Report for the Quarter ending 30 September 2007

REPORT FOR THE QUARTER ENDING
30 SEPTEMBER 2007

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HIGHLIGHTS

	30 September 2007 € million	30 September 2006 € million	% change	% change at constant exchange rates
Net sales	**644.6**	**626.9**	**2.8%**	**5.0%**
Trading profit	176.7	170.8	3.4%	5.7%
EBITDA before one-offs	**144.6**	**139.2**	**3.9%**	**6.3%**
EBITDA	**143.4**	**139.1**	**3.1%**	**5.5%**
EBIT before one-offs	**130.1**	**125.2**	**3.9%**	**6.5%**
EBIT	**128.8**	**125.1**	**3.0%**	**5.6%**
EBIT margin (1)	20.0%	20.0%		
Group profit before tax	**115.5**	**113.7**	**1.5%**	**3.9%**

(1): EBIT / net sales

	30 September 2007 € million	30 June 2007 € million	change € million	31 December 2006 € million	change € million
Net debt	293.3	328.0	(34.7)	379.5	(86.2)

SIGNIFICANT EVENTS IN THE PERIOD

New trading company in China

February 2007 saw the launch of Campari (Beijing) Trading Company, which is 100%-owned by the Campari Group and based in Beijing, China.

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.

New company in Argentina

Following the acquisition of the Old Smuggler brand, concluded on 15 March 2006 following a ruling by the antitrust authority on 12 March 2007, the Campari Group was able to complete the acquisition of the Old Smuggler brand for distribution on the important Argentinian market.

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

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

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 also confirmed as Chairman of the Company;
- appointed the Board of Statutory Auditors, also for 2007-2009, comprising Antonio Ortolani as Chairman, Alberto Lazzarini and Giuseppe Pajardi as Permanent Auditors and Alberto Giarrizzo Garofalo, Gianpaolo Porcu and Paolo Proserpio as Deputy Auditors;
- approved the extension of the audit contract 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 own shares not exceeding 10% of share capital including existing own shares.

Merger of Glen Grant S.r.l. into the Davide Campari-Milano S.p.A.

On 8 May 2007, the Board of Directors decided to merge the 100%-owned subsidiary Glen Grant S.r.l., owner of the Glen Grant brand, into the Parent Company, Davide Campari-Milano S.p.A.

The aim was to continue streamlining the Group by reducing the number of companies.

The merger was completed on 19 July 2007, and became effective in respect of third parties from 1 September 2007, and for accounting and tax purposes from 1 January 2007.

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.

The transaction, due to be completed in January 2008, is worth US$ 80 million (around € 57 million at current exchange rates), equivalent to a multiple of 11.8x projected EBITDA for 2007.

The Campari 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 important ultra premium tequila brand 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 sales 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 Campari Group since it will contribute significantly to strengthening its portfolio of ultra premium brands in the US market and to increasing the focus on tequila, thanks to ownership of a brand in one of the categories with the highest market growth rates.

The creator and majority shareholder of Cabo Wabo is rock star Sammy Hagar, a tequila connoisseur, who 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 Cabo Wabo, while Sammy Hagar will remain personally involved in decisions regarding product quality and in 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.

Robert Kunze-Concewitz was selected internally to provide continuity: he has been part of the Campari Group since 2005, and as Group Marketing Officer he developed and implemented new marketing strategies for the Group's most important brands in all markets.

Before joining Campari, he held positions with growing levels of responsibility at Procter & Gamble, rising to the position of Corporate Marketing Director of the Global Prestige Products Division.

Acquisition of X-Rated

On 1 August 2007 the Campari Group completed the acquisition of X-Rated, which includes the super premium brand X-Rated Fusion Liqueur, the extremely high-quality vodka Jean-Marc XO and the ultra premium vodka X-Rated.

The cost of the transaction, which was announced on 19 July 2007, was US$ 40 million (€ 29 million), equating to a multiple of 9x the expected contribution margin.

In addition, the agreement provides for a price adjustment to be paid over the next three years, based on the increase in volumes over the same period.

X-Rated Fusion Liqueur was launched in the US in 2004 by Jean-Marc Daucourt, the creator of multi-award winning spirits, and Todd Martin, the former Chairman of Allied Domecq North America, who are the main shareholders of X-Rated.

The three brands, which have delivered exponential growth since being launched, are currently distributed in the US by the premium spirits importer Daucourt Martin Imports, LLC.

Thanks to this acquisition, which came shortly after the purchase of Cabo Wabo Tequila, the Campari Group has further enhanced its range of super premium and ultra premium spirits, and has strengthened its position in the US, a key market in the Group's international expansion strategy.

New trading company in Austria

August 2007 saw the launch of a new Vienna-based trading company, Campari Austria GmbH, 100%-owned by the Campari Group.

The new company was created with the aim of protecting the important local market with a direct sales and marketing structure.

Termination of distribution agreement for 1800 Tequila and Gran Centenario

On 11 September 2007, the Campari Group announced that its distribution of the 1800 Tequila and Gran Centenario brands under licence in the US will end on 31 December 2007.

From January 2008, the owner of the two tequila brands, the José Cuervo group, will manage them directly in the US market, via a wholly-owned subsidiary.

Reorganisation of the Group's Italian wine companies

In September 2007, the shareholders' meetings of Teruzzi & Puthod S.r.l., Giannina S.r.l. and Sella & Mosca S.p.A., approved the merger of Teruzzi & Puthod S.r.l. and Giannina S.r.l. into Sella & Mosca S.p.A., effective in respect of third parties on 1 November 2007, and for tax purposes on 1 January 2007.

