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# Nine months 2004 results

Conference call

*8 November 2004*



# Highlights and sales review

Enzo Visone, Chief Executive Officer

# Nine months ended 30 September 2004



## Key financial results

	<b>9M 2004</b> € million	<b>% change</b> <i>at constant exchange</i>	<b>% change</b> <i>at actual exchange</i>
<b>Net sales</b>	544.7	+10.6%	+7.7%
<b>EBITDA</b>	127.4	+11.2%	+7.4%
<b>EBITA</b>	114.1	+11.3%	+7.2%
<b>EBIT</b>	87.7	+7.7%	+2.5%
<b>Group profit before taxes</b>	70.5	-27.9%	-30.9%

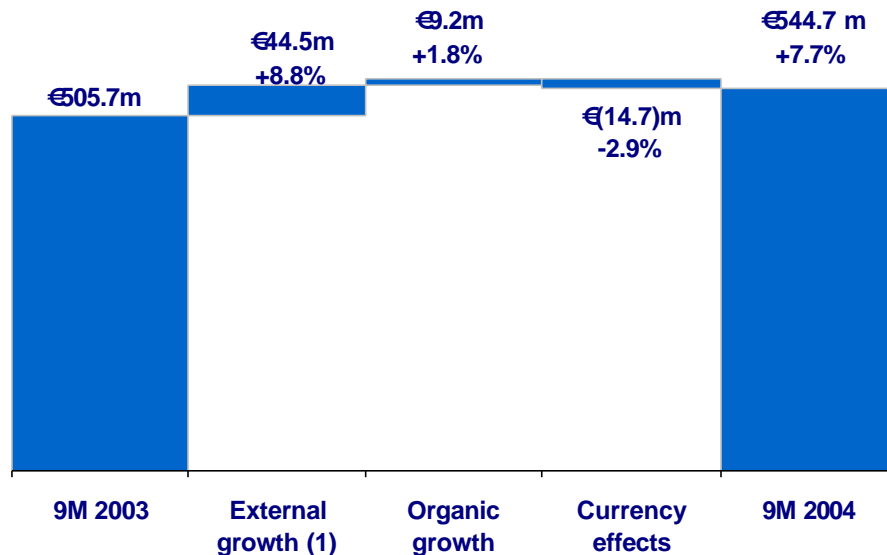
- > Positive trends in sales and all levels of operating profitability continued in 9M 2004
  - solid contribution of newly-acquired Barbero 1891
  - impact of forex still negative
  - challenging comparison base in Q3
  
- > Decrease in pretax profit solely due to to the significant drop in extraordinary income which benefited 2003

# Breakdown of sales growth



## 2004 nine months sales

- > Organic performance adversely affected by the tough comparison for soft drinks business in Q3
- > Negative impact of currencies, driven by the US dollar



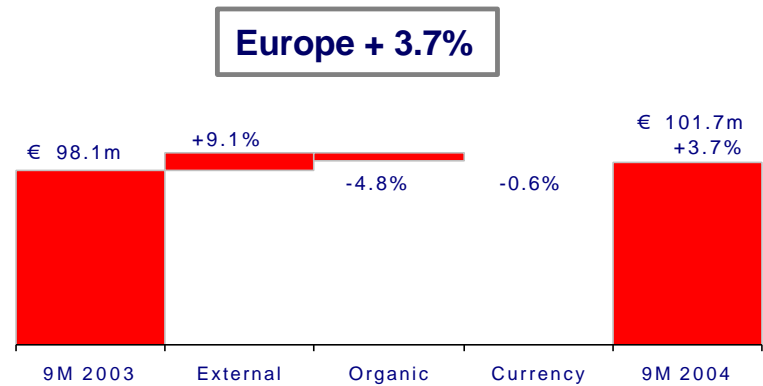
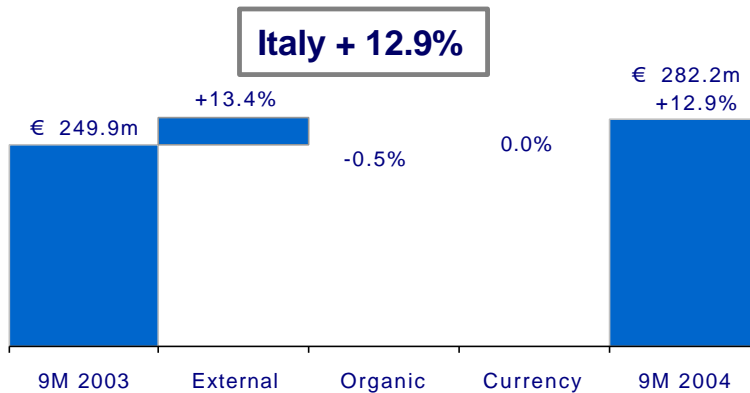
Organic growth	9M 2004	Q3 2004
Consolidated	1.8%	-3.6%
Excluding proper Soft Drinks and Mixx	6.5%	4.8%

