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Davide Campari – Milano S.p.A.

Consolidated Quarterly Report as of 30 September 2002

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The translation is provided for your convenience only; for any information with respect to Davide Campari – Milano S.p.A. the original “Relazione trimestrale al 30 Settembre 2002” should be exclusively relied upon.

Consolidated Quarterly Report as of 30 September 2002
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Significant events

Acquisition of Skyy Spirits, LLC

On 15 January 2002, the Campari Group completed the acquisition of an additional 50% interest in Skyy Spirits, LLC, a company with its principal place of business in San Francisco, California, already recorded among minority interests, thereby becoming its controlling shareholder with a total interest of 58.9%. The acquired company distributes in the United States, in addition to its own brands (*SKYY Vodka and SKYY Citrus*), also some relevant third party brands (among them, in particular, *Cutty Sark Scotch whisky*), as well as brands of the Campari Group, such as *Campari, Cinzano* and *Ouzo 12*.

The agreement also provides for purchase options by Redfire, Inc., a company wholly controlled by Davide Campari-Milano S.p.A., and sale options by the holders, of residual interests, in future fiscal years, at prices related to the results achieved during upcoming fiscal years.

In the United States in March 2002, in collaboration with SABMiller, second largest US brewery, the company launched *Skyy Blue*, a ready-to-drink, a category undergoing very fast growth internationally and particularly in the United States; sizable marketing investments have been allocated to support the brand.

The terms and effects of the transaction were thoroughly described in the half-year report as of 30 June 2002, to which the reader is referred.

Acquisition of the Zedda Piras Group

On 6 February 2002, the Campari Group completed the acquisition of 100% of Zedda Piras S.p.A., a company with its principal place of business in Alghero, which as of that date owned 67.62% of Sella & Mosca S.p.A.. The latter company in turn owns about 93.66% of Quingdao Sella & Mosca Winery Co. Ltd., a commercial joint-venture in China with local partners, and 100% of Société civile du Domaine de la Margue, a French *chateau* with about 80 hectares of vineyards.

On 26 June 2002, the Group increased the interest it owns in Sella & Mosca S.p.A., currently amounting to 77.62%.

For additional details, please see the half-year report as of 30 June 2002.

New plant in Novi Ligure

In January 2002 the subsidiary Campari-Crodo S.p.A. started work for the construction of the new plant in Novi Ligure, whose total surface area will be about 200,000 square meters and for which a total investment of about € 50 million is planned. The progress of the construction work and of the completion of the facilities as of 30 September 2002, in line with the schedule, amount to € 14.7 million, including land value.

The new production facility will initially be destined to bottling and storing sparkling wines and Cinzano vermouth, and to this end its commissioning is expected by the 2003 harvest.

Through subsequent expansions, starting in 2004, the new facility will also take on the production activities which today are carried out in the Sesto San Giovanni plant, owned by Davide Campari-Milano S.p.A., and in the Termoli plant, owned by the subsidiary Campari-Crodo S.p.A., which will therefore be moved.

Sales of Immobiliare Vassilli 1981 S.r.l.

On 20 March 2002, the Group's interest in the subsidiary real estate company Immobiliare Vassilli 1981 S.r.l., owned by the subsidiary Lacedaemon Holding B.V. and not considered strategic within the group, was sold to third parties.

Increase in the interest in Longhi & Associati S.r.l.

On 20 March 2002, the subsidiary Lacedaemon Holding B.V. increased its interest in the affiliated company Longhi & Associati S.r.l., which rose from 30% to 40%.

Launch of a new joint venture, Fior Brands Ltd.

On 13 May 2002, the Group launched a new joint venture with Morrison Bowmore Distillers Ltd., a company of the Japanese group Suntory, for the promotion and distribution in the United Kingdom of brands included in both companies' portfolios.

The newly incorporated company has in its portfolio, among others, some core brands such as the Campari Group's *Campari* and *Cinzano* and Morrison Bowmore Distillers' *Bowmore* and *Midori*.

Capital reduction by Campari Holding S.A. and subsequent merger in Campari Schweiz A.G.

On 27 June 2002, Campari Holding S.A., a Swiss financial company wholly owned by Davide Campari-Milano S.p.A., merged with its subsidiary Campari Schweiz A.G. The operation was carried out by canceling 13,000 of the 15,000 outstanding shares for a nominal value of CHF 1,000 and the corresponding reimbursement to the shareholder Davide Campari-Milano S.p.A. The reimbursement of the excess capital resulted in a profit of € 5.4 million to the Parent Company and the Group, which derived from the difference between the current exchange rate as of the day of the transaction and the historical exchange rate at which the interest, valued at cost, was recorded.

Campari Mixx

During the summer, the Campari Group launched, on the Italian and the Swiss markets, *Campari Mixx*, a new *Campari* product positioned in the ready to drink segment, which is growing rapidly throughout the world.

Please see the comments to sales performance for a more detailed analysis of sales of this product during the reference quarter.

US private placement

On 15 July 2002, the Campari Group announced the placement on the American market of senior guaranteed notes for US$ 170 million, issued by its subsidiary Redfire, Inc., with the aim of refinancing the debt assumed to acquire control of Skyy Spirits, LLC.

The transaction, comprising three *tranches* of US$ 20, 50, and 100 million, and with maturity respectively of 7 years (average life 5 years), 10 years (average life 7.5 years) and 10 years "bullet", has a fixed coupon for the three *tranches* of respectively 5.67%, 6.17% and 6.49%. Subsequently, a swap transaction was carried out, transforming for the first two tranches the fixed rates into 6 months USD LIBOR variable rates with an added spread, respectively, of about 86 and 87 basis points; for the tranche of US$ 100 million with 10-year bullet maturity, the cost of the loan was lowered from 6.49% to 5.325% through transactions on the rates market.

