

Davide Campari-Milano S.p.A.
**Explanatory Report by the Board of Directors to the Extraordinary Shareholders' Meeting
on amendments to the Articles of Association**

This report was prepared by the Board of Directors of Davide Campari-Milano S.p.A. (“the **Company**”), pursuant to Article 72 of Consob Regulation no. 11971 of May 14, 1999 (as subsequently supplemented and/or amended) (“**Issuer Regulation**”) and Article 125-*ter* of the Legislative Decree No. 58 of February 24, 1998 (the “**Consolidated Act on Finance**” or “**TUF**”), in order to illustrate the amendments to the Company’s Articles of Association (“the **Articles of Association**”) that will be proposed at the extraordinary shareholders' meeting called to meet in a single session on January 28, 2015 with the following agenda.

Extraordinary shareholders' meeting

1. Amendment to Article 6 (Voting rights) of the Articles of Association pursuant to Article 127-*quinquies* of Legislative Decree No. 58 of February 24, 1998 and Article 20, subsection 1-*bis* of Law Decree No. 91 of June 24, 2014, converted into Law No. 116 of August 11, 2014.

The Board of Directors submits the following amendments to the Articles of Association to the extraordinary shareholders' meeting and provides the following related explanations.

Article 6 - Voting rights

1. Introduction

The Law Decree No. 91 of June 24, 2014 converted, with amendments, into Law No. 116 of August 11, 2014 has, *inter alia*, introduced the mechanism of “loyalty shares” as incentives for “loyal shareholders” of listed companies. In particular, pursuant to the newly enacted article 127-*quinquies*, TUF, the bylaws of Italian listed companies may grant up to a maximum of two votes per share to those shareholders who have continuously held their shares for at least two years (“loyal shareholders”).

Loyalty shares are essentially meant (*i*) to discourage the short-termism of investors, thereby reducing the adverse effects normally associated therewith (in terms of market price volatility and potential distortions of management decisions) and conversely (*ii*) to reward the committed shareholders (who are more prone to pursue sustainable growth and profitability with a long-term perspective) by enhancing their voting rights.

National and international support for legal mechanisms, such as loyalty shares, aimed at promoting investor long-termism has been growing over the past few years. In Italy, such support has been expressed at the legislative level in the newly introduced reforms which provide for the following: (*i*) an exceptional provision allowing for simplified quorums (*i.e.*, the majority of the capital share attending the shareholders' meeting) for the resolution (to be adopted by January 31,

2015) of the extraordinary shareholder's meeting approving the loyalty shares (Article 20, subsection 1-*bis* of Law Decree No. 91/2014); and (ii) an explicit provision excluding any withdrawal right of dissenting or absent shareholders with respect to the approval of such resolution (Article 127-*quinquies*, subsection 6, TUF).

It is the board's strong view that the long-term commitment of the Company's shareholders is extremely beneficial to the Company and that granting increased voting rights to loyal shareholders is in the best interest of the Company itself and of all of its stakeholders. Therefore, the Company's board hereby suggests that the provisions of its Articles of Association governing voting rights (*i.e.*, Article 6 thereof) be amended as set out below.

It should be noted that only after the publication of the first version of this report (on December 19, 2014) Consob issued the regulatory provisions implementing article 127-quinquies, TUF (which, as of December 19, 2014, were available to the public only in draft form). Notably, Consob resolution no. 19084 dated December 19, 2014 was published in Gazzetta Ufficiale No. 302 dated December 31, 2014.

To take into account the final version of the above-mentioned regulation, and given our right (which we had expressly reserved) to make any amendments and/or supplements that may be deemed necessary or advisable, the wording of the Articles of Association and this report have been amended and/or supplemented to reflect these minor/non-material changes. This report and the Articles of Association, in their updated version set forth below, therefore replace for all purposes those published on December 19, 2014.

2. Double voting rights, vesting period and qualifying in rem right.

Pursuant to Article 127-*quinquies*, subsection 1, TUF, increased voting rights may be attributed, up to a maximum of two votes for each share belonging to the same shareholder for an uninterrupted period of no less than twenty-four months starting from the date of registration in a specific list.