Notes:

(1) Includes:

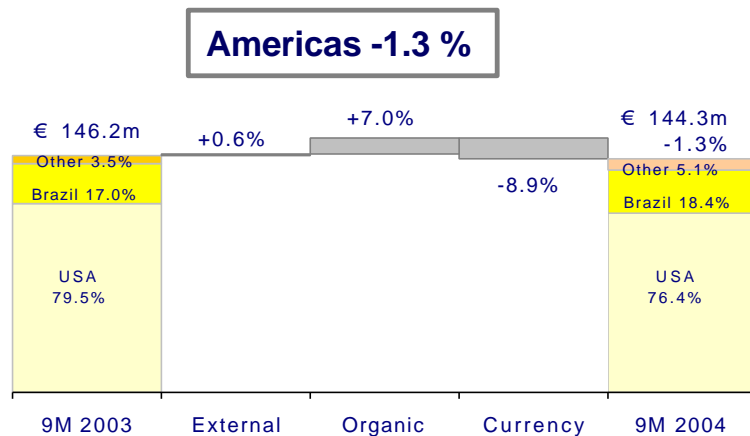
- sales of Barbero 1891 S.p.A. (€43.8 m), fully consolidated as of December 2003
- sales of Qingdao Sella & Mosca Winery Co. Ltd. and Société Civile Immobilière de la Margue (€0.7 m), fully consolidated as of January 2004

# Net sales by region



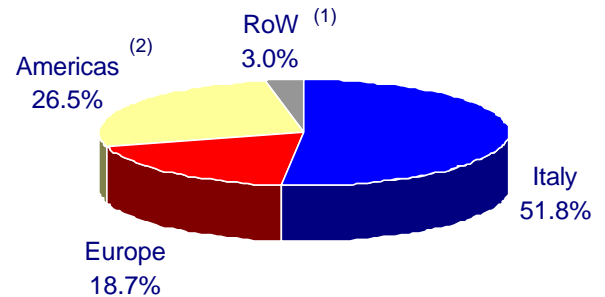
- > Strong contribution of Barbero 1891 acquisition
- > On an underlying basis, adverse weather conditions affected sales of soft drinks and Campari Mixx

- > Positive contribution of sales of Aperol in Germany and Mondoro in Russia
- > Weak German market particularly affects organic performance



- > + 4.7% organic growth in US; + 11.9% organic growth in Brazil

**9M 2004 sales by region  
€544.7 m**

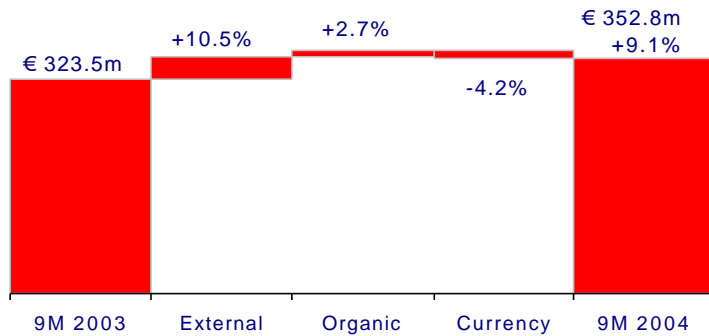


- (1) + 42.5% organic growth driven by expected strong recovery in Japan
- (2) Include:
  - USA 20.3%
  - Brazil 4.9%
  - Other 1.3%

