Report for the quarter ending 31 march 2007

REPORT FOR THE QUARTER
ENDING 31 MARCH 2007

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HIGHLIGHTS

	31 March 2007 € million	31 March 2006 € million	% change	% change at constant exchange rates
Net sales	**196.6**	**182.1**	**8.0%**	**10.6%**
Trading profit	57.7	54.3	6.3%	8.4%
EBITDA before one-offs	**46.4**	**43.5**	**6.8%**	**9.0%**
EBITDA	**46.5**	**43.2**	**7.7%**	**9.9%**
EBIT before one-offs	**41.7**	**38.9**	**7.0%**	**9.3%**
EBIT	**41.7**	**38.6**	**7.9%**	**10.3%**
ROS (EBIT/Net sales)	21.2%	21.2%		
Group profit before taxes	**37.5**	**34.6**	**8.5%**	**10.6%**

	31 March 2007 € million	31 December 2006 € million
Net debt	303.9	379.5

SIGNIFICANT EVENTS IN THE QUARTER

Industrial restructuring

On 10 January 2007, the Campari Group announced its decision to halt production at the Sulmona facility, and to transfer its operations to other sites.

The Sulmona factory became part of the Group following the acquisition of Bols in 1995 and has never reached a sustainable level of efficiency, despite investments made, the transfer of production and efforts to find new manufacturing opportunities, including on behalf of third parties.

Following the dramatic decline in the ready-to-drink market and the general downturn in the non-alcoholic fizzy drinks market, capacity utilisation at the Sulmona plant has fallen so low that it cannot continue operating.

The Company has a long tradition of working closely with trade unions to minimise the social consequences of its unavoidable financial decisions; with this in mind, and in order to ease the impact of the closure on staff, it has undertaken, in partnership with workers' representatives, to set out a programme of alternative and support measures.

This programme – which will be discussed at the appropriate time – may include the transfer of staff to other Group facilities where possible, as well as outplacement and retraining in order to minimise the impact of this painful but inevitable decision.

New trading company in China

The first quarter of the year saw the launch of the Campari Beijing Trading Company, 100%-owned by the Campari Group.

The new company's headquarters are in Beijing, and a second office will shortly be opened in Shanghai.

The company was set up with the aim of seizing the significant opportunity offered by the Chinese market.

It will comprise two separate units, which will be responsible respectively for distributing the Group's wines and spirits.

The Campari Beijing Trading Company will distribute wines produced locally by Qingdao Sella & Mosca Winery Co. Ltd. (of which the Group owns 93.67%), as well as imported wines from Sella & Mosca, Chateau Lamargue and Teruzzi & Puthod.

New company in Argentina

Following the acquisition of the Old Smuggler brand, concluded on 15 March 2006 at the same time as that of Glen Grant, a ruling by the antitrust authority on 12 March 2007 gave the Group the go-ahead to acquire the Old Smuggler brand for distribution also on the important Argentinian market.

As a result, Campari Argentina S.R.L., a company set up in 2006 and 100%-owned by the Group, became operational.

The company imports malt from Scotland, and co-ordinates the production and sale of Old Smuggler whisky locally via an external bottling plant and an external distributor.

SALES PERFORMANCE

Overall performance

The Group registered an excellent performance in the first quarter of 2007, with consolidated sales rising 8.0% year-on-year to € 196.6 million.

Organic growth stood at 11.3%, while external growth and exchange rates had a negative impact of 0.7% and 2.6% respectively on the total, as shown in the table below.

	€ million	% change on first quarter 2006
– net sales in the first quarter of 2007	196.6	
– net sales in the first quarter of 2006	182.1	
total change	**14.5**	**8.0%**
of which		
organic growth before exchange rate effect	20.5	11.3%
changes in the basis of consolidation	–1.2	–0.7%
exchange rate effect	–4.8	–2,6%
total change	**14.5**	**8.0%**

In the first quarter of the year almost all the Group's main brands delivered positive results; more specifically, double-digit sales growth was registered by Campari, SKYY Vodka, Aperol and the Brazilian brands (spirits business), by sparkling wines and Cinzano vermouth (wines) and Crodino (soft drinks).

External growth had a negative impact of € 1.2 million (0.7%), after sales of Lipton Ice Tea were suspended.

