Davide Campari Milano S.p.A.

Directors' Report on Operations
for the Quarter ended March 31, 2001
Consolidated position

Registered office: Via Filippo Turati, 27 - 20121 Milan, Italy
Share Capital: Euro 29,040,000 fully paid up
Milan Companies Register: N. 217528 REA: N. 1112227

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This document contains the translation into English of the "Directors' Report on Operations for the Quarter ended March 31, 2001 consolidated position" of Davide Campari-Milano S.p.A..

The translation is provided for your convenience only, for any information in respect to Davide Campari-Milano S.p.A. the original first quarter financial statements in Italian "Relazione Trimestrale al 31 marzo 2001 redatta su base consolidata" should be exclusively relied upon.

1) Directors'comments on results from operations in the 1st quarter, 2001

Significant events in the period from January 1, 2001 to March 31, 2001

1) The Brazilian acquisition

On January 31, 2001, the Campari Group ("Group") consummated the acquisition from United Distillers and Vintners ("UDV") of 100% of UDV Industria e Comercio Ltda. ("UDVIC"), which, together with its subsidiaries, owns certain leading brands in the Brazilian and Uruguayan markets, such as Dreher, Old Eight, Drury's, Liebfraumilch and Gregson's.

The acquired Brazilian activities include, in addition to the above-mentioned brands, the Soracaba factory (located 100 km. from Sao Paulo), which, as a result of the acquisition, became the Group's largest factory in terms of production capacity for spirits, and the Jaboatao (Recife) factory. As part of the re organisation of the Group's South American plants, we anticipate the closing of the Barueri factory and the transfer of its production to the newly acquired factories.

In connection with the acquisition, we entered into a contract with UDV for manufacturing under licence, for the Brazilian market, the following brands: Smirnoff Vodka, Bell's Scotch Whisky, Gilbey's Gin, Master's Choice and Berro De Agua.

We have commenced the integration of UDVIC (renamed DCM Participacoes Ltda.) ("DCMP") into Campari do Brasil Ltda. ("Campari do Brasil"), and expect to complete the merger of DCMP with and into Campari do Brasil in due course. The integration and merger is anticipated to contribute to the streamlining and rationalization of the Group's operations in Brazil.

2) Distribution of Cinzano in Italy and buy-back of shares

During the first quarter an agreement was reached with the licensee F.lli Gancia S.p.A. pursuant to which, from May 1, 2001, the distribution of Cinzano vermouth and sparkling wines in Italy will be performed by the Group's subsidiary Campari S.p.A.

As part of the agreement reached with F.lli Gancia S.p.A., shares representing 6% of the capital of the Group subsidiary Cinzano Investimenti e Partecipazioni S.p.A. ("CIP") were reacquired by the Group subsidiary Campari-Crodo S.p.A. ("C&C"). The Group, which now owns 100% of CIP and its subsidiary Francesco Cinzano & Cia S.p.A. (the owner of the Cinzano brand), has commenced the process to merge CIP with and into C&C.

3) Distribution license for Granini in the Italian market

With effect from March 2001, the Group acquired from the German group Eckes ("Eckes") the distribution rights in the Italian market of Granini soft drinks brand, a market leader in Germany in the segment of noncarbonated, fruit-based beverages.

The acquisition of distribution rights to Granini should provide the Group with a presence in a dynamic segment of the Italian soft drinks market.

Sales performance

First quarter 2001 net sales (gross sales less excise taxes) reached Lire 178.6 billion, an increase of 6.7% over the first quarter 2000, when net sales were Lire 167.4 billion.

First quarter 2001 net sales include the first-time consolidation of sales from the January 31, 2001 closing date of the Brazilian and Uruguayan brands acquired from UDV.

Net sales of the newly acquired Brazilian brands since the date of acquisition were Lire 4.5 billion, corresponding to 2.7% of total net sales. The increase in organic net sales (products in our portfolio at March 31, 2000) was 4.0%.

Net sales by business segment

The table below shows, for the periods indicated, net sales by segment as a percentage of total net sales and change in net sales from the prior period.

Net sales	Ist quarter 2001 Millions of lire		Ist quarter 2000 Millions of lire		2001/2000 % Change	Ist quarter 2001 Millions of Euro
Spirits	102,566	57.5%	90,051	53.8%	13,9%	52,97
Wines	21,287	11.9%	19,625	11.7%	8,5%	10,99
Soft drinks	53,031	29.7%	55,843	33.4%	-5,0%	27,39
Other (*)	1,696	0.9%	1,859	1.1%	-8,8%	0,88
Total	178,580	100.0%	167,378	100.0%	6,7%	92,23

* “Other” includes net sales of semifinished goods (musts and extracts) and other sales not directly attributable to the three business segments.