Distribution of tequila '1800' in the United States

In August, the Campari Group announced an important agreement that will allow it to enhance its presence on the North American market. Through the Skyy Spirits, LLC subsidiary, the Group obtained 5-year exclusive rights to market and distribute the *tequila* brands *"Reserva 1800"* and *"Gran Centenario"*, both owned by the world's foremost *tequila* producer.

Sales performance from January 1st through September 30, 2002

All sales values shown in this paragraph, whether defined as net sales or simply as sales, are net of excise duties and discounts.

During the first nine months of 2002, the Group's consolidated net sales reached € 457.3 million, up 31.7% over the corresponding period of 2001, when sales were € 347.3 million.

A shown in the table below, the impact of recent acquisitions, whose consolidation started January 1st, 2002, was predominant: out of total sales growth of 31.7%, acquisitions accounted for 31.1%, whereas organic growth, net of exchange rate effects, was 0.6%.

It should be stressed that organic growth for the period, before the globally negative effect of exchange rates, was 2.9% and benefited from the positive impact on sales deriving from the launch of *Campari Mixx* (1.2%) on the Italian and Swiss markets: this new product is positioned in the dynamic ready to drink segment.

The unfavorable trends in exchange rates, on the other hand, resulted in a 2.3% erosion of net sales from last year.

This negative impact was brought about almost exclusively by the Brazilian *Real*, whose average depreciation against the €, during the first three months of the year, was 21.9%.

	€ million	% over January-September 2001
– Net sales, January – September 2002	457,3	
– Net sales, January – September 2001	347,3	
Total variation	110,1	31,7%
Whereof:		
– Skyy Spirits, LLC acquisition	82,4	23,7%
– Zedda Piras and Sella & Mosca acquisition	25,2	7,2%
– Brasilian acquisition (not consolidated in January 2001)	0,5	0,1%
Growth through acquisitions	108,1	31,1%
– organic growth before exchange rate effects	9,9	2,9%
– exchange rate variation effects	–7,9	–2,3%
Net organic growth	2,0	0,6%
Total variation	110,1	31,7%

In regard to growth through acquisitions, the following table shows, for each acquisition, the net sales of the main product lines and the growth percentage generated by effect of their first consolidation.

	€ million	% over January-September 2001
SKYY Vodka + *SKYY Citrus*	61,9	17,8%
Other third party brand spirits (*Cutty Sark whisky* + others)	20,5	5,9%
Skyy Spirits acquisition subtotal	82,4	23,7%
Mirto di Sardegna and other typical *Zedda Piras* liquors	8,2	2,4%
Sella & Mosca Wines	16,7	4,8%
Other sales	0,2	0,1%
Zedda Piras and Sella & Mosca acquisition subtotal	25,2	7,2%
Dreher	0,2	0,1%
Admix whiskies	0,1	0,0%
Other sales, Brazilian acquisition	0,1	0,0%
Brazilian acquisition subtotal (January 2002 only)	0,5	0,1%
Total acquisition-driven growth	108,1	31,1%

Consolidation of Skyy Spirits, LLC, with sales of € 82.4 million, generated, at the consolidated Group sales level, a growth of 23.7% over the corresponding period of 2001; more specifically, sales of the SKYY brand (*SKYY Vodka* and *SKYY Citrus*) in the first nine months of 2002 were € 61.9 million, with an impact of 17.8% on total growth, whilst the sales of other products imported and marketed on the US market (*Cutty Sark Scotch Whisky* as well as the other third-party brand spirits), amounted to € 20.5 million.

It should be recalled that in August, through its subsidiary Skyy Spirits, LLC, the Group obtained the right to distribute in the United States, for a five year period, the two *tequila* brands *Reserva 1800* and *Gran Centenario,* both owned by the world's foremost *tequila* producer. However, as of 30 September 2002, sales of other third party spirits do not yet include sales of *"Reserva 1800"* and *Gran Centenario tequila*, as marketing started in October.

With a volume of about 300,000 9-liter cases and sales for about US$ 40 million, *Reserva 1800* is one of the leading super premium *tequila* brands in the US market; the execution of this distribution agreement therefore will allow the Group to enhance its presence significantly in the world's foremost market for spirits.

As highlighted in the "significant events" paragraph above, in March 2002 the *SKYY Blue* ready to drink was launched in the United States in collaboration with SABMiller, the second largest US brewery.

The license agreement for the brand provides for Skyy Spirits, LLC to be paid royalties in proportion to the sales of *SKYY Blue* achieved by SABMiller, and a contribution to the costs involved with the marketing investment, borne by SABMiller itself. In any case, during the current and the next fiscal year Skyy Spirits, LLC will be entitled to a minimum amount of royalties, net of the aforementioned marketing contributions, of US$ 5 million per year.

Consequently, *SKYY Blue* sales in the US market are not included within the Group's consolidation perimeter.

The Campari Group, owner of the *SKYY Blue* brand, is developing, with other international breweries, operating projects for launching the product in other markets.

Consolidation of sales deriving from the acquisition of Zedda Piras and Sella & Mosca had an impact of € 25.2 million during the first nine months of 2002, generating a growth of 7.2% of the Group's net sales relative to the net sales of the corresponding period of 2001.

Sales of *Sella & Mosca* wines amounted to € 16.7 million, whereof about 90% were achieved in the Italian market. International marketing for the wines was integrated in the Group's international sales organization only from May onwards.

Sales of *Mirto di Sardegna* and of the other *Zedda Piras* brand liquors, achieved almost entirely on the Italian market, amounted to € 8.2 million. From May onwards, the sales network of the subsidiary Campari S.p.A. took over marketing responsibility for *Zedda Piras* brands outside Sardinia.

Lastly, acquisition-driven growth includes the sales – for January 2002 only – of the brands that were included in the Group's portfolio as a result of last year's Brazilian acquisition, consolidated only after February 2001.

The following table shows net sales allocation and performance by geographical area.