The Board of Directors therefore suggests, firstly, that increased voting rights be attributed up to the maximum amount allowed by law (*i.e.*, double voting rights).

Secondly, the Board of Directors proposes that increased voting rights be attributed upon the expiry of the minimum vesting period provided by the law (*i.e.*, twenty four months): the minimum vesting period would be an incentive for shareholders to maintain a long-term commitment to the Company, while at the same time avoiding the imposition of an excessively lengthy and onerous period of illiquidity associated with the holding of shares (which could have an adverse impact on the way investments in the Company are perceived by financial and/or institutional investors).

The newly introduced legislation does not clarify the legal title pursuant to which the share has to “belong” to the shareholders in order for the latter to be considered “loyal”. Therefore, the Board of Directors suggests that double voting rights should be attributed to: (i) the full owner (“*pieno proprietario*”) of a share being entitled to the attached voting right; (ii) the bare owner (“*nudo proprietario*”) of a share being entitled to the attached voting right; and (iii) the usufructuary (“*usufruttuario*”) of a share being entitled to the attached voting right (each of the rights under (i), (ii) and (iii), hereafter, “**qualifying in rem right**”). Moreover, it should be clarified that any pledge on a share granted to a creditor without assignment of the connected voting rights would not cause any loss of double voting rights.

3. *Special list, eligibility for registration and right to waive the increased votes.*

Pursuant to Article 127-*quinquies*, subsection 2, TUF, the articles of association may specify the terms and conditions for allocating increased voting rights. Such provisions also require the establishment of a special list (“special list”), to be kept by the company in compliance with article 143-*quater*, of the Issuers Regulation (which was recently introduced through the above-mentioned Consob resolution no. 19084/2014) for verification that the relevant eligibility conditions are met. Moreover, the articles of association may also provide that the increased votes may be irrevocably waived in whole or in part.

With regard to said provisions, the Board of Directors suggests establishing the special list at the Company’s registered office and granting the Board of Directors: (i) the ability to lay down the criteria for list-keeping in accordance with the applicable laws and regulations, and (ii) the power to appoint the person in charge of such special list.

Secondly, the Board of Directors proposes to specify that the holder of qualifying *in rem* rights who requests to be included in the special list must not only produce appropriate documentation, but also issue a specific statement in order to facilitate the verification of eligibility conditions (where the party requesting inclusion is a legal entity, the statement should also clarify the identity of any controlling shareholder in compliance with the laws governing the transfer of the qualifying *in rem* right; see below section 4).

Finally, it should be noted that a shareholder included in the special list may, at any time, request the (total or partial) exclusion of his/her shares from the list; moreover, he/she may also waive, in whole or in part, the increased votes already attributed.

4. *(Direct or indirect) transfer of the qualifying in rem right: effects on the benefit of double voting rights.*

Pursuant to Article 127-*quinquies*, subsection 3, TUF, the loss of the increased voting right occurs:

- a) if the shares are transferred for consideration or free of charge; and

- b) in the event of direct or indirect transfer of the majority interest of a company or body whose voting right has risen above the threshold contemplated by Article 120, section 2, TUF.

The articles of association shall specify whether the increased voting right is lost or maintained:

- c) in the case of succession following death; and,
- d) in the case of the merger or spin-off of the shares.

In light of this legal framework, the Board of Directors suggests specifying the rules governing the (direct or indirect) transfer of the qualifying *in rem* right as follows.

4.1. Direct transfer of the qualifying *in rem* right.

The direct transfer of the qualifying *in rem* right may occur (i) through succession following death (or equivalent *inter vivos* transfers); (ii) in the event of transfer for consideration or free of charge, or (iii) in the event of mergers or spin-offs.

In the first case – succession following death or equivalent *inter vivos* transfers such as the so-called “family business inheritance agreement” (*patto di famiglia*), trust, parental trust fund for minors (*fondo patrimoniale*) or family foundation – double voting rights are maintained: such cases do not show any lack of loyalty of the shareholder; therefore, in these cases, it seems appropriate to foster the long-term commitment of his/her heirs.