Spirits

First quarter 2001 sales of spirits reached Lire 102.6 billion, an increase of 13.9% over the first quarter 2000, when net sales were Lire 90.1 billion.

Of the increase, 9.8% is attributable to organic growth and the remaining 4.1% is due to the first-time consolidation of the acquired Brazilian and Uruguayan spirits brands. Net sales of the Group’s overall top-selling spirits brands, Campari and CampariSoda, increased by 8.6% and 7.9%, respectively.

For Campari, the first quarter 2001 increase in the Italian market and in the most important international markets was 4.6% and 9.8%, respectively. Increased net sales of Campari are believed to be partly due to increased purchases by customers in the first quarter 2001 prior to announced price increases which became effective in the second quarter 2001.

The good performance of CampariSoda, which is sold primarily in the Italian market, is due to the positive impact of promotional activities and advertising carried out in first quarter 2001.

Other spirits brands also showed a positive trend in the first quarter 2001, in particular Cynar, Jaegermeister and Biancosarti with net sales growth of 22.0%, 7.2% and 4.8%, respectively, as compared to first quarter 2000.

Wines

Net sales of wines for first quarter 2001 and 2000 were Lire 21.3 billion and Lire 19.6 billion, respectively. The increase in the first quarter 2001 over the corresponding 2000 period was 8.5%.

The increase in organic net sales was 7.3%, and is mainly due to the 10.4% growth of Cinzano, whereas sales of other wine brands, which are distributed under licence by the Group, decreased 6.9%. Net sales of Cinzano in first quarter 2000 were adversely affected by large volumes of sales of Cinzano made in the third and fourth quarters of 1999 by UDV, which occurred just prior to the consummation of our November 1999 acquisition of the Cinzano brands.

The remaining 1.2% of the growth in the segment was due to the first-time consolidation of net sales of Liebfraumilch, which was obtained in the Brazilian acquisition.

Soft drinks

First quarter 2001 net sales of soft drinks, which are almost entirely made in Italy, decreased by 5.0% to Lire 53.0 billion from Lire 55.8 billion in the first quarter 2000.

Sales of Crodino, the Group's top-selling soft drink brand, decreased by 0.7% in the first quarter 2001.

Sales of Lemonsoda, Oransoda and Pelmosoda decreased 10.9%, due primarily to promotional actions carried out by competitors in the first quarter 2000. The Group's advertising and promotional efforts will be concentrated in April in connection with the more enhanced sales seasonality.

As for sales of other soft drink products, Lipton Ice Tea sales decreased by 0.9%, mineral water sales increased by 5.5% and Crodo branded products B whose contribution to the Group's profitability is immaterial B decreased by 49.0%.

2) Consolidated financial statements

Rules adopted

In accordance with art. 82 para.1, of CONSOB resolution N. 11971 of May 14, 1999, the Board of Directors prepared the present report on operations for the first quarter 2001 on a consolidated basis.

The financial statements for the first quarter 2001 have been prepared consistently with accounting principles and valuation criteria adopted for the yearly financial statements, to which reference must be made insofar as they are compatible with the aims of the quarterly report. Accordingly, they reflect the provisions of the commercial law as supplemented and interpreted by CONSOB rules and the accounting principles issued by the Italian Institutes of Accountants (Consigli Nazionali dei Dottori Commercialisti e dei Ragionieri).

Though the above-mentioned CONSOB resolution allows, for the first period of application, the omission of data relating to the previous period, data is provided for the quarter ended, March 31, 2000.

The variations in the consolidation as compared to December 31, 2000 are due to the inclusion of the following Brazilian and Uruguayan companies acquired on January 31, 2001, upon the consummation of the Brazilian acquisition:

- DCM Participaçoes Ltda. (formerly UDV Industria e Comercio Ltda.);
- DCM Industria, Comercio e Serviçios Ltda. (formerly UDV do Brazil Ltda.);
- Dreher S.A.;
- Gregson's S.A. (formerly Gilbey=s S.A.)
- Kenston Sales and Services Inc. S.A.

Consolidated income statement

The table below shows the consolidated income statement for the first quarter 2001, reclassified according to international practice.

Data relating to the first quarter 2001 and the corresponding period of year 2000 are presented for comparison purposes.