	January-September 2002		January-September 2001		% variation
	€ million	%	€ million	%	2002 / 2001
Italy	228,6	50,0%	193,8	55,8%	18,0%
Europe	87,2	19,1%	90,7	26,1%	–3,8%
Americas	128,5	28,1%	47,2	13,6%	172,3%
Rest of the world	13,0	2,8%	15,6	4,5%	–16,7%
Total	457,3	100,0%	347,3	100,0%	31,7%

In Italy, net sales in the first nine months of 2002 were € 228.6 million, up 18.0% overall with respect to the corresponding period of 2001; of this increase, 5.7% is due to the organic performance of the business and for the remaining 12.3% to the Zedda Piras and Sella & Mosca acquisition.

The more than satisfactory level of organic growth was achieved thanks to the positive performance of brands already in the portfolio (mainly *Campari, CampariSoda* and *Cinzano* sparkling wines) and to the aforementioned launch of *Campari Mixx* (2.0%).

Although the combined effect of organic and acquisition-driven growth generated an appreciable increase in absolute terms, Italy saw its percentage of the Group's total net sales decrease from 55.8% in 2001 to 50.0% in 2002, due to the overweighted growth in the Americas area, resulting from the acquisition of Skyy Spirits, LLC.

Net sales in the Europe area amounted to € 87.2 million, with a 3.8% drop due mainly to the negative performance in Germany, which accounts for nearly 50% of sales in the area. 2002 was undoubtedly a difficult year for the German subsidiary, which operates in a critical macroeconomic environment, characterized by zero growth in GDP, by a 0.9% drop in household consumption and by a complex situation affecting large scale distribution, where discounters are gaining significant market positions from their competitors, with inevitable profit erosion for all "brand" owners. This reference environment aggravated an existing condition of weakening of the flagship brand *Campari*, which achieves about 20% of its sales in this market. The challenge was faced with extreme determination, defining important changes in marketing strategy and company organization.

As to the other major markets in Europe, sales performance for the period was positive in Switzerland, United Kingdom and Greece, and negative in France and Spain.

The Americas area, by effect of the Skyy Spirits acquisition amply discussed above, more than doubled the proportion of its sales relative to the Group's total sales: from 13.6%, recorded after the first nine months of 2001, to the current 28.1%.

Group's sales in this area amounted to € 128.5 million, with a total growth of 172.3% over the corresponding period of 2001. As the following table clearly shows, this growth is entirely generated by the US market, i.e. by the first consolidation of Skyy Spirits, LLC.

Breakdown of net sales	January-September 2002		January-September 2001		% variation
in the Americas area	€ million	%	€ million	%	2002 / 2001
USA	89,7	69,8%	3,9	8,2%	2212,3%
Brazil	34,8	27,0%	38,2	80,9%	–9,1%
Other countries	4,1	3,2%	5,1	10,8%	–20,8%
Total	128,5	100,0%	47,2	100,0%	172,3%

The positive trend of the Brazilian subsidiary, whose sales grew by 11.0% in local currency terms, was completely erased by the severe devaluation of the Brazilian *Real* against the € which – it should be recalled – amounted to 21.9% year on year; therefore, in consolidation currency terms, sales were down 9.1%.

Sales in the other countries of the Americas area are marginal and, because of the negative impact of local currency devaluation, have decreased.

In the Rest of the World complementary area, net sales were € 13.0 million, down 16.7% from last year, mainly due to a slow-down in sales to Japanese and Australian distributors; the first one results from changes to inventory management criteria, offset by the very good performance of the *Campari* and *Skyy Vodka* brands, while the second one is due to the negative performance of the third party brand *Riccadonna*.

The two tables that follow respectively show:

– net sales breakdown and trend by business segment;

– the breakdown of total growth for each business segment, in the two components of acquisition-driven and organic growth.

Net sales by segment	January-September 2002 € million	%	January-September 2001 € million	%	% variation 2002 / 2001
Spirits	288,4	63,1%	192,6	55,5%	49,7%
Wines	57,1	12,5%	42,1	12,1%	35,6%
Soft drinks	103,7	22,7%	104,6	30,1%	–0,8%
Other sales	8,0	1,8%	7,9	2,3%	1,8%
Total	457,3	100,0%	347,3	100,0%	31,7%

Net sales variation by segments	% total variation January-September	whereof acquisition-driven growth	whereof organic growth net of exchange rate effects
Spirits	49,7%	47,2%	2,5%
Wines	35,6%	39,7%	–4,1%
Soft drinks	–0,8%	0,0%	–0,8%
Other sales	1,8%	4,3%	–2,5%
Total	31,7%	31,1%	0,6%

Spirits

Net sales of the spirits segment during the first nine months of 2002 were € 288.4 million, up 49.7% overall from the corresponding period of last year.

Recent acquisitions' contribution was decisive in this segment's trend and amounted to 47.2%, whereas the organic growth of the Group's spirits during the reference period was 2.5%, net of negative exchange rate effects.

The following is a brief comment on sales performance for each brand.

Campari was down 2.8% overall; however, once the negative exchange rate effect due to local currency devaluation is filtered out from Brazilian sales, the drop is reduced to 0.7%.

Campari sales in Brazil had a positive performance during the first nine months of the year, with volumes up 2.8%; this result can be considered more than satisfactory in view of the high level of correlation of this brand's consumption with the country's macroeconomic phase, which at present is definitely not positive.

Italy further strengthened its position as the leading market for *Campari*, with ebullient sales growth and with marketing indicators all pointing to the brand's healthy condition.

In Germany, on the contrary, *Campari* sales in the first nine months of the year confirmed the negative trend, which will be contrasted both by strategically repositioning the brand, obviously with the support of the required advertising investments, and by radically restructuring the sales organization.

CampariSoda sales grew by 5.6%; this brand, substantially present only on the Italian market, continues to show excellent solidity, further consolidating its leadership in the reference market.

SKYY Vodka grew 50.5% in the export markets, thanks both to the positive development of the markets where the brand had already been introduced, such as Italy and Japan, and to the expansion of distribution in international markets.