At the end of last year, Campari Italia S.p.A. and Unilever agreed not to renew the distribution contract for Lipton Ice Tea brand products after it expired in December.

As a result, in the calculation of organic growth for 2007, sales of this brand in 2006 count as a negative variation due to a change in the basis of consolidation.

In the first quarter of 2007, this negative impact was € 6.3 million.

However, in the same period the Company also registered positive external growth of € 5.1 million, of which € 4.0 million was due to the Glen Grant, Old Smuggler and Braemar brands, acquired on 15 March 2006.

The table below shows a breakdown by brand of the effects of the changed basis of consolidation on sales.

Consolidated sales in first quarter 2007: breakdown of external growth	€ million
Glen Grant, Old Smuggler and Braemar	4.0
Sub-total: Group brands	**4.0**
Suspension of distribution of Lipton Ice Tea in Italy	–6.3
Other third-party brands	1.1
Sub-total: third-party brands	**–5.2**
Total	**–1.2**

Exchange rates had a negative effect of 2.7% on sales in the first quarter of the year.

At the start of 2007 the euro continued to strengthen against the US dollar, and, to a lesser extent, against the Brazilian real; the US currency declined by 8.3% in the first quarter of 2007 versus the average for the same period of 2006, while the real lost 4.4%.

The table below shows the average exchange rates for the currencies of greatest importance for the Group.

Average exchange rates for the period 1 January-31 March	2007	2006	% change
US$ x € 1	1.310	1.202	
€ x US$	0.7631	0.8319	–8.3%
BRL x € 1	2.763	2.640	
€ x BRL 1	0.3620	0.3788	–4.4%
CHF x € 1	1.616	1.559	
€ x 1 CHF	0.6187	0.6415	–3.6%
JPY x 1 €	156.468	140.514	
€ x 1000 JPY	6.3911	7.1167	–10.2%
GBP x 1 €	0.671	0.686	
€ x 1000 GBP	1.4913	1.4578	2.3%

Sales by region

The sales growth of 8.0% registered during the quarter was due to a positive performance from all regions, which posted total organic growth of 11.3%.

The first table below shows the breakdown and growth of sales by region, while the second breaks down the overall change in each region by organic growth, external growth and the effect of exchange rate movements.

	1 January - 31 March 2007		1 January - 31 March 2006		% change
	€ million	%	€ million	%	2007 / 2006
Italy	95.0	48.3%	92.5	50.8%	2.7%
Europe	36.7	18.7%	27.8	15.2%	32.1%
Americas	57.3	29.1%	55.0	30.2%	4.1%
Rest of the world and duty free	7.6	3.9%	6.8	3.7%	12.9%
Total	**196.6**	**100.0%**	**182.1**	**100.0%**	**8.0%**

Breakdown of % change	Total % change 1 January - 31 March	of which external growth	of which organic growth	of which exchange rate effect
Italy	2.7%	–5.5%	8.2%	0.0%
Europe	32.1%	12.1%	20.3%	–0.3%
Americas	4.1%	0.9%	11.5%	–8.3%
Rest of the world and duty free	12.9%	0.9%	14.9%	–3.0%
Total	**8.0%**	**–0.7%**	**11.3%**	**–2.6%**

In **Italy** sales went up by 8.2% in the quarter on a same-structure basis.

Excluding the negative impact of external growth (5.5%), the growth figure was a more limited 2.7%.

On the Italian market, it was a very positive quarter for sales of Campari, and more generally for almost all the brands in the Group's wines and spirits portfolios.

The net negative impact of external growth was due to the suspension of distribution of Lipton Ice Tea as mentioned above, which was only partially offset by the external growth relating to Glen Grant.

Europe put in the best absolute performance during the period, with total growth of 32.1%.

On a same-structure basis and at constant exchange rates, growth stood at 20.3% year-on-year thanks to an excellent sales performance in important markets such as Russia, Germany, France, Spain and the UK.

The impact of external growth (12.1%) was due mainly to sales of finished and semi-finished products associated with the Glen Grant acquisition.

Sales in the **Americas** grew by only 4.1% overall, since the strongly negative exchange rate effect (8.3%) significantly eroded the excellent organic growth of 11.5%.