In the second case (transfer for consideration or free of charge – other than the cases mentioned in the previous paragraph), double voting rights are lost under the applicable provisions of law.

In the third case (merger or spin-off of the shares), the loss or maintenance of double voting rights should depend on whether or not a “change in control” occurs: if the merger or spin-off does not result in a “change in control”, the transfer (consisting in a mere “intra-group transaction”) does not show any lack of loyalty of the shareholder (as the final investor, in fact, remains the same). Therefore, in this case, it would not be appropriate to provide for the loss of double voting rights (such loss would make intra-group reorganisations unduly burdensome). On the contrary, in the event of merger or spin-off resulting in a “change in control”, the loss of double voting rights is consistent with the rationale underlying the attribution of such rights. Whenever the merger or spin-off may involve an entity which is not subject to the control of any third party, the loss or maintenance of double voting rights will depend on whether an anti-avoidance test is satisfied, it being understood that, to this purpose, the non-material accounting value, on a like-for-like basis, of the investment in the Company’s shares shall be taken into account.

With regard to the concept of “control”, please refer to the definition contained in the laws applicable to listed issuers (see Article 93, TUF).

4.2. Indirect transfer of the qualifying *in rem* right.

The indirect transfer of the qualifying *in rem* right may occur as a result of each of the cases set out above - *i.e.*, (i) succession following death or equivalent *inter vivos* transfers, (ii) transfer for consideration or free of charge, or (iii) merger or spin-off -. In this case, however, the transfer does not (directly) concern the Company's shares; it concerns (indirectly) the interest in the entity which holds the Company's shares.

The above-mentioned rules governing the direct transfer shall apply *mutatis mutandis* to the indirect transfer: a "change in control" causes the loss of double voting rights, unless it occurs in relation to succession following death or equivalent *inter vivos* transfers (such as family business inheritance agreements, trusts, parental trust funds for minors or family foundations): in the latter cases, double voting rights are maintained.

5. *Extraordinary transactions (capital increases, mergers or demergers) and effects on the rules governing double voting rights.*

Pursuant to Article 127-*quinquies*, subsection 4, TUF, the articles of association may provide that the increased voting right is extended proportionately to the shares issued in execution of a capital increase allocated free of charge or by means of new contributions. In both cases, it seems appropriate to extend the benefit *pro-rata*, by adding a specific clause to the Articles of Association that expressly provides for the *pro-rata* extension in the event of both a capital increase allocated free of charge and a capital increase by means of new contributions: this would be consistent with the aim to reward "loyal shareholders". In the event of capital increase by means of new contributions, not only do the shareholders retain their investment in the Company, but they also add to it.

Moreover, pursuant to Article 127-*quinquies*, subsection 4, TUF, the articles of association may provide that the merger or spin-off project can contemplate that the increased voting right is also due to the entitled shares in lieu of those to which the increased vote is attributed. As it is impossible to determine the terms and conditions of any future merger or spin-off of the Company at the moment, the Board of Directors suggests that the Articles of Association confirm the option provided by law. Therefore, if the Company intends to merge or demerge in the future, it will be possible (although not mandatory) to extend the benefit to the new shares arising from the extraordinary transaction in question.

6. *Withdrawal or change to the benefit of double voting rights.*

Pursuant to Article 127-*quinquies*, subsection 5, TUF, loyalty shares are not a special category of shares. Therefore, the Board of Directors proposes to specify that any change to the rules governing increased voting rights or to the withdrawal of those rights will require only the approval of the

extraordinary shareholders' meeting: the specific approval of "loyal shareholders" shall not be required (this, however, is the case in certain French listed companies – as far as we know).

Furthermore, the Board of Directors proposes to specify that, to the maximum extent permitted by law, any removal or change introduced in relation to the benefit of increased voting rights will not give rise to a right of withdrawal.