In terms of the domestic US market, which accounts for 95% of the business, net sales for the first nine months of the year amounted to € 61.9 million, with double-digit growth.

Cynar sales were down 5.4%, mainly because of the negative performance in the Italian market.

Dreher was down 1.2%: for the Brazilian *aguardente*, whose consumption seems less closely correlated than *Campari*'s to macroeconomic conditions, volume and net sales performance expressed in local currency was quite positive; however, the devaluation of the Real totally canceled out its impact.

Admix whiskies (*Drury's, Old Eight* and *Gold Cup*) sales were down 9.2% overall, due, yet again, solely to the exchange rate effect, since the local currency was devaluated by 21.9%: these brands, which are whiskies produced in Brazil with imported malt, benefiting from the hardships encountered by imported whiskies, had a particularly strong sales performance during the period in exam, both in terms of volume and local currency.

Ouzo 12 grew 7.6% overall, thanks to a further positive development on the Greek market which offset the sales contraction on the German market.

Biancosarti, whose sales are entirely achieved in the Italian market, exhibited a substantial stability (-0.3%) relative to last year.

Zedda Piras: sales of *Mirto di Sardegna* and other typical *Zedda Piras* liquors during the first nine months of the year were € 8.2 million, which can be considered in line with objectives. During the last months of the period in exam, the shift to the sales network of Campari S.p.A. for all of Italy except for Sardinia, and the launch of the advertising campaign gave a positive contribution to growth acceleration.

In regard to the performance of third-party brand spirits, sales of *Jägermeister*, achieved almost entirely in the Italian market, grew by 8.4%, confirming the brand's healthy condition, opposing the trend in the constantly declining bitters market.

On the other hand, sales of *Grant's* were down: in spite of the good result achieved in the Italian market, this brand was strongly penalized by the sharp drop in sales recorded in Brazil, where all imported whiskies sold locally at very high prices met the same fate.

During the reference period, net sales of *Grand Marnier* in Germany also contracted (very slightly), as did those of *Gorbatschow* vodka in Switzerland (with a sharper decline).

Wines

Group's net sales in the wines segment amounted to € 57.1 million in the first nine months of 2002, up 35.6% over last year's corresponding period.

This growth is wholly due to the acquisition of *Sella & Mosca* wines, which contributed 39.7% of total growth, whereas the organic part of the business was down 4.1%, which nonetheless is an improvement over June's figures.

In detail, the trend in sales of the *Cinzano* vermouth is still not positive (-5.1%) because not all the critical items that emerged during the first half of the year have been fully resolved yet; however, third quarter performance was definitely positive, also thanks to the execution of new, important distribution agreements in markets with very significant development potential. The complete introduction of the new packaging in the market, carried out gradually over recent months, should also allow to recover, at least in part, the earlier inventory reductions.

On the other hand, *Cinzano* sparkling wines sales grew 3.5% during the first nine months of the year. This result is essentially due to the positive sales performance on the Italian market, where the brand is starting to reap the rewards of the investments made at the end of 2001 and where, during the fourth quarter of 2002, sales will also benefit from the new advertising campaign.

In Germany, foremost market for our product, sales were down in line with the contraction in the demand for sparkling wines and in particular for Asti.

It should be recalled that sales of this product are highly seasonal, as the last quarter of the year accounts for about 50% of total turnover.

The less than positive performance of the organic part of the Group's wines business during the reference period also derives from the contraction of sales of the *Liebfraumilch* wine in Brazil and, as far as third party brands are concerned, of *Riccadonna*, sold mostly in Australia, and of the *Henkell Trocken* sparkling wine, marketed in Switzerland.

Sales of *Sella & Mosca* wines, acquired in early 2002, amounted to € 16.7 million during the first nine months of the year, globally in line with expectations; more in detail, performance on the domestic market was positive, whereas in export markets the restructuring of the distribution organization led to slight delays in sales with respect to the growth plan.

Soft drinks

From January to September 2002, Group's net sales of soft drinks amounted to € 103.7 million, down 0.8% from the same period of the last year.

The proportion of the sales of this segment over the Group's total sales decreased considerably, going from 30.1% last year to the current 22.7%, an inevitable consequence of the Group's acquisition strategy, focused on spirits and wines.

The performance of the main brands in this business area, which is almost entirely limited to the Italian market, was as follows.

Crodino sales grew 4.7%; the brand confirmed its solid performance, supported by a consistent strategy that effectively combines marketing investments and sales activities.

Lemonsoda, Oransoda and *Pelmosoda* globally slowed more markedly than the carbonated drinks segment as a whole, with sales down 9.1%, mainly due to adverse weather conditions during the summer season.

Sales of the other *Crodo* brand soft drinks slowed by 4.6% overall; the contraction was less acute for mineral waters than soft drinks and non alcoholic aperitifs.

Among third-party brands, of note is the 3.1% growth of net sales of *Lipton Ice Tea*, which benefited from the promotional and advertising investments connected with the launch of the *"Fusion"* brand extension, a product that is positioned on a higher average price than the rest of the range.
Sales of *Granini* fruit juices were lower than last year, when they were introduced on the market, and the brand had been supported with promotional activities.

Other sales

This complementary segment, comprehensive of all net sales of the items that cannot be classified as finished product, generated € 8.0 million during the first nine months of 2002, in line with the previous year's figures (+1,8%).

Sales performance for the third quarter of 2002

Third quarter net sales amounted to € 150.8 million, up 32.7% overall from the corresponding period of last year.

Acquisition-driven growth was 33.4% and represented nearly all of total growth since, as the following table shows, organic growth amounted to 3.3% but was totally eroded by the negative impact of the exchange rate effects during the period, which equaled 4.0%.