The tables below give more details of the Group's performance in the Americas.

	1 January - 31 March 2007		1 January - 31 March 2006		% change
	€ million	%	€ million	%	2007 / 2006
US	45.7	79.8%	45.0	81.8%	1.5%
Brazil	9.1	15.9%	7.5	13.6%	21.7%
Other countries	2.5	4.3%	2.5	4.6%	–1.8%
Total	**57.3**	**100.0%**	**55.0**	**100.0%**	**4.1%**

Breakdown of % change	Total % change 1 January - 31 March	of which external growth	of which organic growth	of which exchange rate effect
US	1.5%	1.1%	9.4%	–9.0%
Brazil	21.7%	–0.2%	27.6%	–5.7%
Other countries	–1.8%	0.0%	0.7%	–2.5%
Total	**4.1%**	**0.9%**	**11.5%**	**–8.3%**

In the first quarter of the year the **United States** posted organic sales growth of 9.4%, thanks to an excellent performance from the core brand SKYY Vodka.

Third-party brands, which account for a large share of sales on this market, did less well, however.

External growth stood at only 1.1%, and was due to sales of Old Smuggler scotch whisky, acquired in 2006, while the sharp decline in the US dollar caused a negative exchange rate effect of 9.0%.

In **Brazil,** first-quarter sales were extremely positive, registering organic growth of 27.6%.

All the most important brands put in good performances; however, it should be noted that the first quarter is traditionally a period of modest trading activity, especially in Brazil, and sales are much lower than those recorded in the fourth quarter.

In this market too, the decline in the local currency had a negative impact (5.7%) on overall growth.

Sales in other countries in the Americas, of which the most important market is Canada, remained broadly flat, posting a performance of +0.7% at constant exchange rates and –1.8% at actual rates.

Sales in the **rest of the world and duty free sales** account for only 3.9% of total Group sales, but posted organic growth of 14.9%, thanks to an excellent performance from the duty free channel.

Sales by business area

In the first quarter of 2007 all the business areas increased their sales at constant exchange rates and on a same-structure basis versus the same period of 2006.

The comparison with last year also remains extremely positive in real terms; only the soft drinks business saw a contraction due to the termination of distribution of the Lipton Ice Tea brand.

The first of the two tables below shows growth in sales by business area, while the second breaks down the overall change in each segment by organic growth, external growth and the effect of exchange rate movements.

	1 January - 31 March 2007		1 January - 31 March 2006		% change
	€ million	%	€ million	%	2007 / 2006
Spirits	139.2	70.8%	129.0	70.9%	7.9%
Wines	25.7	13.1%	19.8	10.9%	29.5%
Soft drinks	28.1	14.3%	31.0	17.0%	–9.3%
Other sales	3.6	1.8%	2.2	1.2%	61.6%
Total	**196.6**	**100.0%**	**182.1**	**100.0%**	**8.0%**

Breakdown of % change	Total % change 1 January - 31 March	of which external growth	of which organic growth before exchange rate effect	of which exchange rate effect
Spirits	7.9%	3.0%	8.5%	–3.6%
Wines	29.5%	0.0%	30.1%	–0.6%
Soft drinks	–9.3%	–20.3%	11.0%	0.0%
Other sales	61.6%	52.1%	9.7%	–0.2%
Total	**8.0%**	**–0.7%**	**11.3%**	**–2.6%**

Spirits

Sales of spirits totalled € 139.2 million, an overall advance of 7.9% on the first quarter of 2006. Stripping out the contribution of external growth (+3.0%) and negative exchange rate effects (3.6%), organic growth in this segment was 8.5%, reflecting a healthy performance from all the Group's main brands.

Sales of **Campari** were 10.7% higher in the first quarter of 2007 at constant exchange rates (+9.4% including the negative exchange rate effects attributable mainly to the Brazilian real).

This positive result was achieved thanks to a good sales performance in Italy, Brazil and the main European markets.

The performance of the Italian market was particularly satisfying.

After an unsatisfactory 2006, sales of the Campari brand went up in the first quarter of 2007, thanks to a strong consumer-driven trend.

The **SKYY brand** (SKYY Vodka and flavoured lines) generated first-quarter organic sales growth of 21.5% at constant exchange rates.

