 Gruppo Campari announced an agreement to **acquire 100% of Fratelli Averna S.p.A.**, the owner of Averna, a leading brand in the Italian market and one of the most well-known and appealing Italian bitters worldwide. **The total enterprise value for 100% of the share capital of Averna Group is confirmed at € 103.75 million**, corresponding to a **multiple of 9.2 times of the pro-forma EBITDA for the year ended December 31, 2013**. The closing date of the transaction is expected to be June 3, 2014 and the consideration will be paid in cash.

Moreover, on April 24, 2014 Gruppo Campari **successfully completed the disposal of CISC 'Odessa Sparkling Wine Company' in Ukraine**. This transaction reflects a **pragmatic and effective approach of the Group in relation to the management of its brand portfolio allowing an increased focus on its premium brands**.

## CONSOLIDATED SALES OF THE FIRST QUARTER OF 2014

Looking at sales by region, the **Americas (41.1%** of total Group sales in the first quarter 2014) posted an **overall change of -16.5%**, with an **organic change of -4.8%**, an exchange rate impact of -11.4% and a perimeter effect of -0.3%. In the **US (20.2%** of total Group sales), sales registered an **organic change of -2.8%**, due to a shipment phasing issue. **Depletion trend across the overall portfolio of brands in the US was healthy at +5.1%**, showing single digit growth in the consumption of the **Wild Turkey** and **SKYY franchises, double digit growth for the tequilas** and **a sustained growth for the Appleton portfolio**. The perimeter effect was positive at +0.6% and the exchange rate effect was negative at -3.5%. Moreover, with regard to the US market, it should be noted that, following the completion of the acquisition by Suntory Holdings Ltd. of Beam Inc., the former notified Gruppo Campari the termination of the distribution agreement for the Suntory brands in the US market, effective July 2014. The net sales of the Suntory brands accounted for approximately 1% of Gruppo Campari net sales in 2013. Sales in Jamaica (9.9% of total Group sales) declined by -25.6%, with **spirit portfolio outperforming the non-core business**. The exchange rate effect was -10.7% and the change in perimeter was -2.2%. Sales in **Brazil (3.9%** of total Group sales) registered a **positive organic performance of +10.0%**, mainly driven by the **continued strong performance of premium brands**, particularly **SKYY** and **Campari**, and a positive growth also in the local brands. The exchange rate effect was -20.5%. With regard to the **other Americas, Argentina (2.8%** of total Group sales) **registered a very strong organic growth of +47.3%**, thanks to a **triple digit growth of Campari and SKYY, whilst Cinzano, Cynar and Aperol registered a double digit growth**. The overall performance in Argentina was negatively impacted by an exchange rate effect of -54.0%

The **Italian market (27.3%** of total Group sales in the first quarter 2014) recorded an **increase of +4.9%**, attributable to an **organic growth of +5.2%** and a perimeter change of -0.4%. The organic performance was driven by a positive performance of long aperitif **Campari (+7.0%)** as well as the **single-serve aperitifs Crodino (+25.8%)** and **Campari Soda (+14.4%)**, which, after a difficult 2013, started to benefit from heightened A&P investments. **Aperol** was down by **-5.3%** due to **tough comparison base**. With regard to the rest of the Italian portfolio, positive performances were registered by the wines portfolio, particularly Cinzano and the still wines.

Sales in the **rest of Europe (21.1%** of total Group sales in the first quarter 2014) **grew by +1.0%** overall, driven by an organic growth of +0.4%, a perimeter effect of +3.1%, thanks to the William Grant&Sons portfolio distribution rights in Germany, and an exchange rate effect of -2.5%. **Germany (9.4%** of total Group sales) recorded a negative **organic change of -5.7%**. **Aperol returned to growth with a positive performance of +6.5%**, partially offsetting the weakness in Campari, Cinzano and the rest of portfolio. **The result was negatively impacted also by a late Easter this year**. **Russia (2.5%** of total Group sales) registered an **organic decline of -24.0%**, heavily affected by the impact of a less dynamic market and tightened credit control on the sell-in. **The other European markets** registered very satisfying results despite the late Easter, with an **organic growth of +22.2%**, driven by **strong growth in the core Central European markets** (particularly, **Belgium** and **France** driven by Aperol as well as Austria driven by stocking ahead of upcoming excise duty increase) and Eastern Europe countries.