	€ million	% change over third quarter 2001
– Net sales, third quarter 2002	150,8	
– Net sales, third quarter 2001	113,7	
Total variation	37,2	32,7%
Whereof:		
– Skyy Spirits, LLC acquisition	29,3	25,8%
– Zedda Piras S.p.A. and Sella & Mosca S.p.A. acquisition	8,7	7,7%
– Brazilian acquisition (not consolidated in January 2001)	–0,1	–0,1%
Growth through acquisitions	38,0	33,4%
– Organic growth before exchange rate effects	3,7	3,3%
– Effect of exchange rate variations	–4,5	–4,0%
Organic growth net of exchange rate effects	–0,8	–0,7%
Total variation	37,2	32,7%

Net sales performance by business area is summarized in the table below.

	third quarter 2002		third quarter 2001		% variation
	€ million	%	€ million	%	2002/2001
Spirits	93,2	61,8%	58,2	51,2%	60,1%
Wines	23,1	15,3%	16,6	14,6%	39,3%
Soft drinks	32,3	21,4%	33,7	29,6%	–4,1%
Other sales	2,2	1,5%	5,2	4,5%	–57,1%
Total	150,8	100,0%	113,7	100,0%	32,7%

Sales of spirits in the third quarter of the year were up 60.1% over the corresponding period of 2001: the impact of acquisitions amounts to 55.3%, while organic growth, net of the negative exchange rate effect, was 4.8%. Particularly significant for organic business growth was the contribution by the launch of *Campari Mixx* (3.8%) whose sales were entirely recorded during the third quarter, as the launch occurred in early July.

As to the other brands in the portfolio, sales performance for the main brands during the reference period was substantially linear: of note is the excellent performance by *Dreher*, the Brazilian *aguardente*, whose sales grew by 18.8% in local currency terms during the quarter; however, this growth was entirely erased by effect of the severe devaluation of the Brazilian Real.

Net sales of wines grew by 39.3% in the third quarter 2002 with respect to the corresponding period of 2001: the impact of the Sella & Mosca acquisition was particularly significant, and quantifiable at 34.5%, while organic growth was 4.8%. As previously noted in the comment to the sales in the first nine months of the year, the third quarter saw an important trend reversal for sales of the *Cinzano* vermouth, which grew 20.0% over the corresponding period of 2001. Sales of *Cinzano* sparkling wines, instead, were exactly at the same levels as the third quarter of 2001.

Soft drinks net sales decreased by 4.1% during the third quarter of 2002, mainly due to the very poor weather conditions experienced in the summer; particularly hard hit were sales of *Lemonsoda*, *Oransoda* and *Pelmosoda*, down 17.3% overall. On the other hand, the quarter was particular positive for *Crodino*, whose net sales were up 10.1%.

Consolidated financial statements

Preparation criteria

In accordance with article 82, paragraph 1 of CONSOB resolution no. 11971 of May 14, 1999, the Board of Directors prepared this consolidated quarterly report as of September 30, 2002.

The accounting principles and assessment criteria are the same as those used for the yearly financial statements as of December 31, 2001, and of the half-year report as of June 30, 2002, to which the reader is referred.

Data are presented in reclassified form with the same level of detail as the statements contained in the yearly and half-yearly reports, so they can be readily compared.

Unless otherwise noted, financial statements and comments to economic and financial data are expressed in millions of €.

Results are expressed before taxes.

There are no variations from the consolidation area as of June 30, 2002.

Consolidated income statement, January – September 2002

The table that follows shows the consolidated income statement for the first nine months of 2002, reclassified according to international practice.

2002 values, expressed in millions of €, are compared to those of the corresponding period of 2001; each entry in the income statement shows the percentage of sales (net of discounts and excise taxes), as well as the percent variation between the corresponding values recorded in the two compared periods.

Reclassified income statement (progressive date) (€ million)	30 September 2002 value	%	30 September 2001 value	%	% variation 2002 / 2001
Net sales	**457,3**	**100,0%**	**374,3**	**100,0%**	**31,7%**
Cost of goods sold	(189,7)	–41,5%	(151,7)	–43,7%	25,1%
Gross margin	**267,6**	**58,5%**	**195,6**	**56,3%**	**36,8%**
Advertising and promotion	(87,1)	–19,1%	(67,3)	–19,4%	29,5%
Sales and distribution costs	(52,5)	–11,5%	(39,4)	–11,4%	33,2%
Trading profit	**128,0**	**28,0%**	**88,9**	**25,6%**	**44,0%**
General and administrative expenses	(31,1)	–6,8%	(22,1)	–6,4%	40,9%
Other operating revenues	4,1	0,9%	0,4	0,1%	840,6%
Goodwill and trademark amortization	(20,8)	–4,5%	(8,7)	–2,5%	139,7%
Operating income (EBIT) before non recurring costs	**80,2**	**17,5%**	**58,5**	**16,9%**	**37,0%**
Non recurring costs	(0,8)	–0,2%	(4,6)	-1,3%	–82,5%
Operating income (EBIT)	**79,4**	**17,4%**	**53,9**	**15,5%**	**47,2%**
Net financial income (losses)	(4,5)	–1,0%	2,5	0,7%	–280,6%
Income (losses) on net exchange rates	9,1	2,0%	(1,6)	–0,5%	–675,3%
Other non operating income (losses)	(6,8)	–1,5%	1,0	0,3%	–789,2%
Income before taxes	**77,2**	**16,9%**	**55,8**	**16,1%**	**38,3%**
Minority interest	(11,2)	–2,4%	0,0	0,0%	–
Group income before taxes	**66,0**	**14,4%**	**55,8**	**16,1%**	**18,2%**
EBITDA before non recurring costs	**112,5**	**24,6%**	**77,3**	**22,2%**	**45,6%**
EBITDA	**111,7**	**24,4%**	**72,6**	**20,9%**	**53,8%**
EBITA before non recurring costs	**101,0**	**22,1%**	**67,2**	**19,4%**	**50,2%**
EBITA	**100,2**	**21,9%**	**62,6**	**18,0%**	**60,0%**

The Group's results during the period were particularly positive and, compared to those of the corresponding period of last year, their growth rates are higher than expected.