At actual exchange rates, the negative effect of US dollar depreciation put growth at 12.4%.

The brand's domestic market (the US) and its export markets have contributed equally to its growth.

However, over 80% of SKYY's volume sales are recorded in the US, where the brand's performance is extremely positive, with sales to end consumers having grown at double-digit rates for several years now.

Elsewhere, first-quarter sales were particularly strong in Italy and Germany, where the brand is well-established, and marketing targeted at the on-trade channel is delivering good results.

Sales of **CampariSoda**, which are almost entirely concentrated on the Italian market, fell by 14.8% in the first quarter.

This negative result was largely due to the unfavourable comparison with the first quarter of 2006, which saw greater promotional activity.

However, most of the ground lost is expected to be made up in the second quarter.

First-quarter sales of **Aperol** were again highly satisfactory, at +10.8%, continuing the trend of double-digit growth on the Italian market (where around 90% of total Aperol sales are recorded), which has been in place for more than three years.

The period was also an especially strong one for sales of **Aperol Soda** (+38.6%), a product sold exclusively on the Italian market.

Sales of Group brands in Brazil jumped 38.4% in local currency (32.3% at actual exchange rates) in the first quarter of the year, despite the first quarter being traditionally associated with very modest sales.

Both **Dreher** aguardiente and the **admix whiskies Old Eight and Drury's** posted strong retail sales in the important month of December, prompting substantial re-orders in the first quarter of 2007.

Sales of **Ouzo 12** grew by 4.2% (+3.7% at actual exchange rates), thanks to a good performance on the German market, which again (as in the whole of 2006) offset the less positive trend affecting the Greek market.

Cynar sales rose by 18.8% (17.2% at actual exchange rates), on the back of a general advance on the main international markets and substantial stability in Italy.

Sales of **Campari Mixx**, distributed solely in Italy, saw a further deterioration of 14.8% in the first quarter of 2007, as the ready-to-drink market continued its decline.

As for the Group's other spirits brands, the quarter was mixed: while Zedda Piras (Mirto di Sardegna) did well, the performance of Biancosarti was not satisfactory.

First-quarter sales of **third-party brands** were as follows:

- Jack Daniel's, mostly distributed on the Italian market performed very well (+15.4%);
- sales of **Jägermeister**, again on the Italian market, were up 8.9%;
- Scotch whisky sales climbed by 12.2% at constant exchange rates (3.6% lower at actual exchange rates), largely driven by Cutty Sark in the US;
- **1800 Tequila** posted growth in the US of 1.7% in local currency (a decline of 9.2% at actual exchange rates);
- sales of **C&C** brands fell by 2.9% (–10.5% at actual exchange rates);
- sales of **Suntory** brands were down 20.7% (–26.7% at actual exchange rates).

Note that sales of the C&C and Suntory brands are concentrated in the US, where distribution began in January 2006; sales figures for the first quarter of last year were therefore particularly high as the new distributors built up their stocks.

Wines

Sales of wines in the first quarter of 2007 totalled € 29.5 million, an increase of 29.5% compared with the same period of last year.

First-quarter growth in the segment was entirely organic, and exchange rate movements had a limited negative impact, of 0.6%.

All the main brands put in positive performances.

Note though, that sales of sparkling wines are traditionally much lower in the first quarter of the year than other quarters, and are particularly affected by the consumption trend in the preceding Christmas period.

Sales of **Cinzano vermouth** shot up by 70.0% (68.6% at actual exchange rates).

While results in certain key countries, such as Italy, Spain and Germany were good, this striking performance was driven by the Russian market, where the elimination of a lengthy delay in deliveries dating from early 2006 (due to the introduction of different tax bands), together with a positive trend in consumption, boosted sales dramatically.

Sales of **Cinzano sparkling wines** were also buoyant (+35.8% at constant exchange rates; +35.2% at actual exchange rates), thanks to the excellent results achieved on the two main markets, Germany and Italy.

Sella & Mosca wines posted growth of 7.8% (at both constant exchange rates and actual exchange rates), following a positive performance on international markets.

The sales trend was also positive for all the Group's other wine brands, especially **Mondoro** and **Riccadonna**, which posted double-digit growth, as well as **Teruzzi & Puthod** and **Cantina Serafino**.