Sales in the **rest of the world (including Global Travel Retail)**, which accounted for **10.5% of total Group sales** in the first quarter 2014, declined overall by **-19.3%** overall, with an **organic change of -18.0%**, an **exchange rate effect of -8.9%** and a **perimeter growth of +7.6%**, the latter attributable to the third party bottling activities run by the newly acquired Copack in Australia. The **negative organic performance was due to a decline in Japan and, to a lesser extent, Australia**, the latter affected by the late Easter and continuing weak consumer confidence and competition pressure affecting the Wild Turkey franchise. Positive trends were registered in **China (SKYY franchise and Cinzano), South Africa and Nigeria**.

Looking at the **sales by key brands**, with regard to the Six Top Franchises, a **positive organic growth was achieved** by the long aperitifs **Campari (+17.2%)**, thanks to **strong performance in key markets, particularly in Italy, Argentina and Brazil**, and **Aperol (+11.1%)**, thanks to **good results in almost all key markets, particularly in Germany**. **SKYY sales achieved an organic change of -4.0%**, driven by a shipment phasing issue in the core US market. Overall, **SKYY core was stable** and **SKYY Infusions grew by double digits**. A very healthy growth continued in the other key brand markets, particularly in **Brazil (+17.6%)** and **China (+43.9%)** as well as in **Argentina and South Africa**. The **Wild Turkey** franchise registered an **organic change of -6.5%**. In

Australia, the brand performance was affected by a **weak trend in American Honey** and **American Honey ready-to-drink** consistently with an overall declining trend of the brown spirits in the market. Wild Turkey ready-to-drink was stable. **In the US and Japan, weak results were due to a phasing issue**, which is expected to stabilize across the year. The **LdM rum portfolio**, including **Appleton, W&N White Overproof** and **Coruba**, showed a negative change of -13.5% in a small quarter, as results were highly impacted by the Easter timing for key markets such as Jamaica, Canada, New Zealand and UK. The **Cinzano franchise** registered an **organic change of -12.5%**. **Cinzano vermouth** was down by **-16.0%**, driven by a **negative performance particularly in core Russian market** due to a less dynamic market and tightened credit control, in part offsetting a **very positive performance in Argentina**. **Cinzano sparkling wines** were also down by **-9.3%**, due to a **weak performance in the core German market**, attributable to late Easter holidays, in part offset by a **positive performance in Italy**.

**Frangelico** and **Carolans** were up by **+0.8%** organically, showing a **normalized trend after the repackaging**. The **tequila** portfolio registered an organic growth of **+0.5%**, driven by a **positive performance of Espolòn**, whilst **Cabo Wabo** was impacted by shipment phasing. **GlenGrant** and **Old Smuggler** registered an organic change of **-2.9%**, driven by a weak performance in the core Italian market.

**Other sparkling wines (Riccadonna and Mondoro)** declined organically by **-14.8%** due to a decline in the core Russian market. **Still wines (mainly Sella&Mosca, Enrico Serafino and Teruzzi&Puthod)** were flat.

With regards to **key local brands**, a recovery was registered by the **key Italian single-serve Crodino (+24.6%)** and **Campari Soda (+15.3%)**, which showed a **very satisfactory trend**, after a very weak 2013, as they **started to benefit from marketing initiatives in their core Italian market**. Crodino performance was also **boosted by innovation with the recently launched line extension Crodino Twist**. Lastly, the **Brazilian brands** posted a positive result, up **+2.3%**, driven by the **continued positive growth momentum of Dreher**.