In addition, as part of the reorganisation of the Group's Italian wine companies, the Group plans to transfer the Enrico Serafino wine business from the Parent Company Davide Campari-Milano S.p.A. to Sella & Mosca S.p.A.; to this end, expert reports as regards the transfer values are still being obtained.

These transactions will strengthen and rationalise the Group's wine business unit, which began operating on 1 January 2007.

Industrial restructuring

As previously announced, on 30 September 2007, the Campari Group ceased production at the Sulmona plant and transferred it 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 and the transfer of production, and despite 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 had fallen so low that it could not 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.

On 27 July 2007, at the ministry of work and social security, the Company and trade unions reached an agreement to implement a temporary unemployment compensation scheme (CIGS) for the workers at the Sulmona plant, in accordance with the laws in force.

The Company also showed its willingness to play a direct and active role in seeking companies operating in the food or other sectors to take over the site.

SALES PERFORMANCE IN THE PERIOD 1 JANUARY - 30 SEPTEMBER 2007

Overall performance

In the first nine months of 2007, sales totalled € 644.6 million, an overall increase of 2.8% compared with the same period of last year.

On a same-structure basis and at constant exchange rates, organic growth was a highly satisfactory 8.2%.

However, changes in the basis of consolidation and exchange rate movements had a negative effect, of 3.3% and 2.1% respectively.

	€ million	% change versus January - September 2006
– net sales 1 January - 30 September 2007	644.6	
– net sales 1 January - 30 September 2006	626.9	
Total change	**17.8**	**2.8%**
of which:		
organic growth	51.6	8.2%
external growth	–20.4	–3.3%
exchange rate effect	–13.4	–2.1%
Total change	**17.8**	**2.8%**

This positive performance was driven by SKYY Vodka, Aperol and the Brazilian brands in the spirits segment, by Cinzano sparkling wine and vermouth in the wines segment and Crodino in the soft drinks business.

The external growth figure was down 3.3% (€ –20.4 million), after Lipton Ice Tea sales on the Italian market were discontinued.

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, for the purposes of determining organic growth for 2007, sales of this brand in 2006 are considered a negative change in the basis of consolidation.

In the first nine months of 2007, when most sales of this product are recorded, the related negative impact was € 27.3 million.

In contrast, external growth boosted the Group’s sales by € 6.9 million in the period, of which Glen Grant and Old Smuggler (acquired on 15 March 2006) accounted for € 4.0 million; a smaller contribution came from sales on the US market, starting in August, of the newly-acquired X-Rated brands.

Lastly, distribution of the third-party brand Russky Standart Vodka, which began in July last year in Germany and Switzerland, and in September 2007 in Italy, further boosted sales.

The table below shows a breakdown by brand of sales recorded under external growth.

Sales in the first nine months of 2007: breakdown of external growth	€ million
Glen Grant, Old Smuggler and Braemar	4.0
X-Rated brands	0.7
Sub-total - Group brands	**4.7**
Discontinued distribution of Lipton Ice Tea in Italy	–27.3
Other third-party brands	2.2
Sub-total - third-party brands	**–25.1**
Total	**–20.4**

The trend in average exchange rates in the first nine months of 2007 was less favourable than in the same period of 2006, and had a negative effect on sales of 2.1%. This was due mainly to the rise of the euro against the US dollar, which declined by 7.5%.

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 - 30 September	2007	2006	% change
US$ x 1 €	1.344	1.244	
€ x 1 US$	0.7438	0.8039	–7.5%
BRL x 1 €	2.690	2.717	
€ x 1 BRL	0.3717	0.3681	1.0%
CHF x 1 €	1.637	1.566	
€ x 1 CHF	0.6108	0.6384	–4.3%
JPY x 1 €	160.388	144.128	
€ x 1000 JPY	6.2349	6.9383	–10.1%
GBP x 1 €	0.677	0.685	
€ x 1 GBP	1.4781	1.4607	1.2%

Sales by region

All regions delivered good organic growth in the first nine months of the year, with rates ranging from 5.8% for Italy to 15.0% for the rest of the world and duty free.

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 - 30 September 2007		1 January - 30 September 2006		% change
	€ million	%	€ million	%	2007/2006
Italy	267.8	41.5%	277.9	44.3%	–3.6%
Europe	135.2	21.0%	117.6	18.8%	15.0%
Americas	209.2	32.5%	202.7	32.3%	3.2%
Rest of the world and duty free	32.4	5.0%	28.7	4.6%	13.1%
Total	**644.6**	**100.0%**	**626.9**	**100.0%**	**2.8%**

Breakdown of % change	Total % change 1 January - 30 September	organic growth	external growth	exchange rate effect
Italy	–3.6%	5.8%	–9.4%	0.0%
Europe	15.0%	11.4%	3.8%	–0.3%
Americas	3.2%	8.8%	0.6%	–6.2%
Rest of the world and duty free	13.1%	15.0%	0.2%	–2.1%
Total	**2.8%**	**8.2%**	**–3.3%**	**–2.1%**

In **Italy**, positive organic growth of 5.8% was more than offset by negative external growth of 9.4%; sales therefore fell by 3.6% overall.

On a same-structure basis, organic growth was boosted by an excellent sales performance from Campari, Aperol, Crodino and Cinzano (both sparkling wines and vermouth).

The negative overall change was due to the third-party brand Lipton Ice Tea, which the Group stopped distributing at the end of 2006, and which was only partly offset by the external growth relating to Glen Grant.