Soft drinks

In the first quarter of 2007 sales of soft drinks totalled € 28.1 million, thanks to organic growth of 11.0%.

The end of the distribution contract for Lipton Ice Tea had a negative impact of 20.3%, leading to a 9.3% decline in sales of soft drinks overall.

Sales of the non-alcoholic aperitif **Crodino** were robust, at +16,7%, while **Lemonsoda, Oransoda and Pelmosoda** posted growth of 8.2%, and **Crodo** mineral waters performed broadly in line with last year.

Other sales

In the first quarter of 2007, other sales (which include co-packing revenues and sales of raw materials and semi-finished goods to third parties) grew by 61.6% to € 3.6 million.

The increase was almost entirely due to external growth, through sales of malt distillate produced and sold by Glen Grant Distillery Company Ltd. to the Pernod Ricard group based on the agreements signed at the time of the Glen Grant acquisition.

Most of this contribution was recorded under external growth for the January - March period of 2007, as sales of malt distillate commenced on 15 March last year, the date the Glen Grant acquisition was completed.

OPERATING AND FINANCIAL POSITION

Preparation criteria

The quarterly report to 31 March 2007 was prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and ratified by the European Union.

These also include all the interpretations of the international standards (International Accounting Standards - IAS) and interpretations of the International Financial Reporting Interpretation Committee (IFRIC) and its predecessor, the Standing Interpretations Committee (SIC).

The Campari Group adopted IFRS from 1 January 2005, in accordance with Regulation (EC) 1606 of 19 July 2002.

The quarterly report and consolidated financial statements for the period to 31 March 2007 have been prepared in accordance with Issuer Regulations 11971/1999, as amended by Consob resolution 14990 of 14 April 2005.

In particular, as provided for in article 82 ("Quarterly reports") of the aforementioned regulation, this report is not subject to audit, and has been prepared in accordance with Appendix 3D.

The quarterly report to 31 March 2007 was authorised for publication by resolution of the relevant administrative body on 8 May 2007.

Basis of consolidation

The consolidated quarterly report includes the profit and loss accounts and balance sheets of the Parent Company and Italian and foreign subsidiaries at 31 March 2006, which were prepared in accordance with international accounting standards.

Joint ventures and companies over which the Group exercises a significant influence are accounted for by the equity method.

In the first quarter of 2007, two new companies were included in the basis of consolidation:

– Campari Beijing Trading Company, a trading company based in Beijing, and 100%-owned by DI.CI.E Holding B.V.;

– Campari Argentina S.R.L., a manufacturing and trading company based in Buenos Aires and 95%-owned by DI.CI.E Holding B.V., with the remaining 5% owned by Lacedaemon B.V.

Profit and loss account

	First quarter 2007		First quarter 2006		change
	€ million	%	€ million	%	%
Net sales	**196.6**	**100.0%**	**182.1**	**100.0%**	**8.0%**
Cost of goods sold	(81.7)	–41.6%	(78.4)	–43.1%	4.3%
Gross profit	**114.8**	**58.4%**	**103.7**	**56.9%**	**10.8%**
Advertising and promotional costs	(31.8)	–16.2%	(25.4)	–14.0%	25.0%
Sales and distribution costs	(25.3)	–12.9%	(24.0)	–13.2%	5.7%
Trading profit	**57.7**	**29.4%**	**54.3**	**29.8%**	**6.3%**
General and administrative expenses and other operating expenses and income	(16.0)	–8.2%	(15.3)	–8.4%	4.6%
EBIT before one-offs	**41.7**	**21.2%**	**38.9**	**21.4%**	**7.0%**
One-offs	0.0	0.0%	(0.3)	–0.2%	–115.0%
EBIT	**41.7**	**21.2%**	**38.6**	**21.2%**	**7.9%**
Net financial income (charges)	(4.2)	–2.1%	(3.0)	–1.6%	41.5%
Profit (loss) of companies valued at equity	0.0	0.0%	(0.2)	–0.1%	–121.1%
Profit before tax and minority interests	**37.6**	**19.1%**	**35.5**	**19.5%**	**5.9%**
Minority interests	(0.0)	0.0%	(0.9)	–0.5%	–95.7%
Group profit before tax	**37.5**	**19.1%**	**34.6**	**19.0%**	**8.5%**
Total depreciation and amortisation	(4.8)	–2.4%	(4.5)	–2.5%	5.3%
EBITDA before one-offs	**46.4**	**23.6%**	**43.5**	**23.9%**	**6.8%**
EBITDA	**46.5**	**23.6%**	**43.2**	**23.7%**	**7.7%**

Net sales for the quarter totalled € 196.6 million.