7. *Effects of the increased voting rights for the purposes of calculating the quorum for shareholders' meetings and exercising minority rights*

In conclusion, unless otherwise specified in the articles of association, Article 127-*quinquies*, subsection 8, TUF requires that the vote increase is calculated to determine the quorum for the constitution of the shareholders' meeting and for resolutions which regard the share capital quotas: the Board of Directors suggests adopting such provision *tout court*.

It must be clarified that, in compliance with Article 127-*quinquies*, subsection 8, TUF, the increase does not affect rights, other than voting rights, due as a result of possession of certain capital quotas.

Set forth below is a comparison between the existing text of article 6 and the amended text proposed by the Board of Directors.

It should be pointed out that the amendments suggested will come into effect on the date on which the minutes of the extraordinary shareholders' meeting, called to meet in a single session on January 28, 2015, are registered in the Company Registrar and shall not give rise to any right of withdrawal (pursuant to Article 127-*quinquies*, subsection 6, TUF).

Current text of the Articles of Association	Proposed new text of the Articles of Association
<p style="text-align: center;">Article 6</p> <p>The shares are indivisible.</p> <p>Each ordinary share carries a voting right.</p>	<p style="text-align: center;">Article 6</p> <p>The shares are indivisible.</p> <p>Each share gives entitlement to a voting right.</p> <p>Notwithstanding the previous subsection, each share shall give entitlement to double voting rights if both the following criteria are met:</p> <p style="margin-left: 40px;">a) the right to vote has belonged to the same party under a qualifying <i>in rem</i> right – full owner (“<i>pieno proprietario</i>”) of a share being</p>

entitled to the attached voting right; bare owner (“*nudo proprietario*”) of a share being entitled to the attached voting right; and usufructuary (“*usufruttuario*”) of a share being entitled to the attached voting right – for a continuous period of at least twenty four months;

- b) the fulfilment of the criterion under a) above is confirmed by continuous inclusion, for a period of at least twenty four months, in the dedicated list referred to in this article.

If the criteria set out in the previous subsection are met, the holder shall be entitled to exercise double voting rights according to the formalities provided by the applicable laws and regulations. It is understood that any pledge granted on a share without assignment of the connected voting rights will not result in the loss of any double voting rights.

The special list for entitlement to special voting shares, which shall contain at least the information required under the applicable legal framework, is instituted and kept at the Company’s registered office. The Board of Directors shall appoint the officer responsible for keeping such list, and shall fix the list-keeping rules (if appropriate, even only in electronic form) in accordance with the applicable laws and regulations. The officer responsible for the special list may provide information about its content (including in electronic form); any party in the list may obtain a free copy of the relevant records.

Any party eligible pursuant to this article, who intends to benefit from double voting rights, may ask to be entered in the special list, appending the appropriate

	<p>documentation certifying ownership of the qualifying <i>in rem</i> right (or procuring that equivalent documentation is provided by the relevant intermediary). Any party included in the special list may ask to be removed (in full or in part) at any time, with the consequent automatic loss (in full or in part) of the benefit of double voting rights. Any party being entitled to double voting rights may also irrevocably waive all or part of those rights at any time by sending a written communication to the Company, without prejudice to any disclosure requirements laid down by law.</p> <p>The request for inclusion in the special list may be filed with the Company in the first three months of the calendar year, and must be accompanied, in order to be valid, by a statement signed by the applicant, in which,</p> <ul style="list-style-type: none">a) in the case of a natural person: the applicant declares (i) that he/she has full ownership, formally and substantively, of the right to vote by virtue of a qualifying <i>in rem</i> right, and (ii) that he/she will notify the Company of the loss, for any reason, of that <i>in rem</i> right or of the associated voting right, within ten business days from the date of that loss;b) in the case of a legal entity or any other entity even without legal personality: the applicant declares (i) that it has full ownership, formally and substantively, of the right to vote by virtue of a qualifying <i>in rem</i> right, and (ii) that it is subject, where appropriate, to (direct or indirect) control by another entity with or without legal personality (with full details of the controlling entity), and (iii) that it shall notify the
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Company of any loss, for any reason, of the qualifying *in rem* right and/or the corresponding voting right, or that it has undergone a change in control, as the case may be, within ten business days from the occurrence.