# Net sales by segment

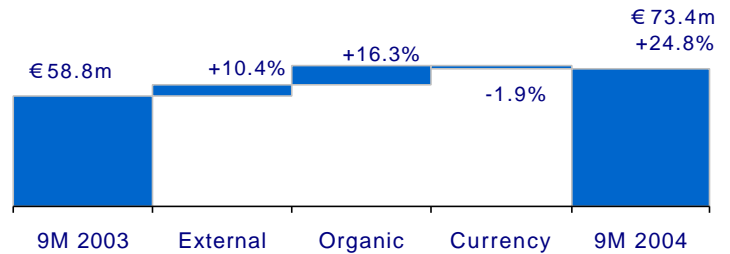


**Spirits + 9.1%**



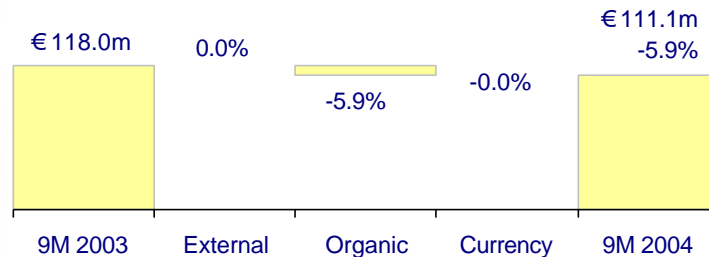
- > Positive contribution of Barbero's spirits (Aperol)
- > Organic growth is in part offset by negative performance of Mixx and Scotch whiskies
- > 5.6% organic growth excluding Mixx

**Wines + 24.8%**



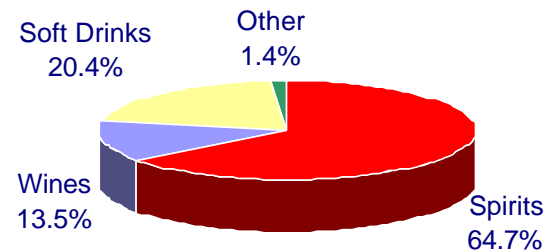
- > Positive contribution of Barbero's wines (Mondoro)
- > Strong growth in all Group's wine brands

**Soft drinks - 5.9%**



- > Tough comparison base and adverse weather conditions affect organic performance in Q3

**9M 2004 sales by segment  
€544.7 m**



# Key brands sales performance



<b>% change in value 9M2004 / 9M2003</b>	<b>at constant exchange</b>	<b>at actual exchange</b>	
<b>Spirits</b>			
<b>Campari</b>	+5.1%	+3.3%	- Positive performance in Brazil, Italy, Japan and other major European markets, partly offset by decline in Germany, where consumption was negatively affected by adverse weather conditions.
<b>CampariSoda</b>	+4.1%	+4.1%	- Sales are almost entirely on the Italian market.
<b>SKYY</b>	+2.1%	-7.1%	- SKYY Vodka up 4.0% in 9M 2004 (+6.3% in Q3) at constant exchange rates, SKYY flavours (15% of total SKYY brand sales) down 7.2% in 9M 2004 at constant exchange due to unfavourable comparison base (+12.3% in Q3 at constant exchange);  steady double digit growth in depletions throughout 9M 2004; continuing positive trend in international markets.
<b>Aperol</b>			- Consolidated as of December 2003. Volume growth of 20.3% in 9M 2004.
<b>Cynar</b>	+5.5%	+4.8%	- Positive development in major markets.
<b>Ouzo 12</b>	+17.1%	+16.4%	- Strong performance in major markets.
<b>Brazilian brands</b>	+16.1%	+10.9%	- Dreher up +15.4% at constant exchange rates. Admix whiskies up +17.8% at constant exchange rates.
<b>Jägermeister<sup>(1)</sup></b>	+1.9%	+1.9%	- Sales are almost entirely on the Italian market.
<b>tequila 1800<sup>(1)</sup></b>	+26.6%	+14.9%	- Continued strong growth in US market.
<b>Wines</b>			
<b>Cinzano sparkling wines</b>	+7.3%	+5.5%	- Continued development in Italy and other major markets, but weaker performance in Germany.
<b>Cinzano vermouths</b>	+14.1%	+11.0%	- Continued progression in major European markets.
<b>Sella &amp; Mosca</b>	+11.4%	+11.0%	- Solid performance driven by volume and favourable sales mix.
<b>Soft drinks</b>			
<b>Crodino</b>	+5.8%	+5.7%	- Solid growth supported by strong brand awareness. Sales are less dependant on weather conditions.
<b>Carbonated soft drinks</b>	-14.4%	-14.4%	- Tough comparison base and adverse summer weather negatively affected performance in Q3.