Sales in **Europe** were very good overall, with growth of 15.0%, or 11.4% on a same-structure basis and at constant exchange rates.

This result was driven by a positive sales trend in all main European markets, especially Russia, where sales of Cinzano vermouth were particularly strong.

Sales in Germany, the region's main market, were good too, with positive organic growth for all brands except Campari, as a price increase in the third quarter led to a substantial drop in sales of this brand.

External growth for this region was positive, at 3.8%, due to the start-up of distribution of the third-party vodka brand Russky Standart in Germany and Switzerland, which generated very encouraging results, and to the sale of Glen Grant products.

The negative exchange rate effect, mainly due to depreciation of the Swiss franc, was marginal at 0.3%.

The **Americas** posted sales growth of 3.2% overall, as a negative exchange rate effect of 6.2% eroded a large part of the excellent organic sales growth of 8.8%.

The two tables below show a further breakdown of sales in this region which, thanks to the Group's major presence on the US and Brazilian markets, account for about a third of total business.

	1 January - 30 September 2007		1 January - 30 September 2006		% change
	€ million	%	€ million	%	2007 / 2006
US	157.0	75.1%	157.2	77.5%	–0.1%
Brazil	42.1	20.1%	38.5	19.0%	9.4%
Other countries	10.1	4.8%	7.1	3.5%	42.5%
Total	**209.2**	**100.0%**	**202.7**	**100.0%**	**3.2%**

Breakdown of % change	Total % change 1 January - 30 September	organic growth	% change external growth	exchange rate effect
US	–0.1%	7.1%	0.8%	–7.9%
Brazil	9.4%	8.4%	0.0%	1.1%
Other countries	42.5%	48.7%	0.0%	–6.1%
Total	**3.2%**	**8.8%**	**0.6%**	**–6.2%**

Organic growth on the **US** market was 7.1%, thanks to a double-digit increase in sales of SKYY Vodka; of the third-party brands sold there, 1800 Tequila did well, but sales of Cutty Sark Scotch whisky fell sharply after a price rise.

External growth, at 0.8%, was mainly attributable to X-Rated Fusion Liqueur, and to a lesser extent, to the related brands (Jean-Marc XO Vodka and X-Rated Vodka), which were distributed from August; Old Smuggler Scotch whisky (acquired last year) also contributed to external growth.

The significant fall in the value of the US dollar during the period generated a negative exchange rate effect of 7.9%, reducing the real rate of sales growth for the US to -0.1% overall.

In **Brazil**, organic growth was an excellent 8.4%, driven by a good performance from all the major brands, particularly Campari and Dreher.

This figure increases to 9.4% at actual exchange rates, following the appreciation of the Brazilian real (1.1%).

In the other countries of the Americas, which account for just under 5% of the total, sales jumped by 42.5%, largely owing to the start-up of distribution of Old Smuggler in Argentina.

Among the most important markets in the region, Canada continued to produce good results, thanks particularly to SKYY Vodka sales.

Sales in the **rest of the world and duty free** segment rose by 13.1% during the period (15.0% at constant exchange rates).

Duty free sales, which are recorded worldwide, were up by an excellent 20%, as a result of last year's initiative to strengthen sales operations.

In the two most important markets included in the rest of the world segment, Australia and Japan, sales were very positive in the former and negative in the latter.

Sales by business area

Organic sales growth was 8.2% in the first nine months of 2007, and all areas of the business delivered a positive performance at constant exchange rates and on a same-structure basis.

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

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 - 30 September 2007		1 January - 30 September 2006		% change
	€ million	%	€ million	%	2007 / 2006
Spirits	456.8	70.9%	432.6	69.0%	5.6%
Wines	92.3	14.3%	80.2	12.8%	15.1%
Soft drinks	83.3	12.9%	105.3	16.8%	–20.9%
Other sales	12.3	1.9%	8.9	1.4%	38.8%
Total	**644.6**	**100.0%**	**626.9**	**100.0%**	**2.8%**

Breakdown of % change	Total % change 1 January - 30 September	organic growth	external growth	exchange rate effect
Spirits	5.6%	7.3%	1.3%	–3.0%
Wines	15.1%	15.5%	0.0%	–0.4%
Soft drinks	–20.9%	5.0%	–25.9%	0.0%
Other sales	38.8%	25.9%	12.9%	–0.1%
Total	**2.8%**	**8.2%**	**–3.3%**	**–2.1%**

Spirits

Sales of spirits totalled € 456.8 million, a rise of 5.6% on the first nine months of 2006.

Stripping out the contribution of external growth (1.3%) and the negative exchange rate effect (–3.0%), the segment registered organic growth of 7.3%.

Sales of **Campari** were up by 2.3% at constant exchange rates (1.6% at actual exchange rates), with sales dipping in the third quarter, after a very positive first half of the year.

Regarding the main markets, third-quarter sales were positive in Italy and Brazil, while in Germany the contraction in volumes following a price increase was bigger than expected.

However, the slowdown of Campari sales in Germany was caused by contingent, and therefore temporary factors, since it relates more to distribution issues than consumption trends.

In addition, sales figures in certain markets were affected by an unfavourable comparison with the third quarter of 2006, when sales were particularly buoyant as distributors rebuilt their stocks following the introduction of new packaging.

The **SKYY** brand (SKYY Vodka and flavoured lines) generated sales growth of 14.5% at constant exchange rates in the first nine months.

At actual exchange rates, growth was 6.6%, due to the combined effect of the high concentration of sales in the US and the significant decline in the US dollar.