*The Executive responsible for preparing Davide Campari-Milano S.p.A.'s financial reports, Paolo Marchesini, certifies - pursuant to article 154 bis, paragraph 2 of the Legislative Decree 58/1998 - that the accounting disclosures in this statement correspond to the accounting documents, ledgers and entries.*

## **ANALYST CONFERENCE CALL**

At **1:00 pm (CET) today, May 13, 2014**, Campari's management will hold a conference call to present the Group's first quarter 2014 results. To participate, please dial one of the following numbers:

- **from Italy: 02 8058 811**
- **from abroad: +44 1212 818003**

The **presentation slides** can be downloaded before the conference call from the main investor relations page on Gruppo Campari's website, at

<http://www.camparigroup.com/en/investors>

A **recording of the conference call** will be available from today, May 13 until Tuesday, May 20, 2014.

To listen to it, please call the following numbers:

- **from Italy: 02 72495**
- **from abroad: +44 1212 818005**

(Access code: **707#**).

## **FOR FURTHER INFORMATION**

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## **ABOUT GRUPPO CAMPARI**

Davide Campari-Milano S.p.A., together with its affiliates ('Gruppo Campari'), is a major player in the global beverage sector, trading in **over 190 nations** around the world with leading positions in Europe and the Americas. The Group was founded in 1860 and today is **the sixth-largest player worldwide** in the premium spirits industry. The Group's portfolio, with over 50 brands, spans spirits, the core business, wines and soft drinks. Internationally-renowned brands include **Aperol, Appleton, Campari, Cinzano, SKYY and Wild Turkey**. Headquartered in Sesto San Giovanni, Italy, Campari owns 15 plants and 4 wineries worldwide and has its own distribution network in 17 countries. The Group employs over 4,000 people. The shares of the parent company, Davide Campari-Milano S.p.A. (Reuters CPRI.MI - Bloomberg CPR IM), are listed on the Italian Stock Exchange since 2001. For more information: <http://www.camparigroup.com>

Please enjoy our brands responsibly.

- **Appendix to follow** -

**GRUPPO CAMPARI**

**Consolidated net revenues by geographic area for First Quarter 2014**

	1 January-31 March 2014		1 January-31 March 2013		% change
	€ million	%	€ million	€ million	
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%
<b>Total</b>	<b>288.7</b>	<b>100.0%</b>	<b>315.2</b>	<b>100.0%</b>	<b>-8.4%</b>

Breakdown of % change	Total % change	Organic growth	External growth	Exchange rate effect
Americas	-16.5%	-4.8%	-0.3%	-11.4%
Italy	4.9%	+5.2%	-0.4%	0.0%
Rest of Europe	1.0%	+0.4%	+3.1%	-2.5%
Rest of the world and duty free	-19.3%	-18.0%	+7.6%	-8.9%
<b>Total</b>	<b>-8.4%</b>	<b>-3.0%</b>	<b>+1.3%</b>	<b>-6.7%</b>

**Net revenues breakdown of Americas area for First Quarter 2014**

	1 January-31 March 2014		1 January-31 March 2013		% Change
	€ million	%	€ million	€ million	
US	58.3	49.1%	61.8	43.5%	-5.7%
Jamaica	28.6	24.1%	46.6	32.8%	-38.5%
Brazil	11.3	9.5%	12.6	8.9%	-10.5%
Argentina	8.1	6.8%	8.7	6.1%	-6.7%
Canada	5.2	4.4%	6.6	4.6%	-20.7%
Other countries	7.2	6.0%	5.9	4.2%	20.6%
<b>Total Americas</b>	<b>118.7</b>	<b>100.0%</b>	<b>142.2</b>	<b>100.0%</b>	<b>-16.5%</b>

Breakdown of % change	Total % change	Organic growth	External growth	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%
<b>Total Americas</b>	<b>-16.5%</b>	<b>-4.8%</b>	<b>-0.3%</b>	<b>-11.4%</b>