Note:

(1) Agency brand



# Consolidated 9M 2004 results

Paolo Marchesini, Chief Financial Officer



# Trading profit

## Consolidated results



	9M 2004		9M 2003		Change at actual exchange	Change at constant exchange
	€ m	%	€ m	%	%	
<b>Net turnover</b>	<b>544.7</b>	<b>100.0%</b>	<b>505.7</b>	<b>100.0%</b>	<b>7.7%</b>	<b>+10.6%</b>
Cost of materials	(182.6)	-33.5%	(180.3)	-35.7%	1.3%	
Production costs	(39.4)	-7.2%	(30.9)	-6.1%	27.6%	
COGS	(222.0)	-40.8%	(211.2)	-41.8%	5.1%	
<b>Gross profit</b>	<b>322.6</b>	<b>59.2%</b>	<b>294.5</b>	<b>58.2%</b>	<b>9.5%</b>	
Advertising and promotion	(106.7)	-19.6%	(102.1)	-20.2%	4.5%	
Sales and distribution expenses	(62.1)	-11.4%	(56.0)	-11.1%	11.0%	
<b>Trading profit</b>	<b>153.8</b>	<b>28.2%</b>	<b>136.4</b>	<b>27.0%</b>	<b>12.7%</b>	<b>+16.5%</b>

- > **Gross profit:** cost of goods sold down from 41.8% to 40.8% on sales
  - positive net effect of internalisation of Cinzano production in new Novi Ligure plant and closing down of one old plant
  - favourable sales mix in first nine months
- > **Advertising & promotion spending** down from 20.2% to 19.6% on sales due to:
  - reduction in investments behind Campari Mixx in Germany and Italy
  - different phasing in A&P spend
- > **Sales and distribution expenses** up from 11.1% to 11.4% on sales due to consolidation of Barbero
- > **Trading profit:** 16.5% growth determined by 8.3% organic growth, 8.3% external growth and -3.9% currency effect

# EBIT

## Consolidated results



	9M 2004		9M 2003		Change at actual exchange	Change at constant exchange
	€ m	%	€ m	%	%	
<b>Trading profit</b>	<b>153.8</b>	<b>28.2%</b>	<b>136.4</b>	<b>27.0%</b>	<b>12.7%</b>	<b>+16.5%</b>
General and administrative expenses	(38.7)	-7.1%	(33.9)	-6.7%	14.0%	
Other operating income	1.3	0.2%	5.1	1.0%	-75.5%	
Goodwill and trademark amortisation	(26.4)	-4.8%	(20.9)	-4.1%	26.1%	
Non-recurring costs	(2.3)	-0.4%	(1.2)	-0.2%	84.1%	
<b>EBIT</b>	<b>87.7</b>	<b>16.1%</b>	<b>85.5</b>	<b>16.9%</b>	<b>2.5%</b>	<b>+7.7%</b>
Depreciation of tangible assets	(11.4)	-2.1%	(10.2)	-2.0%	12.5%	
Amortisation of intangible assets <sup>(1)</sup>	(28.3)	-5.2%	(23.0)	-4.5%	23.2%	
<b>Total D&amp;A</b>	<b>(39.8)</b>	<b>-7.3%</b>	<b>(33.1)</b>	<b>-6.6%</b>	<b>19.9%</b>	
<b>EBITDA</b>	<b>127.4</b>	<b>23.4%</b>	<b>118.7</b>	<b>23.5%</b>	<b>7.4%</b>	<b>+11.2%</b>
<b>EBITA</b>	<b>114.1</b>	<b>20.9%</b>	<b>106.4</b>	<b>21.0%</b>	<b>7.2%</b>	<b>+11.3%</b>