If the qualifying *in rem* right belongs to a legal entity or other entity without legal personality which is subject to control, in the event of a change in control such person or entity shall be excluded from the special list (and, consequently, any double voting rights already attributed shall be lost). However, in the event a change in control occurs (i) as a result of succession following death, or (ii) as a result of a transfer free of charge under a family business inheritance agreement, or (iii) as a result of a transfer free of charge in favour of an entity (such as a trust, a parental trust fund for minors or a family foundation), whose beneficiaries are the transferors themselves, the registration in the special list will be maintained (and, consequently, any double voting rights already attributed shall be maintained).

In the event that the qualifying *in rem* right is transferred (i) as a result of succession following death, or (ii) as a result of a transfer free of charge under a family business inheritance agreement, or (iii) as a result of a transfer free of charge in favour of an entity (such as a trust, a parental trust fund for minors or a family foundation), whose beneficiaries are the transferors themselves or the legitimate heirs, the assignees may ask for inclusion in the special list in the same order of registration of the original natural person (and, subsequently, any double voting rights already attributed shall be maintained).

If the qualifying *in rem* right is transferred as

	<p>a result of a merger or spin-off of an entity already on the special list and which is subject to control, the transferee concerned may ask for inclusion in the special list in the same order of registration as the original transferor, provided the merger or spin-off has not resulted in a change in control (and, consequently, any double voting rights already attributed shall be maintained). In the event that the qualifying <i>in rem</i> right is transferred as a result of a merger or spin-off of an entity included in the special list that is not subject to control, the transferee may ask for inclusion in such list in the same order of registration of the original transferor, provided that the non-material accounting value of the Company shares in the shareholders' equity of the entity concerned does not exceed five per cent and is not more than the corresponding accounting value, on a like-for-like basis, of the shareholders' equity of the original party (and, consequently, any double voting rights already attributed shall be maintained).</p> <p>Subject to the provisions of the two foregoing subsections, the transfer of the qualifying <i>in rem</i> right (either for consideration or free of charge) shall result in the exclusion from the special list (and, consequently, any double voting rights already attributed shall be lost).</p> <p>In the event the Company ascertains, as a result of communications or information received, that a person or entity included in the special list is no longer entitled (in full or in part) to be listed for any reason set out in this article, it shall promptly proceed to exclude such person or entity from the list (in full or in part).</p> <p>In the event the Company increases its share capital free of charge or by means of new contributions, the entitlement to the benefit of double voting rights is extended</p>
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	<p>proportionately to the new shares issued by virtue of those already registered in the special list (giving rise to the extension of any double voting rights where already attributed).</p> <p>Subject to the provisions of the following subsection, in the event of the Company merger or spin-off, the merger or spin-off project can contemplate that the entitlement to the benefit of the double voting rights is (also) due to the entitled shares in lieu of those for which the owner has applied for inclusion in the special list (and, subsequently, any double voting rights already attributed shall be maintained).</p> <p>Any (positive or adverse) change to the rules governing the allocation or revocation of increased voting rights referred to under this article shall require only the approval of an extraordinary shareholders' meeting, pursuant to applicable provisions of law. In any event, any right of withdrawal is excluded to the fullest extent permitted by law.</p> <p>The vote increase is always calculated to determine constitutive and deliberative quorums based upon share capital quotas. The increase has no effect whatsoever on rights, other than voting rights associated with the possession of certain capital quotas.</p> <p>In this article the relevant definition of the concept of control is that laid down in laws and regulations applicable to listed issuers.</p>
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Sesto San Giovanni, December 19, 2014 (later supplemented on January 9, 2015 to take into account the implementing regulations published in *Gazzetta Ufficiale* No. 302 dated December 31, 2014.

Davide Campari-Milano S.p.A.
The Chairman of the Board of Directors