As indicated above, overall growth of 8.0% was driven by robust organic growth of 11.3%, which was partially offset by negative changes in external growth and exchange rates of 0.7% and 2.6% respectively.

The cost of goods sold fell by 1.5% from 43.1% to 41.6%.

This reduction was mainly due to a different sales mix in the two periods under comparison, and in particular, to the change in external growth due to the termination of distribution of the Lipton Ice Tea brand at the end of 2006, which alone resulted in an improvement of 1.2%.

The variable cost of sales for this brand in 2006 represented a higher percentage of sales than the average for the Group's organic business.

Production costs, i.e., the portion of the cost of goods sold primarily comprising fixed costs, rose slightly in absolute terms and declined marginally as a percentage of sales: on a same-structure basis, the two quarters are, in fact, the same from a business organisation point of view since the restructuring plan carried out by the Group in recent years had already been completed by the first quarter last year.

However, it should be noted that the recently-announced closing of the Sulmona plant will have a limited impact at the end of 2007.

Advertising and promotional costs were 16.2% of sales, significantly higher than last year (14.0%).

This increase was primarily due to a change in media and trade marketing investment planning which generated a higher concentration of business in the first quarter of the year.

In addition, part of the increase in the percentage of sales in the first quarter of 2007 (0.5%) was due to the above-mentioned change in the basis of consolidation, i.e., Lipton Ice Tea.

In 2006, the large promotional investment made by the Group on this brand was almost entirely recouped by contributions received from the brand owner with a resulting dilutive effect on overall advertising and promotional costs as a percentage of sales.

In this regard, note that if the Group's consolidated profit and loss report for all of 2006 were reclassified by excluding Lipton Ice Tea from sales and advertising and promotional costs, these costs as a percentage of sales would increase from the reported level of 17.5% to 18.1%.

Sales and distribution costs declined from 13.2% of sales in the first quarter of 2006 to 12.9% in 2007 since sales and marketing costs include a certain component of fixed costs.

However, note that in 2006 these fixed costs rose substantially since the Group felt it was appropriate to increase expenditure generally in this area in the US and major international markets.

Trading profit for the first quarter of 2007rose 6.3% on the same period last year, and stood at € 57.7 million, due to:

– organic growth of 6.7%;
– external growth of 1.7%;
– a negative exchange rate effect of 2.1%.

Note that the change in the basis of consolidation had different effects on sales and trading profit.

The net effect of the change in the basis of consolidation on sales was negative (0.7%) since the negative impact of Lipton Ice Tea was greater than the contribution from Glen Grant and other brands that generated external growth.

On the other hand, the new brands' earnings more than offset the profitability lost from the termination of distribution of Lipton Ice Tea, and thus, the net impact from external growth on the Group's trading profit was positive to the tune of 1.7%.

General and administrative expenses and other operating income and charges fell as a percentage of sales, dipping from 8.4% in the first quarter of 2006 to 8.2% this quarter.

This item rose by 4.6% in absolute terms, but if changes in exchange rates and the basis of consolidation were excluded, the increase would have been only 3.3%.

EBIT before one-offs was € 41.7 million, an increase of 7.0% compared to the same period last year.

One-offs showed a net balance of nil, there being no significant amounts recorded under this item during the quarter.

In the same period last year, the net balance was € 0.3 million, resulting from extraordinary charges connected with the acquisition of Glen Grant, Old Smuggler and Braemar.

EBIT rose by 7.9% to € 41.7 million over the first quarter of last year, but with the same level of profitability (21.2%).

The total charge for **depreciation and amortisation** of tangible and intangible fixed assets recorded in the period was € 4.8 million, an increase of 5.3% on the charge of € 4.5 million recorded last year.

As a result, **EBITDA before one-offs** increased by 6.8% to € 46.4 million, while **EBITDA** rose 7.7% to € 46.5 million.