(1) Incl. amortisation of goodwill and trademarks and amortisation of other intangible fixed assets

- > **General & administrative expenses** up from 6.7% to 7.1% on sales in 9M 2004 (or 6.8% if rent paid for the head office building were excluded)
- > **Other operating income** relates mainly to net royalties from SKYY Blue in 9M 2003
- > **Goodwill amortisation** increased by €5.5 m due to consolidation of Barbero (€5.2 m) and other brands
- > **Non-recurring costs** include extraordinary legal costs (€1.5 m) and personnel costs

# Pretax profit

## Consolidated results



	9M 2004		9M 2003		Change at actual exchange	Change at constant exchange
	€ m	%	€ m	%	%	
<b>EBIT</b>	<b>87.7</b>	<b>16.1%</b>	<b>85.5</b>	<b>16.9%</b>	<b>2.5%</b>	<b>+7.7%</b>
Net financial income (expenses)	(6.3)	-1.2%	(7.0)	-1.4%	-9.2%	
Income (losses) on net rates	0.0	0.0%	1.9	0.4%	-98.0%	
Other non operating income (expenses)	0.3	0.1%	33.7	6.6%	-99.2%	
<b>Pretax profit</b>	<b>81.7</b>	<b>15.0%</b>	<b>114.1</b>	<b>22.6%</b>	<b>-28.4%</b>	
Minority interests	(11.2)	-2.1%	(12.0)	-2.4%	-6.6%	
<b>Pretax profit after minorities</b>	<b>70.5</b>	<b>12.9%</b>	<b>102.1</b>	<b>20.2%</b>	<b>-30.9%</b>	<b>-27.9%</b>

- > Decrease in **net financial expenses**, notwithstanding higher average net debt in 9M 2004 as a result of full exposure, unlike in 9M 2003, to variable, and therefore lower, interest rates
- > **Other non operating income** in 9M 2003 included the capital gain of € 33.7 m resulting from the sale of the head office building in Milan in July 2003
- > Decrease in **minority interests** due to negative currency impact (Skyy Spirits pretax profit in local currency in 9M 2004 was higher than last year, notwithstanding the drop in net royalties from SKYY Blue)

# Analysis of Operating WC



	30 Sept 2004	31 Dec 2003	Change	
	€ m	€ m	€ m	%
Inventories	139.0	106.4	32.6	
Trade receivables	133.3	174.2	(40.9)	
Trade payables	(123.2)	(127.6)	4.4	
<b>Operating Working Capital</b>	<b>149.1</b>	<b>153.0</b>	<b>(3.9)</b>	<b>-2.6%</b>

	30 Sept 2004	30 Sept 2003	Change	
	€ m	€ m	€ m	%
Inventories	139.0	118.8	20.2	
Trade receivables	133.3	128.3	5.0	
Trade payables	(123.2)	(109.6)	(13.6)	
<b>Operating Working Capital</b>	<b>149.1</b>	<b>137.5</b>	<b>11.6</b>	<b>+8.4%</b>
Last 12 months sales	753.1	709.0	44.1	<b>+6.2%</b>
<b>% OWC on last 12 months sales</b>	<b>19.8%</b>	<b>19.4%</b>		

- > **Operating WC** decreased by €3.9 m in 9M 2004
- > **Operating WC as % of last 12 months sales** from 19.4% at 30 September 2003 to 19.8% at 30 September 2004<sup>(1)</sup>

(1) Operating Working Capital on net sales ratio is affected by the effect of consolidation of Barbero working capital as of December 2003, whereas last 12 months sales to 30 September 2004 include Barbero sales only for 10 months