The growth of this brand continues to be boosted by both a positive trend on the US market and a rise in exports; in addition to good results in the three main markets of Italy, Germany and Canada, during the period export sales were extended to China, where the Campari (Beijing) Trading Company, the new trading company fully controlled by the Group, began operating a few months ago.

Sales of **CampariSoda**, which are almost entirely recorded on the Italian market, were flat compared with the same period last year.

Sales of **Aperol** jumped by 19.6% in the first nine months of the year.

Aperol continues to record exceptional growth, with sales consistently rising at double-digit rates on the Italian market, which accounts for almost 90% of the total for this brand.

In addition, Aperol is beginning to record excellent progress on other European markets, such as Germany and Austria, where sales to end consumers are growing strongly.

Sales of **Aperol Soda**, recorded exclusively on the Italian market, were up 7.0%.

Sales of the **Brazilian brands** went up by 8.7% at constant exchange rates (9.7% at actual exchange rates), thanks to the modest rise in value of the Brazilian real.

Both Dreher aguardiente and the admix whiskies (especially Drury's) performed well.

Organic sales growth contributed by **Glen Grant** and **Old Smuggler** was extremely good, at 29.3% overall; it is worth noting that a significant proportion of sales of these products is typically recorded in the last quarter of the year.

Sales of **Ouzo 12** were up 8.3% (7.9% at actual exchange rates), confirming the positive trend of the brand on the German market, and marking the return to a positive performance on its domestic market of Greece.

Sales of **Cynar** went up by 4.4% at constant exchange rates (3.9% at actual exchange rates).

The fall in sales in Italy and Brazil was more than offset by a good performance in Switzerland and via the duty free channel.

Sales of **Campari Mixx**, almost all of which are recorded in Italy, turned positive again (+1.8%) after a long period of decline.

Now that the sharp contraction in the ready-to-drink market seen in the past few years has come to an end, this brand is expected to carve out a healthy niche in the market, with lower sales volumes but good profitability.

As for the Group's other spirits brands, sales of **Zedda Piras** Mirto di Sardegna rose by 4.3%, while Biancosarti registered a decline.

The main **third-party brands** generally produced positive results, with the exception of the Scotch whiskies. In particular:

– Jack Daniel's performed well, with sales, mostly recorded on the Italian market, up 9.2%;
– sales of Jägermeister, again on the Italian market, were up 5.9%;
– sales of 1800 Tequila rose by 6.3% in local currency in the US (–1.6% at actual exchange rates);
– C&C brands, distributed mainly in the US, registered growth of 5.4% at constant exchange rates (–2.0% at actual exchange rates);
– Suntory brands, also chiefly sold in the US, posted sales growth of 3.2% (–4.0% at actual exchange rates);
– Scotch whisky sales were down 20.8% (–26.1% at actual exchange rates), which was largely attributable to Cutty Sark in the US following a price rise, and a negative trend on the Italian market.

Wines

Wine sales were especially strong in early 2007, and totalled € 92.3 million in the first nine months of the year, an increase of 15.1% compared with the same period of last year.

Growth during the period was entirely organic, at 15.5%, while exchange rates had a negative impact of only 0.4%.

The robust growth of the Cinzano brand was the main factor behind the excellent overall performance of the wine segment.

Sales of Cinzano vermouth were up 18.8% compared with the same period of last year (18.2% at actual exchange rates).

The extension of distribution to new markets, and the substantial amount spent in previous years on advertising and promotions targeted at high-potential markets, are now delivering the expected results, with sales of this brand rising continually.

The main market for the brand is Russia, where sales growth was highly significant during the period, partly due to a delay in deliveries at the start of last year because of changes in the law.

Other markets that put in very good performances were Italy, Spain, the Czech Republic, and the duty free channel.

Cinzano sparkling wines also sold very well, rising by 20.2% at constant exchange rates (19.6% at actual exchange rates).

Sales on the German and Italian markets, which account for around 70% of the total for this brand, were extremely positive.

The repositioning of the brand in Germany is producing excellent results, and double-digit growth was registered in an important period for sparkling wines.

Although the rate of growth for the first nine months was still higher in Italy than in Germany, the result was not particularly significant, as the last quarter of the year is the most important for the sale of sparkling wines.

Sella & Mosca wines achieved growth of 5.8%, thanks to a positive performance on the Italian market, and a substantial increase in exports, mainly to Germany and the US.

The **Riccadonna**, **Mondoro** and **Cantina Serafino** brands also did very well, achieving excellent performances on their main markets, i.e. Australia, Russia and Italy respectively.

Sales of **Teruzzi & Puthod** wines fell year-on-year, as a reorganisation of the international distribution structure for these products is still under way.

Soft drinks

Soft drinks recorded sales of € 83.3 million in the first nine months of 2007.

This was an increase of 5.0% on a same-structure basis, but a decline of 20.9% taking into account the negative effect of the end of distribution of the third-party brand Lipton Ice Tea.

The sales trend was positive for all brands in this business area, although the best performance came from **Crodino**, with growth of 7.8%. Sales of Crodino are almost entirely recorded in Italy, where the brand continues to grow steadily.

Sales of **Lemonsoda, Oransoda and Pelmosoda** went up by 5.1%, thanks partly to better weather than last year.

This factor also contributed to the growth posted by mineral waters and other soft drinks.

Other sales

In the first half of 2007, “other sales” totalled € 12.3 million, an overall advance of 38.8%.

Growth in this segment, which includes revenues from the sale of raw materials and semi-finished goods and revenues from co-packing services, was entirely attributable to the sale of malt distillate produced and sold by Glen Grant Distillery Company Ltd. to the Pernod Ricard group, based on agreements signed at the time of the acquisition of Glen Grant.