Net financial charges were higher than last year, and stood at € 4.2 million (versus € 3.0 million for the same period last year).

The increase in interest rates in major currencies combined with higher debt levels for the acquisitions of Glen Grant, Old Smuggler and Braemar and the remaining minority interest of 11% in Skyy Spirits, LLC had a negative impact on interest for the period.

However, the devaluation of the US dollar against the euro meant it was possible to partially cushion the negative impact by reducing financial charges for the portion of debt denominated in the US currency.

The Group's portion of profits or losses of companies valued at equity showed a positive but insignificant balance compared to a loss of € 0.2 million last year.

The companies accounted for by the equity method are four trading companies that distribute products made by the Group and its partners in the major European markets of Belgium, the Netherlands, the UK and Spain.

Profit before tax and minority interests grew 5.9% compared to the same period last year, to € 37.6 million.

Following the acquisition, at the end of 2006, of the remaining 11% stake in Skyy Spirits, LLC, which was held by minorities, minority interests in the Group's profit and loss account were negligible: in the first quarter of 2007, this figure was less than € 0.1 million, compared with € 0.9 million for the first quarter of last year.

As a result of this, Group profit before tax of € 37.5 million for the first quarter of 2007 was 8.5% higher than the amount reported for profit before taxes and minority interests.

Net debt

As at 31 March 2007, the Group's consolidated net debt totalled € 303.9 million, a decrease of 75.6 million from the € 379.5 million at 31 December 2006.

	31 March 2007 € million	31 December 2006 € million
Cash, bank and securities	380.2	240.3
Payables to banks	(282.0)	(209.3)
Real estate lease payables	(3.1)	(3.1)
Private placement and bond issue	(13.2)	(17.7)
Other financial assets and liabilities	0.4	0.3
Short - term financial position	**82.3**	**10.4**
Payables to banks	(1.2)	(1.2)
Real estate lease payables	(15.2)	(16.0)
Private placement and bond	(367.6)	(370.6)
Other financial payables	(2.1)	(2.2)
Medium / long - term debt	**(386.0)**	**(390.0)**
Net debt	**(303.9)**	**(379.5)**

As shown in the table, medium and long-term debt totalled € 386.0 million at the end of the quarter.

Both the debt structure and amount remained broadly unchanged from 31 December 2006 (€ 390 million).

On the other hand, there was a significant improvement in net short-term financial position which increased from € 10.4 million to € 82.3 million mainly due to net profit generated during the quarter and the significant decrease in working capital (see comments in paragraph below).

Industrial investments during the period totalled € 5.8 million.

Working capital

As at 31 March 2007, the balance sheet showed working capital of € 237.6 million, which was down by € 27.5 million from 31 December 2006.

	31 March 2007 € million	31 December 2006 € million	change € million	31 March 2006 € million
Receivables from customers	186.0	257.1	–71.1	194.0
Inventories	179.2	169.9	9.4	187.0
Payables to suppliers	–127.6	–161.9	34.3	–137.2
Net working capital	**237.6**	**265.1**	**–27.5**	**243.8**
Sales 12-month moving average	946.9	932.4	14.5	904.9 (1)
Net working capital as % of net sales 12-month moving average	25.1%	28.4%		26.9%

(1) Pro-forma amount adjusted upwards to enable reporting of 12 months of sales using the basis of consolidation at 31 March 2006 and comparison of this figure to working capital at the same date.

The decrease in working capital between the two dates compared was mainly due to seasonality in the business, and specifically to trade receivables, which reached a high for the year on 31 December, and which were then collected on a highly regular basis in the first quarter of 2007.

On the other hand, inventories at 31 March were higher than at year-end, as normal, in anticipation of sales in the important second quarter.

Total working capital reported at 31 March 2007 can be considered a positive figure since, despite the increase in sales, it is lower than the € 243.8 million reported on the same date last year

EVENTS TAKING PLACE AFTER 31 MARCH 2007

Ordinary shareholders' meeting of the Parent Company

On 24 April 2007 the shareholders' meeting of Davide Campari-Milano S.p.A. approved the full-year results for the year ending 31 December 2006 and agreed the distribution of a dividend of € 0.10 per share, which was unchanged from last year.