# Financial indebtedness



	30 Sept 2004	30 Jun 2004	31 Dec 2003
	€ m	€ m	€ m
Cash and banks	210.6	173.5	133.6
Marketable securities	13.6	7.8	1.9
Bank borrowings and other financial payables	(52.1)	(49.8)	(30.1)
Real estate lease <sup>(1)</sup>	(2.9)	(3.1)	0.0
Accrued interests on private placement	(2.3)	(4.5)	(4.4)
<b>Total S-T debt, net</b>	<b>166.9</b>	<b>123.9</b>	<b>101.0</b>
L-T bank borrowings and other financial payables	(5.8)	(5.8)	(5.5)
Real estate lease <sup>(1)</sup>	(22.7)	(23.2)	0.0
Senior notes issues (US private placements)	(395.0)	(397.9)	(392.6)
<b>Total L-T debt</b>	<b>(423.5)</b>	<b>(426.9)</b>	<b>(398.1)</b>
<b>Net cash/(debt)</b>	<b>(256.6)</b>	<b>(303.0)</b>	<b>(297.1)</b>
Net cash/(debt) of Domaine de la Margue and Qingdao Sella&Mosca Winery at 31 Dec 2003	0.0	0.0	(0.9)
<b>Total net cash/(debt)</b>	<b>(256.6)</b>	<b>(303.0)</b>	<b>(298.0)</b>

Note:

(1) Real estate lease relates to industrial property in Novi Ligure at 30 June and 30 September 2004

- > Decrease in **net debt** thanks to good generation of cash flow from operating activities



# Outlook and conclusion

Enzo Visone, Chief Executive Officer

# Outlook and conclusion



- > **Outlook for the fourth quarter remains unchanged**
- > **Europe:** deterioration in consumer spending is expected to persist in European markets, particularly in Germany
- > **Italy:** low propensity to consume and challenging comparison base in fourth quarter expected to be contrasted by strong brand positioning of Campari, CampariSoda and Crodino
- > **US:** favourable trend in SKYY depletions continues to support a positive outlook
- > **Brazil:** positive development is expected to continue
- > Strong contribution of **Barbero** brands is expected to continue, in particular the main brand Aperol on the Italian market



# Supplementary schedules

- |              |  |
|--------------|--|
| Schedule - 1 | Consolidated income statement for the first nine months 2004 |
| Schedule - 2 | Consolidated income statement for the third quarter 2004     |
| Schedule - 3 | Currency effects on net sales for the first nine months 2004 |
| Schedule - 4 | Average exchange rates                                       |



# Consolidated income statement



## Nine months to 30 September 2004

	9M 2004		9M 2003		Change
	€ m	%	€ m	%	
<b>Net sales (1)</b>	<b>544.7</b>	<b>100.0%</b>	<b>505.7</b>	<b>100.0%</b>	<b>7.7%</b>
Cost of materials	(182.6)	-33.5%	(180.3)	-35.7%	1.3%
Production costs	(39.4)	-7.2%	(30.9)	-6.1%	27.6%
<b>Total cost of goods</b>	<b>(222.0)</b>	<b>-40.8%</b>	<b>(211.2)</b>	<b>-41.8%</b>	<b>5.1%</b>
<b>Gross margin</b>	<b>322.6</b>	<b>59.2%</b>	<b>294.5</b>	<b>58.2%</b>	<b>9.5%</b>
Advertising and promotion	(106.7)	-19.6%	(102.1)	-20.2%	4.5%
Sales and distribution expenses	(62.1)	-11.4%	(56.0)	-11.1%	11.0%
<b>Trading profit</b>	<b>153.8</b>	<b>28.2%</b>	<b>136.4</b>	<b>27.0%</b>	<b>12.7%</b>
General and administrative expenses	(38.7)	-7.1%	(33.9)	-6.7%	14.0%
Other operating income	1.3	0.2%	5.1	1.0%	-75.5%
Goodwill and trademark amortisation	(26.4)	-4.8%	(20.9)	-4.1%	26.1%
Non-recurring costs	(2.3)	-0.4%	(1.2)	-0.2%	84.1%
<b>EBIT</b>	<b>87.7</b>	<b>16.1%</b>	<b>85.5</b>	<b>16.9%</b>	<b>2.5%</b>
Net financial income (expenses)	(6.3)	-1.2%	(7.0)	-1.4%	-9.2%
Income (losses) on net rates	0.0	0.0%	1.9	0.4%	-98.0%
Other non operating income (expenses)	0.3	0.1%	33.7	6.6%	-99.2%
<b>Pretax profit</b>	<b>81.7</b>	<b>15.0%</b>	<b>114.1</b>	<b>22.6%</b>	<b>-28.4%</b>
Minority interests	(11.2)	-2.1%	(12.0)	-2.4%	-6.6%
<b>Pretax profit after minorities</b>	<b>70.5</b>	<b>12.9%</b>	<b>102.1</b>	<b>20.2%</b>	<b>-30.9%</b>
Depreciation of tangible assets	(11.4)	-2.1%	(10.2)	-2.0%	12.5%
Amortisation of intangible assets (2)	(28.3)	-5.2%	(23.0)	-4.5%	23.2%
<b>Total D&amp;A</b>	<b>(39.8)</b>	<b>-7.3%</b>	<b>(33.1)</b>	<b>-6.6%</b>	<b>19.9%</b>
<b>EBITDA</b>	<b>127.4</b>	<b>23.4%</b>	<b>118.7</b>	<b>23.5%</b>	<b>7.4%</b>
<b>EBITA (3)</b>	<b>114.1</b>	<b>20.9%</b>	<b>106.4</b>	<b>21.0%</b>	<b>7.2%</b>