	Millions of Lire			Millions of Euro
	2001 I st quarter	2000 I st quarter	% Change I st quarter	2001 I st quarter
Net sales revenue	**178,580**	**167,378**	**6.7%**	**92.23**
Cost of materials	51,025	47,566		26.36
Production costs	17,006	15,216		8.78
Cost of sales	*68,031*	*62,782*	*8.4%*	*35.14*
Gross margin	**110,549**	**104,596**	**5.7%**	**57.09**
Advertising and marketing expenses	35,712	34,292		18.44
Selling and distribution expenses	24,190	23,958		12.49
General and administrative expenses	15,127	12,056		7.82
Amortisation of goodwill and trademarks	5,041	3,824		2.60
Total operating costs	*80,070*	*74,130*	*8.0%*	*41.35*
Operating income	**30,479**	**30,466**	**0.0%**	**15.74**
Interest income, net	3,110	1,510		1.61
Gains (losses) on exchange, net	(5,822)	308		(3.01)
Minority interest	13	42		0.01
Other income (deductions), net	954	5,260		0.49
Total other income (expenses)	*(1,745)*	*7,120*	*-124.5%*	*(0.90)*
Income before income taxes	**28,734**	**37,586**	**-23.6%**	**14.84**

	2001 I st quarter	2000 I st quarter
Operating income/Net sales (%)	17.1%	18.2%
Income before income taxes/Net sales (%)	16.1%	22.5%
EBITDA/Net sales (%)	21.1%	27.8%
EBIT/Net sales (%)	14.3%	21.6%

Consolidated operating income for the first quarter 2001 was Lire 30.5 billion, representing 17.1% of net sales and in line, in absolute terms, with the first quarter 2000 (Lire 30.5 billion or 18.2% of net sales).

First quarter 2001 operating income was negatively affected by three main factors:

- With regards to the Brazilian acquisition, the reorganisation process of the companies acquired, which is expected to result in significant synergies, particularly in the industrial and distribution areas, has not yet been completed. Moreover, sales remained below expectation due to the presence in the market, at the date of completion of the acquisition of brands from UDV, of customer inventories well above customary levels. Its estimated impact is a loss of margin of Lire 1.1 billion.
- Amortization of goodwill relating to the Brazil acquisition negatively impacted operating income for the quarter by Lire 1.2 billion.
- Costs related to the listing of the Group's parent company on the Borsa Italiana in the first quarter 2001 were approximately Lire 1 billion. Costs related to the listing process to be borne during 2001 will be fully charged against the income of the year.

Income before income taxes in the first quarter 2001 was Lire 28.7 billion (16.1% of net sales), with a decrease of 23.6% compared to first quarter 2000 (Lire 37.6 billion or 22.5% of net sales).

The most significant, non-recurring factors contributing to the decrease were:

- In connection with the Brazilian acquisition, during first quarter 2000 a financing in US dollars was obtained which, at March 31, 2001, caused an unrealized exchange loss of Lire 4.4 billion.
- Capital gains on disposal of fixed assets as of March 31, 2001 and March 31, 2000 were Lire 2.1 billion and 4.8 billion, respectively.
- In connection with the cancellation of the distribution contract of Cinzano in Italy, a one-time payment of Lire 0.7 billion was made to the former distributor F.lli Gancia S.p.A.

Net financial position

	Millions of Lire			
	31/3/2001	31/12/2000	Change	Millions of Euro 31/3/2001
Cash and banks	361,933	324,775	37,158	186.92
Marketable securities	15,178	94,699	(79,521)	7.84
Bank borrowings	(149,596)	(22,176)	(127,420)	(77.26)
Lease payable and other financial debts, current portion	(5,714)	(3,189)	(2,525)	(2.95)
Short-term net financial position	**221,801**	**394,108**	**(172,307)**	**114.55**
Lease payable and other financial debts, long-term portion	(26,408)	(29,729)	3,321	(13.64)
Total net financial position	**195,393**	**364,380**	**(168,987)**	**100.91**

The net financial position of the Group, still significantly positive, decreased from Lire 364.380 billion at December 31, 2000 to Lire 195.393 billion at March 31, 2001. The change is almost fully due to the above-mentioned Brazilian acquisition, which was financed by the sale of marketable securities and short-term bank borrowings by the parent company.

3) Significant events occurred after closing of the first quarter

None.

4) Forecast for 2001

2001 will be strongly influenced by the outcome of the integration process of the Brazilian brands and operations acquired during first quarter 2001.

For the current year, we expect to reach results in line with those achieved for the year ended December 31, 2000.

Luca Garavoglia

Chairman of the Board of Directors