The positive evolution of profitability is mainly determined by the expected contribution deriving from the acquisitions of Skyy Spirits, LLC, Zedda Piras S.p.A., and Sella & Mosca S.p.A., but to a significant extent also by an improvement in the operating results from the organic part of the business.

Operating income (EBIT) was € 79.4 million, amounting to 17.4% of net sales and growing by 47.2% over last year, as analyzed below.

With net sales up 31.7%, as illustrated in the previous paragraph, cost of goods sold grew more slowly (+25.1%), consequently leading to a more than proportionate improvement in gross margin, which in fact is up 36.8%.

The containment of the cost of goods sold, whose impact on net sales dropped by 2.2%, is due to the positive trend in both of its components, i.e. variable costs of raw materials and production costs.

The incidence of the variable costs of materials was lower than last year for the following reasons:

– in the first place, the sales mix was particular favorable: on average, the incidence of the cost of materials on sales for spirits is considerably lower than for wines and soft drinks; therefore, the more than proportionate growth in

spirits, mainly generated by the acquisitions of Skyy Spirits, LLC and Zedda Piras S.p.A., increased the weight of this higher margin segment and consequently reduced the Group's overall incidence of cost of materials;
– secondly, purchase prices had very moderate increases, lower than those of sale prices.

Production costs had a favorable trend, i.e. they grew more slowly than sales, for the following reasons:
– the consolidation of Skyy Spirits, LLC, i.e. of a company that has no industrial structure, had a significant impact;
– secondly, the organic part of the business benefited from the fact that a significant portion of production costs are fixed while, overall, the sales of internally produced brands grew.

Though advertising and promotional costs grew by 29.5% in absolute terms, their percentage of sales decreased slightly, dropping from 19.4% to 19.1%; this relative reduction is substantially due to the organic business, and particularly to the *Cinzano* brand, while the pressure of the promotional and advertising expenses of the newly acquired activities, and in particular those of Skyy Spirits, LLC, was slightly higher than for the organic business.

Sales and distribution costs instead grew only slightly faster than sales and their incidence on consolidated net sales remained substantially stable, growing from 11.4% to 11.5%.

Trading profit for the first nine months of 2002 was € 128.0 million and, as a positive consequence of the performance of sales and costs, analyzed above, grew by 44.0% over the corresponding period of last year.

General and administrative expenses grew, both in absolute terms and in terms of percentage of net sales, going from 6.4% to 6.8%. Said greater incidence is mainly due to some specific costs borne in Brazil, for organizational consulting work, and by the German subsidiary, for moving the offices into their new location.

The other operating revenues during the first nine months of 2002 amounted to € 4.1 million, providing a significant contribution to the Group's operating income and a sizable increase over the previous year, when their value was only € 0.4 million. This income statement entry refers to royalties collected from third parties and, in 2002, included €3.8 million in royalties collected by Skyy Spirits, LLC from SABMiller, by virtue of the aforementioned licensing agreement for the Group's *SKYY Blue* brand.

During the reference period, goodwill and trademark amortization was € 20.8 million, compared with € 8.7 for the same period of last year: the additional € 12.1 million results from the amortization related to the acquisitions of Skyy Spirits, for € 9.4 million, Zedda Piras and Sella & Mosca, for € 2.2 million, and to the full consolidation of the Brazilian acquisition (which in 2001 started only in February), for € 0.3 million; the remaining € 0.2 million increase relates to trademark amortization.

Non recurring costs for the first nine of 2002 relate to extraordinary personnel costs and amounted to € 0.8 million; in the corresponding period of 2001, they amounted to € 4.6 million overall, and they included € 2.3 million in costs for the upgrade of the company's organization and structure deriving from the IPO.

The growth rates of the other two operating profitability indicators shown separately in the income statement above, i.e. EBITDA and EBITA, greatly exceed that of operating income (EBIT), because they fully incorporate the positive economic impact of the acquisitions, without considering its goodwill and trademark.
In particular, EBITA, i.e. operating income before goodwill and trademark amortization, amounted to € 100.2 million in the first nine months of 2002, up 60.0% over last year.
EBITDA, i.e. operating income before all depreciation and amortization, both on tangible and intangible fixed assets, was € 111.7 million, up 53.8% over last year.
EBITDA, EBITA and EBIT in the income statement above are shown before non recurring costs; their growth in this case is lower than that of the same indicators net of said non recurring costs, since in 2001 these extraordinary costs were considerably greater than in 2002.

Consolidated income before taxes (and minority interests) was € 77.2 million, amounting to 16.9% of net sales and up 38.3% over the value recorded the first nine months of last year.

The following is an analysis of the three income statement entries, shown below operating income, which impact on income before taxes.

The period's net financial losses amounted to € 4.5 million, compared to a positive balance of € 2.5 million achieved last year; comparing the data for the two periods, therefore, shows a net negative impact of € 7.0 million. The acquisitions completed at the beginning of the year required cash outlays for € 358.0 million, which caused the aforesaid impact on the income statement, a modest one in view of the particularly favorable behavior of interest rates during 2002.

Income on net exchange rates recorded as of 30 September 2002, and posted net of realized losses, was € 9.1 million; this amount includes:

– for € 2.5 million, the income deriving from closing the credit lines in US$, activated in January 2001 and pertaining to the Brazilian acquisition. The favorable performance of the money markets allowed to repay this foreign currency debt, recouping the unrealized loss posted in the financial statements as of 31 December 2001;
– for € 5.4 million, the income achieved by the Parent Company with the partial reimbursement of the share capital of the subsidiary Campari Holding S.A, subsequently merged with Campari Schweiz A.G.; this amount, classified as income on net exchange rates, resulted from the positive difference between the equivalent value in € of the reimbursed capital and the value recorded when the company was incorporated;
– for € 1.2 million, the positive balance between income and losses realized locally by the subsidiaries.

As of 30 September 2001 the income statement entry pertaining to exchange rate differences showed a net loss of €1.6 million, whereof, incidentally, € 0.5 million derived from the unrealized loss on the loans in US$, described above.