Notes:

(1) Net of discounts and excise duty

(2) Include amortisation of goodwill, trademarks and other intangible assets

(3) EBITA = EBIT before amortisation of goodwill and trademarks

# Consolidated income statement



## Third quarter to 30 September 2004

	3Q 2004		3Q 2003		Change
	€ m	%	€ m	%	%
<b>Net sales (1)</b>	<b>177.3</b>	<b>100.0%</b>	<b>173.0</b>	<b>100.0%</b>	<b>2.5%</b>
Cost of materials	(60.2)	-34.0%	(66.4)	-38.4%	-9.3%
Production costs	(12.9)	-7.3%	(10.1)	-5.9%	27.4%
<b>Total cost of goods</b>	<b>(73.1)</b>	<b>-41.2%</b>	<b>(76.5)</b>	<b>-44.2%</b>	<b>-4.5%</b>
<b>Gross margin</b>	<b>104.2</b>	<b>58.8%</b>	<b>96.5</b>	<b>55.8%</b>	<b>7.9%</b>
Advertising and promotion	(35.2)	-19.9%	(32.9)	-19.0%	7.3%
Sales and distribution expenses	(19.2)	-10.8%	(18.6)	-10.8%	3.1%
<b>Trading profit</b>	<b>49.7</b>	<b>28.1%</b>	<b>45.0</b>	<b>26.0%</b>	<b>10.4%</b>
General and administrative expenses	(12.3)	-6.9%	(10.3)	-6.0%	18.8%
Other operating income	0.9	0.5%	1.6	0.9%	-42.1%
Goodwill and trademark amortisation	(8.8)	-4.9%	(7.0)	-4.0%	25.8%
Non-recurring costs	(0.2)	-0.1%	(0.7)	-0.4%	-69.7%
<b>EBIT</b>	<b>29.4</b>	<b>16.6%</b>	<b>28.6</b>	<b>16.5%</b>	<b>2.7%</b>
Net financial income (expenses)	(2.4)	-1.3%	(2.0)	-1.2%	17.6%
Income (losses) on net rates	0.0	0.0%	2.5	1.4%	-99.1%
Other non operating income (expenses)	(0.3)	-0.2%	33.6	19.4%	-101.0%
<b>Pretax profit</b>	<b>26.7</b>	<b>15.1%</b>	<b>62.7</b>	<b>36.2%</b>	<b>-57.4%</b>
Minority interests	(4.9)	-2.8%	(4.1)	-2.4%	18.4%
<b>Pretax profit after minorities</b>	<b>21.8</b>	<b>12.3%</b>	<b>58.6</b>	<b>33.8%</b>	<b>-62.7%</b>
Depreciation of tangible assets	(3.8)	-2.2%	(3.4)	-2.0%	12.1%
Amortisation of intangible assets (2)	(9.5)	-5.4%	(7.8)	-4.5%	22.2%
<b>Total D&amp;A</b>	<b>(13.3)</b>	<b>-7.5%</b>	<b>(11.2)</b>	<b>-6.5%</b>	<b>19.2%</b>
<b>EBITDA</b>	<b>42.7</b>	<b>24.1%</b>	<b>39.8</b>	<b>23.0%</b>	<b>7.3%</b>
<b>EBITA (3)</b>	<b>38.1</b>	<b>21.5%</b>	<b>35.6</b>	<b>20.6%</b>	<b>7.2%</b>