## Net revenues breakdown of Rest of Europe for First Quarter 2014

	1 January-31 March 2014		1 January-31 March 2013		% Change
	€ million	%	€ million	€ million	
Germany	27,1	44,4%	26,0	43,1%	4,1%
Russia	7,2	11,7%	12,7	21,1%	-43,8%
Other countries	26,8	43,9%	21,6	35,8%	23,8%
<b>Total Rest of Europe</b>	<b>61,0</b>	<b>100,0%</b>	<b>60,4</b>	<b>100,0%</b>	<b>1,0%</b>

Breakdown of % change	Total % change	Organic growth	External growth	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%
<b>Total Rest of Europe</b>	<b>1.0%</b>	<b>0.4%</b>	<b>3.1%</b>	<b>-2.5%</b>

## Net revenues breakdown of Rest of world and Global travel retail for First Quarter 2014

	1 January-31 March 2014		1 January-31 March 2013		% Change
	€ million	%	€ million	€ million	
Australia	14.6	48.0%	14.8	39.4%	-1.6%
Other countries	15.8	52.0%	22.8	60.6%	-30.8%
<b>Total Rest of world and Global travel retail</b>	<b>30.3</b>	<b>100.0%</b>	<b>37.6</b>	<b>100.0%</b>	<b>-19.3%</b>

Analisi della variazione %	Total % change	Organic growth	External growth	Exchange rate effect
Australia	-1.6%	-4.6%	19.0%	-16.0%
Other countries	-30.8%	-26.6%	0.2%	-4.3%
<b>Total Rest of world and Global travel retail</b>	<b>-19.3%</b>	<b>-18.0%</b>	<b>7.6%</b>	<b>-8.9%</b>

## Consolidated income statement for First Quarter 2014

	1 January-31 March 2014		1 January-31 March 2013		% Change
	€ million	%	€ million	€ million	
<b>Net sales<sup>(1)</sup></b>	<b>288.7</b>	<b>100.0%</b>	<b>315.2</b>	<b>100.0%</b>	<b>-8.4%</b>
Total cost of goods sold <sup>(2)</sup>	(143.7)	-49.8%	(154.8)	-49.1%	-7.1%
<b>Gross profit</b>	<b>145.0</b>	<b>50.2%</b>	<b>160.4</b>	<b>50.9%</b>	<b>-9.6%</b>
Advertising and promotion	(41.8)	-14.5%	(45.3)	-14.4%	-7.7%
<b>Contribution after A&amp;P</b>	<b>103.2</b>	<b>35.7%</b>	<b>115.1</b>	<b>36.5%</b>	<b>-10.4%</b>
SG&A <sup>(3)</sup>	(64.8)	-22.5%	(67.5)	-21.4%	-4.0%
<b>EBIT before one-off's</b>	<b>38.3</b>	<b>13.3%</b>	<b>47.6</b>	<b>15.1%</b>	<b>-19.5%</b>
One off's	(1.1)	-0.4%	3.9	1.2%	-127.4%
<b>Operating profit = EBIT</b>	<b>37.3</b>	<b>12.9%</b>	<b>51.5</b>	<b>16.3%</b>	<b>-27.6%</b>
Net financing costs	(16.5)	-5.7%	(12.0)	-3.8%	37.5%
<b>Profit before taxes and minority interests</b>	<b>20.8</b>	<b>7.2%</b>	<b>39.5</b>	<b>12.5%</b>	<b>-47.3%</b>
Minority interests	(0.1)	-0.0%	(0.1)	-0.0%	-3.8%
<b>Group pre-tax profit</b>	<b>20.7</b>	<b>7.2%</b>	<b>39.4</b>	<b>12.5%</b>	<b>-47.4%</b>
Depreciation and amortisation	(8.8)	-3.0%	(9.5)	-3.0%	-7.5%
<b>EBITDA before one-off's</b>	<b>47.1</b>	<b>16.3%</b>	<b>57.1</b>	<b>18.1%</b>	<b>-17.5%</b>
<b>EBITDA</b>	<b>46.1</b>	<b>16.0%</b>	<b>61.0</b>	<b>19.3%</b>	<b>-24.4%</b>

(1) Net of discounts and excise duties.

(2) Includes cost of material, production and logistics costs.

(3) Includes selling, general and administrative costs.