The other non operating income and losses for the first half of 2002 show a net loss of € 6.8 million. The two main items comprising this amount were:

– a capital gain of € 3.3 million realized by the subsidiary Campari Schweiz A.G. and relating to non instrumental real estate sold during the period;
– provisions for a total of € 10.0 million relating to the industrial rationalization plan whose costs will be borne from next year on, simultaneously with the start of production in the new Novi Ligure facility; this amount comprises restructuring provisions, for € 7.2 million overall, and asset depreciation for € 2.8 million.

Given the € 1.0 million net income recorded in the income statement as of 30 September 2001 for this entry, the negative impact resulting from comparing the two periods amounts to € 7.8 million.

The Group's income before taxes in the first nine months of 2002, amounting to € 66.0 million, net of minority interests of € 11.2 million, grew by 18.2% over the corresponding period of last year.

Third-party held shares in companies included in the Group's consolidation perimeter, negligible in 2001, reached a certain size in 2002 as a result of the most recent acquisitions, and the value of third-party income grew along with them. Today, the most significant third-party held shares are the 41.1% interest in Skyy Spirits, LLC and the 22.38% interest in Sella & Mosca S.p.A..

Consolidated income statement for the third quarter of 2002

The table below shows the consolidated income statement for the third quarter 2002, reclassified according to international practice. Data are compared with those of the corresponding period of 2001.

Reclassified income statement (quarter data) (€ million)	third quarter 2002 value	%	third quarter 2001 value	%	% variation 2002 / 2001
Net sales	**150,8**	**100,0%**	**113,7**	**100,0%**	**32,7%**
Cost of goods sold	(63,5)	–42,1%	(53,7)	–47,3%	18,1%
Gross margin	**87,3**	**57,9%**	**60,0**	**52,7%**	**45,8%**
Advertising and promotion	(29,5)	–19,6%	(23,3)	–20,5%	26,5%
Sale and distribution costs	(16,0)	–10,6%	(12,2)	–10,7%	31,5%
Trading profit	**41,8**	**27,8%**	**24,5**	**21,5%**	**71,3%**
General and administrative expenses	(9,1)	–6,1%	(7,0)	–6,1%	30,7%
Other operating revenues	0,1	0,1%	0,1	0,1%	–31,0%
Goodwill and trademark amortization	(6,9)	–4,6%	(3,0)	–2,6%	130,1%
Operating income (EBIT) before non recurring costs	**25,9**	**17,2%**	**14,6**	**12,8%**	**77,6%**
Non recurring costs	(0,2)	–0,2%	(0,6)	–0,5%	–58,9%
Operating income (EBIT)	**25,7**	**17,0%**	**14,0**	**12,3%**	**83,4%**
Net financial income (losses)	(2,3)	–1,5%	0,6	0,5%	–475,7%
Income (losses) on net exchange rates	1,7	1,1%	3,0	2,6%	–42,2%
Other non operating income (losses)	(0,1)	–0,1%	1,2	1,1%	–111,8%
Income before taxes	**25,0**	**16,6%**	**18,8**	**16,6%**	**32,7%**
Minority interest	(3,5)	–2,3%	0,0	0,0%	–
Group income before taxes	**21,5**	**14,2%**	**18,8**	**16,6%**	**13,9%**
EBITDA before non recurring costs	**36,6**	**24,3%**	**21,2**	**18,6%**	**73,2%**
EBITDA	**36,4**	**24,1%**	**20,6**	**18,1%**	**77,1%**
EBITA before non recurring costs	**32,9**	**21,8%**	**17,6**	**15,5%**	**86,6%**
EBITA	**32,6**	**21,6%**	**17,0**	**15,0%**	**91,7%**

The Group's results for the third quarter of 2002 denote very fast growth for all profitability levels. For a clearer understanding of the data, however, it is necessary to note that comparison between the two quarters benefits:

– firstly, for 2002, from the positive impact of the Skyy Spirits, LLC and Zedda Piras S.p.A. and Sella & Mosca S.p.A. acquisitions, thoroughly analyzed above, which in terms of sales (but on average also in terms of costs and hence of margins) amounts roughly to 33%;

– secondly, with more specific reference to the organic part of the business, from a particularly negative result, in terms of sales level and mix, in the third quarter of 2001, from more than proportionate increases in the cost of raw materials and from the intensity of the promotional-advertising pressure. For this purpose it should be noted that the reduction in inventory levels in the distribution channel, which characterized the period immediately after September 11th, and consequently penalized the result of the third quarter of 2001, determined during the fourth quarter of last year, after the immediate terrorist threat ceased, a sudden increase in sales that impacted immediately on its profitability.

More specifically, again with reference to 2001, in the third quarter the income statement was particularly negative both in terms of gross margin, which suffered from a markedly high incidence of the cost of goods sold, prevalently determined by the unfavorable mix of sales observed:

– at the brand level, in the negative performance of *Campari* and *CampariSoda* offsetting the particularly positive performance of soft drinks;

– at the market level, in the higher incidence of sales of the Brazilian subsidiary, distinguished by a structurally higher product cost.

In sum, profitability for the third quarter of 2002, expressed in terms of percentage of sales, from gross margin through operating income, is higher on average by about five percentage points with respect to the corresponding period of last year.

Given these considerations, it can be remarked in any case that the Group's operating income (EBIT) was € 25.7 million, up 83.4% over last year.

Net financial position

(€ million)	30 September 2002	30 June 2002	31 December 2001
Cash and banks	100,8	62,8	177,8
Marketable securities (*)	9,7	12,0	46,4
Payables due to banks	(121,2)	(293,1)	(112,3)
Real estate lease and other financial payables (current portion)(**)	(4,5)	(1,9)	(1,8)
Net short term financial position	**(15,2)**	**(220,2)**	**110,1**
Senior guaranteed notes	(172,4)	–	–
Real estate lease and other financial payables (medium-long term portion)	(18,8)	(19,2)	(13,5)
Net medium – long term financial position	**(191,2)**	**(19,2)**	**(13,5)**
Net financial position	**(206,4)**	**(239,4)**	**96,6**

(*) does not include own stock held by the Parent Company, recorded among fixed financial assets at the purchase cost of € 31 million;
(**) includes the accrued interest at period end for the issue of senior guaranteed notes.