Notes:

(1) Net of discounts and excise duty

(2) Include amortisation of goodwill, trademarks and other intangible assets

(3) EBITA = EBIT before amortisation of goodwill and trademarks

# Currency effects



## Net sales for the first nine months 2004

### Consolidated net sales by segment

	9M 2004		9M 2003		Change %	of which:		
	€ m	%	€ m	%		external	organic	currency
Spirits	352.8	64.7%	323.5	64.0%	9.1%	10.5%	2.7%	-4.2%
Wines	73.4	13.5%	58.8	11.6%	24.8%	10.4%	16.3%	-1.9%
Soft drinks	111.1	20.4%	118.0	23.3%	-5.9%	0.0%	-5.9%	0.0%
Other revenues	7.4	1.4%	5.4	1.1%	36.3%	79.9%	-42.9%	-0.7%
<b>Total</b>	<b>544.7</b>	<b>100%</b>	<b>505.7</b>	<b>100%</b>	<b>7.7%</b>	<b>8.8%</b>	<b>1.8%</b>	<b>-2.9%</b>

### Consolidated net sales by region

	9M 2004		9M 2003		Change %	of which:		
	€ m	%	€ m	%		external	organic	currency
Italy	282.2	51.8%	249.9	49.4%	12.9%	13.4%	-0.5%	0.0%
Europe	101.7	18.7%	98.1	19.4%	3.7%	9.1%	-4.8%	-0.6%
Americas (1)	144.3	26.5%	146.2	28.9%	-1.3%	0.6%	7.0%	-8.9%
RoW	16.5	3.0%	11.5	2.3%	42.7%	10.8%	42.5%	-10.7%
<b>Total</b>	<b>544.7</b>	<b>100%</b>	<b>505.7</b>	<b>100%</b>	<b>7.7%</b>	<b>8.8%</b>	<b>1.8%</b>	<b>-2.9%</b>

### (1) Breakdown of Americas

	9M 2004		9M 2003		Change %	of which:		
	€ m	%	€ m	%		external	organic	currency
USA	110.3	76.4%	116.2	79.5%	-5.1%	0.0%	4.7%	-9.8%
Brazil	26.6	18.4%	24.8	17.0%	6.9%	0.0%	11.9%	-5.0%
Other countries	7.4	5.1%	5.1	3.5%	45.4%	16.1%	36.0%	-6.7%
<b>Total</b>	<b>144.3</b>	<b>100%</b>	<b>146.2</b>	<b>100%</b>	<b>-1.3%</b>	<b>0.6%</b>	<b>7.0%</b>	<b>-8.9%</b>

# Average exchange rates

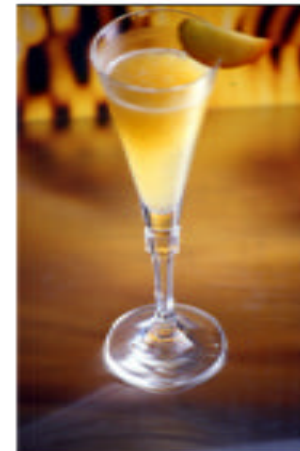


## Historic rates

	9M 2004	9M 2003	% change
<b>Brazilian Real : 1 Euro</b>	3.641	3.478	
<b>Euro : 1 Brazilian Real</b>	0.2747	0.2875	-4.5%
<b>US dollar : 1 Euro</b>	1.226	1.111	
<b>Euro : 1 US dollar</b>	0.8158	0.8997	-9.3%

	3Q 2004	3Q 2003	% change
<b>Brazilian Real : 1 Euro</b>	3.639	3.297	
<b>Euro : 1 Brazilian Real</b>	0.2748	0.3033	-9.4%
<b>US dollar : 1 Euro</b>	1.222	1.124	
<b>Euro : 1 US dollar</b>	0.8183	0.8895	-8.0%



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