The results for this segment comprised organic growth of 25.9% and external growth of 12.9%, as last year’s sales were recorded only from 15 March (the date the Glen Grant acquisition was completed).

SALES PERFORMANCE IN THE THIRD QUARTER OF 2007

Third-quarter sales totalled € 204.0 million, down 2.4% compared with the third quarter of 2006, due to a negative external growth figure (–3.9%) and a negative exchange rate effect (–1.8%).

The overall trend in third-quarter sales was strongly influenced by the termination of distribution of the third-party brand Lipton Ice Tea, which recorded particularly high sales (€ 9.0 million) in the third quarter of 2006, and by the fall in the US dollar.

Organic growth was positive, however, at 3.4%.

	€ million	% change compared to the third quarter of 2006
– net sales in the third quarter of 2007	204.0	
– net sales in the third quarter of 2006	209.0	
Total change	**–5.0**	**–2.4%**
of which:		
organic growth	7.0	3.4%
external growth	–8.3	–3.9%
exchange rate effect	–3.8	–1.8%
Total change	**–5.0**	**–2.4%**

The expected slowdown in organic growth in the third quarter of 2007, to 3.4%, from 10.7% in the first half of the year, was attributable to comparison base factors (in 2006 third-quarter sales were very high and first-half sales were relatively modest).

Despite the diverging trends, organic growth in the first nine months of 2007 was 8.2%, considerably ahead of the 4.2% recorded in the same period of 2006.

Organic sales growth	First half	Third quarter	Nine months January - September
2007 / 2006	10.7%	3.4%	8.2%
2006 / 2005	2.5%	7.6%	4.2%

Sales by region

Excluding the above-mentioned negative effects in relation to external growth and exchange rate movements, positive organic growth was achieved in all regions.

	Third quarter 2007		Third quarter 2006		% change
	€ million	%	€ million	%	2007 / 2006
Italy	75.2	36.8%	83.6	40.0%	–10.1%
Europe	48.7	23.9%	48.1	23.0%	1.2%
Americas	65.9	32.3%	65.2	31.2%	1.0%
Rest of the world and duty free	14.3	7.0%	12.1	5.8%	18.1%
Total	**204.0**	**100.0%**	**209.0**	**100.0%**	**–2.4%**

Breakdown of % change	Total % change third quarter	organic growth	external growth	exchange rate effect
Italy	–10.1%	0.7%	–10.7%	0.0%
Europe	1.2%	1.5%	0.0%	–0.3%
Americas	1.0%	5.1%	1.1%	–5.2%
Rest of the world and duty free	18.1%	20.0%	0.0%	–1.9%
Total	**–2.4%**	**3.4%**	**–3.9%**	**–1.8%**

In Italy, third-quarter sales were down 10.1% overall compared with the same period of last year, due to the major impact of the end of the distribution contract for Lipton Ice Tea.

Stripping this out, organic growth was modest at 0.7%, as sales increases for brands such as Campari, Aperol and Crodino were offset by the decreases recorded by others, such as CampariSoda, Cinzano vermouth and the third-party brand Jack Daniel's.

In Europe, third-quarter sales growth was 1.2% overall (1.5% excluding the slightly negative exchange rate effect).

Growth was limited as a positive performance in almost all markets was offset by a slowdown in Germany and Austria.

In Germany, third-quarter sales felt the short-term effects of a substantial rise in the price of Campari in July, while in Austria, where the Group's new trading company Campari Austria GmbH became operational on 1 August 2007, the slowdown was solely attributable to the large amount of stock on the market at the beginning of the quarter.

In the Americas, sales rose by 1.0% overall, due to the negative effect of US dollar depreciation (–5.2%), organic growth of 5.1% and external growth relating to the start-up of distribution of X-Rated Fusion Liqueur in the US (+1.1%).

In the rest of the world and duty free business, sales increased by a total of 18.1% (+20.0% at constant exchange rates).

Sales by business area

Organic sales growth in the third quarter was driven by a good performance from wines (+8.9%), a positive trend in soft drinks (+4.5%) and a modest increase in spirits (+1.2%).

	Third quarter 2007		Third quarter 2006		% change
	€ million	%	€ million	%	2007 / 2006
Spirits	138.1	67.7%	139.3	66.7%	–0.9%
Wines	35.4	17.4%	32.6	15.6%	8.5%
Soft drinks	25.8	12.7%	33.3	15.9%	–22.5%
Other sales	4.7	2.3%	3.7	1.8%	27.2%
Total	**204.0**	**100.1%**	**209.0**	**100.0%**	**–2.4%**

Breakdown of % change	Total % change Third quarter	organic growth	external growth	exchange rate effect
Spirits	–0.9%	1.2%	0.5%	–2.6%
Wines	8.5%	8.9%	0.0%	–0.4%
Soft drinks	–22.5%	4.5%	–26.9%	0.0%
Other sales	27.2%	27.7%	0.0%	–0.5%
Total	**–2.4%**	**3.4%**	**–3.9%**	**–1.8%**

Overall, the spirits segment closed the quarter down slightly (–0.9%), as the negative exchange rate effect (–2.6%) outweighed organic and external growth (1.25% and 0.5% respectively).

Looking at the major brands, the positive trends for SKYY Vodka and Aperol were confirmed, with double-digit increases for both; in addition, Ouzo 12 did extremely well, and the Brazilian brands and Cynar produced good results.

The brands that did less well than in the third quarter of last year were Campari, CampariSoda and Glen Grant.