The shareholders' meeting also:

- appointed the Board of Directors for the three-year period 2007 - 2009 comprising Eugenio Barcellona, Luca Garavoglia, Paolo Marchesini, Marco P. Perelli-Cippo, Stefano Saccardi and Enzo Visone as well as Enrico Corradi, Cesare Ferrero and Renato Ruggiero who serve as independent directors; Luca Garavoglia was confirmed as Chairman of the Company;
- appointed the Board of Statutory Auditors, also for 2007-2009, comprising Antonio Ortolani as Chairman, and Alberto Lazzarini and Giuseppe Pajardi as Permanent Auditors;
- approved the extension of the audit appointment for Reconta Ernst & Young S.p.A. for the three-year period 2007-2009;
- authorised the Board of Directors to purchase and/or sell own shares to be used primarily for stock option plans. Authorisation was requested for the purchase and/or sale of shares not exceeding 10% of share capital including existing own shares.

Merger of Glen Grant S.r.l. into the Campari Group

During the year, it was decided to merge the 100%-owned subsidiary Glen Grant S.r.l., owner of the Glen Grant brands, into the Group.

The aim was to continue streamlining the Group by reducing the number of companies, and to create a more efficient and functional financial and balance sheet structure.

Acquisition of Cabo Wabo Tequila

On 7 May 2007 the Campari Group announced that it had signed an agreement to acquire an 80% stake in Cabo Wabo Tequila.

This transaction, which is scheduled to close in January 2008, is worth USD 80 million (around € 60 million at the current exchange rate), equivalent to an 11.8 x projected EBITDA for 2007.

The Group will have the opportunity to acquire the remaining 20% of Cabo Wabo Tequila in two tranches of 15% and 5% through call / put options that can be exercised in 2012 and 2015 respectively.

Cabo Wabo, an ultra-premium tequila with a reputation for extremely high quality, has won several prizes. The product range includes Cabo Wabo Reposado, Cabo Wabo Añejo, Cabo Wabo Blanco and the new ultra luxury brand, Cabo Uno, which is barrel-aged for three years.

With a sales volume of around 70,000 nine-litre cases, primarily in the United States, Cabo Wabo is one of the fastest-growing brands in the US spirits market.

Cabo Wabo is a strategic acquisition for the Group since it will contribute significantly to strengthening the portfolio of ultra-premium brands in the US market and to increasing the focus on tequila as a result of owning a brand in one of the categories with the highest growth rates in the US spirits market.

The creator and majority shareholder of Cabo Wabo is rock star Sammy Hagar who created the company in 1996. Hagar is a tequila connoisseur, and in recent years has been an ambassador for the Cabo Wabo brand and the creative force behind its success.

Following completion of the transaction, Sammy Hagar and his partner Marco Monroy will continue to own 20% of the company, and Hagar will remain personally involved in decisions regarding product quality and promotional activities for the business aimed at increasing brand awareness and sales in the US and the rest of the world.

Management

Following Enzo Visone's decision to resign from his position, the Board of Directors of Davide Campari-Milano S.p.A. appointed Bob Kunze-Concewitz as Chief Executive Officer of the Campari Group.

Bob Kunze-Concewitz, a young, highly capable manager with strong, high-level international experience obtained at major international companies, was selected internally to provide continuity.

Austrian Kunze-Concewitz, 40, has been in the Campari Group since 2005.

As Group Marketing Officer he specifically looked after the development and implementation of new marketing strategies for the Group's most important brands in all markets.

He completed his schooling in France, graduated with honours in the US and then obtained an MBA in the UK.

He speaks five languages and has worked in Italy, Germany, the UK, France, the Benelux countries, the US and Switzerland.

In the past he has held positions with growing levels of responsibility at Procter & Gamble rising to the position of Corporate Marketing Director of the Global Prestige Products Division.

OUTLOOK

The Group posted good results in the first quarter, which partly exceeded expectations.

Since the first quarter has rather limited relevance in the context of overall results for the year, we do not consider it necessary at the present time to revise the positive direction laid out at the beginning of the year.

The outlook, therefore, is based on cautious optimism.

Milan, 8 May 2007

Chairman of the Board of Directors
Luca Garavoglia