The growth in financial debt relative to 31 December 2001 is due to the acquisitions discussed in the "significant events" paragraph, whose effects on the Group's financial position were thoroughly described in the half-year report as of 30 June 2002. The impact of the two acquisitions on the Group's net financial position, amounting to € 358.0, includes initial financial debt of the acquired companies, in addition to the cost of the transactions.

For greater clarity, it is noted that, had the Sella & Mosca S.p.A subsidiaries Qingdao Sella & Mosca Winery Co. Ltd. and Société civile du Domaine de la Margue been included in the consolidation areas, the Group's financial situation as of 30 September 2002 would have worsened by € 0.9 million.

The overall improvement in net financial position during the third quarter was generated by the cash flow deriving from the Group's positive performance and by the decrease in net working capital, due to a reduction of receivables from customers, only partly offset by a seasonal increase in the Group's stocks during the harvest period.

The cash flows generated by the Group's operations were partially absorbed by the investments conducted during the period, mostly by the subsidiary Campari-Crodo S.p.A. within the project for the construction of the new Novi Ligure facility, commented in the "significant events" paragraph (please see). During the last quarter, the investments pertaining to this facility amounted to about € 7.5 million.

With reference to the composition of the debt, the increase in the medium-long term portion of the financial debt and the corresponding reduction of the short term portion is the consequence of the issue of senior guaranteed notes by the subsidiary Redfire, Inc. on the US market. This issue, already commented in the paragraph illustrating the period's significant events, provides for the reimbursement of principal amounts relating to the first *tranche* of the loan to start in July 2005, while interest is to be paid every six months starting in January 2003.

Relevant events after the end of the third quarter 2002

In regard to the Sella & Mosca S.p.A. subsidiary, it should be noted that the 2002 vintage was partly compromised by adverse weather conditions impacting the Alghero area and Sardinia in general during the harvesting time, directly impacting on the availability of white wine. Within the wine portfolio, an adequate management of prices and sale mix will allow to offset, in terms of margins, the smaller quantities available.

Forecast

The two important acquisitions completed at the start of 2002 had the expected positive impact on the Group's performance during the first months of the year; given that the new companies were successfully integrated in the Group's organization, it is likely that the newly acquired business will contribute equally positive results during the final months of the year.

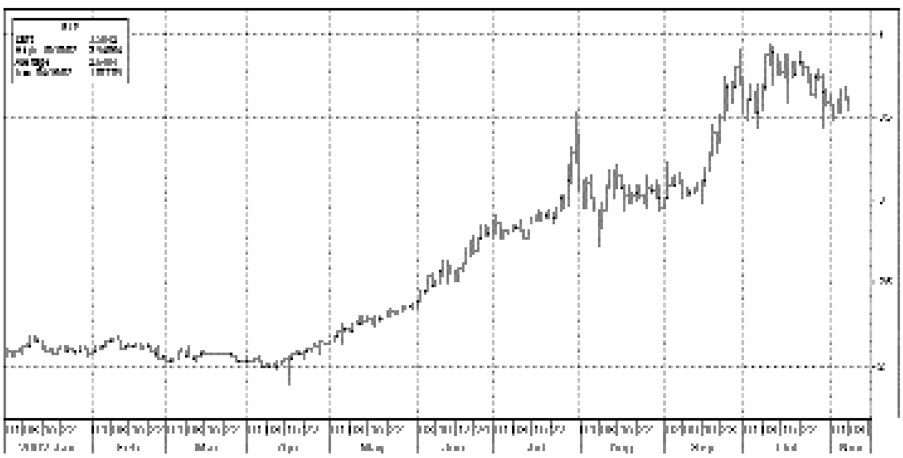
In regard to other products, sales on the Italian market during the last quarter of the year should benefit from the positive impact of the launch of *Campari Mixx*, completed during the third quarter of this year, and from the re-launching of *Cinzano* sparkling wines: both these operations will be accompanied by sizable advertising investments.

As to the Group's major international markets, the last quarter of the year is expected to be a time of recovering sell-in for some products that were heavily de-stocked during the first months; other products, such as *Cinzano* vermouth, may well take longer to win back lost positions.

Looking at the macroeconomic environment, there is no doubt that fairly worrisome signals are coming from many directions, and in particular from countries that are strategic for the Group: all major Western economies have revised their GDP growth forecasts downwards, and in particular Germany's demand for consumer goods is slowing sharply.

Brazil, on the other hand, is going through a deep political and economic crisis, with heavy repercussions in terms of currency devaluation. The chart below shows the trend of the exchange rate of the *Brazilian Real* against € in 2002.

Brazilian Real against € in 2002



Source: Bloomerg

If the exchange rate should remain at current levels in the remaining two months of the year, the resulting average exchange rate for the year would be such that the sales of the Brazilian subsidiary at the end of 2002, thus converted, would be depreciated by 33% relative to the average exchange rate in 2001, in consolidation currency terms. In this situation, the impact of the devaluation of the Brazilian Real on the Group's net sales for all of 2002 would be 3.6% (relative to 2001).

The Chairman
of the Board of Directors
Luca Garavoglia

Davide Campari – Milano S.p.A.
Capitale sociale: Euro 29.040.000 interamente versato
Registro Imprese Milano: 06672120158
REA: 1112227
Sede: Via Filippo Turati, 27 - 20121 Milano
Telefono: (39) 02 62251
Fax: (39) 02 6225312

Investor Relations
Telefono: 02 6225330
Fax: 02 6225479
e-mail: investor.relations@campari.com

Web site
www.campari.com

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