Growth in the wines segment was 8.9% at constant exchange rates (8.5% at actual exchange rates), mainly thanks to a good performance from Cinzano sparkling wines, Riccadonna and Sella & Mosca wines, while sales of Cinzano vermouth – despite a year-on-year increase of 18.2% in the first nine months of the year – declined in the third quarter.

Soft drink sales were down 22.5% overall versus the third quarter of 2006 because of the end of Lipton Ice Tea distribution; organic growth was 4.5%, thanks to a good performance from Crodino.

In the minor “other sales” segment, growth was 27.2%, owing to sales to third parties of malt distillate by Glen Grant Distillery Company Ltd.

FINANCIAL SITUATION

Preparation criteria

The quarterly report to 30 September 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 revised International Accounting Standards 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 30 September 2007 have been prepared in accordance with Issuer Regulations 11971/1999 as amended.

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

The quarterly report to 30 September 2007 was authorised for publication by resolution of the relevant administrative body on 8 November 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 30 September 2007, 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.

At 30 September 2007, there were no changes in the basis of consolidation compared to 30 June 2007.

Campari Austria GmbH, which began operations on 1 August 2007, was already established and consolidated at 30 June 2007.

Profit and loss account in the first nine months of 2007

The profit and loss account to 30 September shows growth in EBIT and Group profit before taxes.

	30 September 2007		30 September 2006		Change
	€ million	%	€ million	%	%
Net sales	**644.6**	**100.0%**	**626.9**	**100.0%**	**2.8%**
Cost of goods sold	(273.7)	–42.5%	(275.7)	–44.0%	–0.7%
Gross profit	**370.9**	**57.5%**	**351.1**	**56.0%**	**5.6%**
Advertising and promotional costs	(117.4)	–18.2%	(106.5)	–17.0%	10.2%
Sales and distribution costs	(76.9)	–11.9%	(73.8)	–11.8%	4.1%
Trading profit	**176.7**	**27.4%**	**170.8**	**27.2%**	**3.4%**
General and administrative expenses and other operating expenses and income	(46.6)	–7.2%	(45.6)	–7.3%	2.2%
EBIT before one-offs	**130.1**	**20.2%**	**125.2**	**20.0%**	**3.9%**
Other one-offs: income and charges	(1.2)	–0.2%	(0.1)	0.0%	
EBIT	**128.8**	**20.0%**	**125.1**	**20.0%**	**3.0%**
Net financial income (charges)	(13.5)	–2.1%	(8.2)	–1.3%	63.5%
Profit (loss) of companies valued at equity	0.1	0.0%	(0.4)	–0.1%	
Profit before tax and minority interests	**115.5**	**17.9%**	**116.5**	**18.6%**	**–0.9%**
Minority interests	(0.0)	0.0%	(2.8)	–0.4%	–98.6%
Group profit before tax	**115.5**	**17.9%**	**113.7**	**18.1%**	**1.5%**
Total depreciation and amortisation	(14.6)	–2.3%	(14.0)	–2.2%	3.7%
EBITDA	**143.4**	**22.2%**	**139.1**	**22.2%**	**3.1%**
EBITDA before one-offs	**144.6**	**22.4%**	**139.2**	**22.2%**	**3.9%**

Net sales in the first nine months of the year stood at € 644.6 million.

As stated earlier, the total rise of 2.8% was the result of solid organic growth of 8.2%, partially offset by negative external growth and exchange rate effects, which had an impact of 3.3% and 2.1% respectively.

The **cost of goods sold** was down significantly as a percentage of sales, falling by 1.5 percentage points from 44.0% last year to 42.5% in the first nine months of 2007.

This positive performance was largely due to a change in the sales mix in the two periods under comparison, most notably as a result of the termination of distribution of Lipton Ice Tea, a brand accounting for a higher proportion of the cost of goods sold than the Group average.

If the pro forma profit and loss account for the first nine months of 2006 is analysed, which excludes all the revenues and costs relating to Lipton Ice Tea, the cost of goods sold for the period was 41.9% of sales, 0.6 percentage points lower than the figure for 2007 (42.5%), owing to the significant increase in the cost of certain raw materials (particularly glass and alcohol).

Note that the announced industrial restructuring will have a relatively small impact on costs in 2007 limited to the last quarter of the year, as the Sulmona plant ceased operations on 30 September 2007.

Advertising and promotional costs stood at 18.2% of sales, an increase of 1.2 percentage points on the 17.0% figure posted in 2006.

This change is partly due to the termination of distribution of Lipton Ice Tea, which accounted for 0.7 percentage points, and partly to increased advertising expenditure for the Group's brands (0.5 percentage points).

In 2006, the high promotional expenditure on Lipton Ice Tea was almost completely offset by trade allowances received from Unilever, the brand's owner.

As a result, the net impact of these costs on the Group's profit and loss account was minimal, thus limiting advertising and promotional costs as a percentage of sales.

More specifically, in the first nine months of 2006, these costs were 17.0% of sales, compared to a pro forma figure (without Lipton Ice Tea) of 17.7%; for the whole of 2006, the figure was 17.5%, versus a pro forma result of 18.1%.

Sales and distribution costs were broadly unchanged, at 11.9% of sales compared to 11.8% last year.

Note that in 2006, the Group began a process of strengthening its sales and marketing operations in the main international markets and the US in particular, which is still in progress.

Trading profit for the first nine months of 2007 came in at € 176.7 million, an increase of 3.4% on the same period of last year, attributable to:

– organic growth of 4.9%;

– external growth of 0.8%;

– a negative exchange rate effect of 2.2%.

Note that external growth had significantly different effects on sales and on profitability.

The net effect on sales of external growth was extremely negative (–3.3%) since the impact of the loss of Lipton Ice Tea was greater than the contribution from Glen Grant, Old Smuggler, X-Rated Fusion Liqueur and other third-party brands that generated external growth.

On the other hand, the new brands' earnings offset the profitability lost from the termination of distribution of Lipton Ice Tea (a low-margin brand), and thus, the net impact of external growth on the Group's trading profit was positive, at 0.8%.

General and administrative expenses and other operating income and charges went up by 2.2% versus last year.

EBIT before one-offs was € 130.1 million, an increase of 3.9% compared to the same period last year.

One-offs showed net charges of € 1.2 million during the first nine months, compared with net charges of € 0.1 million in the same period of last year.

In 2007, costs under this item included personnel-related costs, extraordinary windfall losses relating to previous years and provisions for miscellaneous risks; income included a capital gain from the sale of real estate in Brazil and extraordinary windfall gains relating to provisions made in previous years.

EBIT came in at € 128.8 million (20% of sales), an increase of 3.0% compared to the same period last year.

Total **depreciation and amortisation** charges recorded in the period were € 14.6 million, an increase of 3.7% on the figure of € 14.0 million posted last year.

As a result, **EBITDA before one-offs** increased by 3.9% to € 144.6 million, while **EBITDA** rose 3.1% to € 143.4 million.

Net financial income and charges showed net charges of € 13.5 million in the first nine months of the year, up from € 8.2 million in the same period of 2006. In both periods, the item included positive exchange rate differences of € 0.4 million; net financial charges therefore totalled € 13.9 million, compared to € 8.6 million last year.

The increase was mainly due to higher interest rates, but also to a rise in average debt in the first nine months of 2007 following the acquisition of Glen Grant, the minority share in Skyy Spirits, LLC. and more recently, the X-Rated brands.

However, the depreciation of the US dollar against the euro cushioned the negative impact to some extent 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 balance of € 0.1 million, compared to a loss of € 0.4 million last year.

Note that 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 fell by 0.9% compared to the same period last year, to € 115.5 million.

Following the acquisition of the remaining stake in Skyy Spirits, LLC at the end of 2006, **minority interests** in the Group's profit and loss account were negligible: in the first nine months of the year, they came in below € 0.1 million, compared to € 2.8 million in the same period last year.

As a result, **profit before tax** in the first nine months of 2007, which benefited from the 100% consolidation of Skyy Spirits, LLC's profit, was € 115.5 million, a 1.5% rise on the same period of last year.

Profit and loss account for the third quarter of 2007

	Third quarter 2007		Third quarter 2007		%
	€ million	%	€ million	%	Change
Net sales	**204.0**	**100.0%**	**209.0**	**100.0%**	**–2.4%**
Cost of goods sold	(88.7)	–43.5%	(94.2)	–45.0%	–5.8%
Gross profit	**115.3**	**56.5%**	**114.9**	**55.0%**	**0.4%**
Advertising and promotional costs	(37.5)	–18.4%	(35.6)	–17.0%	5.5%
Sales and distribution costs	(24.8)	–12.2%	(23.8)	–11.4%	4.1%
Trading profit	**53.0**	**26.0%**	**55.4**	**26.5%**	**–4.5%**
General and administrative expenses and other operating expenses and income	(15.6)	–7.6%	(16.2)	–7.8%	–3.7%
EBIT before one-offs	**37.3**	**18.3%**	**39.2**	**18.8%**	**–4.8%**
Other one-offs: income and charges	0.4	0.2%	0.0	0.0%	
EBIT	**37.7**	**18.5%**	**39.2**	**18.8%**	**–3.8%**
Net financial income (charges)	(4.9)	–2.4%	(2.7)	–1.3%	79.1%
Profit (loss) of companies valued at equity	0.0	0.0%	(0.2)	–0.1%	–109.3%
Profit before tax and minority interests	**32.8**	**16.1%**	**36.1**	**17.3%**	**–9.1%**
Minority interests	0.0	0.0%	(0.4)	–0.2%	–102.3%
Group profit before tax	**32.9**	**16.1%**	**35.7**	**17.1%**	**–7.9%**
Total depreciation and amortisation	(4.9)	–2.4%	(4.7)	–2.2%	3.5%
EBITDA	**42.6**	**20.9%**	**43.9**	**21.0%**	**–3.0%**
EBITDA before one-offs	**42.2**	**20.7%**	**43.9**	**21.0%**	**–3.9%**

The consolidated profit and loss account for the third quarter of 2007 shows a slight drop in sales and profitability compared with the same quarter of 2006.

As mentioned earlier in our comments on the quarterly sales, the Group's organic growth in 2007 was much more vigorous in the first half and slower in the third quarter, unlike the previous year, which followed exactly the opposite trend.

Consequently, the third-quarter results in 2007 suffered from this unfavourable comparison with the same period of 2006, which was particularly strong.

In addition, the overall results in the quarter show the combined effect of unfavourable exchange rates and a more significant negative external growth effect than that seen in the first half.

The **trading profit** for the quarter was € 53.0 million, down 4.5% compared with last year, resulting from a negative exchange rate effect of 2.3% and a negative external growth effect of 0.7%. Organic growth in trading profit was therefore –1.5%.

As for the decline in external growth, especially that due to the termination of the distribution of Lipton Ice Tea, note that the third quarter of the year was particularly important for sales of this brand, and hence the period of greatest profitability.

Note that organic growth was significantly affected during the period by an increase in advertising and promotional investment, which was more than proportional to the growth in sales.

Advertising and promotional costs stood at 18.4% in the third quarter of 2007, versus 17.0% in the same period of 2006.

The pro forma figure last year stripping out Lipton Ice Tea was 17.5%, putting the like-for-like increase for this year at 0.9%.

With regard to the other most important items on the profit and loss account, general and administrative expenses fell by 3.7% in the quarter.

EBIT fell by 3.8% compared with last year to € 37.7 million, but at constant exchange rates and on a like-for-like basis, it rose by 0.2%.

Similarly, **EBITDA** declined by 3.0% compared with the third quarter of 2006; stripping out the negative exchange rate and external growth effects, however, it grew by 0.9%.

Financial charges increased considerably, jumping to € 4.9 million in the third quarter of 2007 (up by € 2.2 million from 2006), which had a significant impact on net profit.

The **Group's profit before tax** was € 32.9 million, a fall of 7.9% on the third quarter of 2006.

Net debt

The table below shows net debt for the Campari Group at 30 September 2007, compared with the figures at 30 June 2007 and 31 December 2006.

	30 September 2007 € million	30 June 2007 € million	31 December 2006 € million
Cash, bank and securities	171.7	187.7	240.3
Payables to banks	(70.2)	(113.0)	(209.3)
Real estate lease payables	(3.2)	(3.1)	(3.1)
Private placement and bond issue	(12.1)	(17.8)	(17.7)
Other financial payables	(13.6)	–	0.3
Short-term financial position	**72.6**	**53.8**	**10.4**
Payables to banks	(1.2)	(1.1)	(1.2)
Real estate lease payables	(13.7)	(14.4)	(16.0)
Private placement and bond	(349.2)	(364.2)	(370.6)
Other financial payables	(2.0)	(2.1)	(2.2)
Medium-long-term debt	**(366.0)**	**(381.8)**	**(390.0)**
Net debt	**(293.3)**	**(328.0)**	**(379.5)**

Net debt at 30 September 2007 was € 293.3 million, a reduction of € 34.7 million on the previous quarter and of € 86.2 million compared to 31 December 2006.

This improvement was mainly due to good free cash flow generated in the first nine months of the year, which more than offset the investments made in the period (€ 16.3 million), the dividend paid to the Parent Company's shareholders (€ 29.0 million) and the acquisition of X-Rated (US$ 40.0 million).

Exchange rates made a positive contribution to the reduction in net debt at 30 September 2007.

The 7.7% fall in the value of the US dollar between 31 December 2006 and the end of September 2007 meant that the value in euro of US dollar-denominated debt declined by € 9.3 million.

In addition, the 7.0% rise in the Brazilian real also had a positive effect, albeit to a lesser extent (€ 2.4 million) on the reduction in total net debt, as the conversion to euro increased the value of the Brazilian subsidiary's cash position.

Operating working capital

The table provides balance sheet information relating to working capital as at 30 September 2007 (compared with 31 December 2006 and 30 September 2006), but does not consider changes in tax credits and liabilities.

	30 September 2007 € million	31 December 2006 € million	% change € million	30 September 2006 € million
Receivables from customers	169.3	257.1	–87.8	176.8
Inventories	211.4	169.9	41.5	212.5
Payables to suppliers	–154.8	–161.9	7.1	–142.5
Operating working capital	**225.8**	**265.1**	**–39.2**	**246.9**

The reduction of € 39.2 million between 31 December 2006 and 30 September 2007 mainly reflects the sharp fall in trade receivables, which more than offset the increase in inventories.

Both changes are strongly correlated with seasonal variations in the Group's business, which benefits in September from a peak in trade receivables relating to the summer but at the same time sees stocks increase in readiness for the vigorous trading activity in the last quarter of the year.

The reduction in operating working capital was not merely seasonal, however: the figure also fell by € 21.1 million between 30 September 2006 and 30 September 2007.

Note that the fall in value from 31 December 2006 due to currency movements was marginal (€ 1.3 million), since the opposing trends of the US dollar and the Brazilian real cancelled each other out.

Conversely, the reduction in operating working capital compared to the figure of 30 September 2006, was helped by a positive exchange rate effect of € 7.5 million.

The table below shows year-on-year comparisons of working capital as a percentage of sales for the three periods. Note that this percentage fell at 30 September 2007.

	30 September 2007 € million	31 December 2006 € million	30 September 2006 € million
Operating working capital	**225.8**	**265.1**	**246.9**
Sales year-on-year change	950.1	932.4	893.5
Working capital as a % of sales in the previous 12 months	**23.8%**	**28.4%**	**27.6%**

EVENTS TAKING PLACE AFTER 30 SEPTEMBER 2007

No significant events have taken place since 30 September.

OUTLOOK

The results to 30 September 2007 show that the Group's sales and organic profitability are clearly healthy, despite the fact that growth slowed as expected in the third quarter compared to the particularly strong first half of the year.

The outlook for the last quarter is good overall, given the encouraging consumption trend in the main markets and the healthy situation of all the Group's major brands.

This should enable the Group to end the year with organic growth, sales and profitability in line with expectations.

Milan, 8 September 2007

Chairman of the Board of Directors
Luca Garavoglia

I, Paolo Marchesini, the director responsible for preparing the company's accounting statements, hereby declare that, pursuant to paragraph 2, article 154-*bis* of the *Testo Unico della Finanza* law, this third-quarter report accurately represents the figures contained in the Group's accounting records.

Chief Financial Office
Paolo Marchesini