CAMPARI

This document contains the translation into English of the Directors' report on the Consolidated Results of Operations for the quarter ended September 30, 2001 of Davide Campari - Milano S.p.A..

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 2001" should be exclusively relied upon.

Contents

Significant Events

Stock Market Trading

Following the authorization granted by CONSOB on June 20, 2001 with its note n. 1049199, trading of common stock of Davide Campari-Milano S.p.A. ("Parent Company") started on July 6, 2001 on the Computerized Stock Market organized and managed by Borsa Italiana S.p.A.

The Global Offering involved an overall number of 13,699,750 common shares, for a total value of Euro 424,692,250.

Own Shares Buy-Back

On July 13, 2001 the Parent Company purchased, at the placement price of Euro 31, and within the portion of the Global Offering aimed at Italian and foreign institutional investors, 1,000,000 of its own shares to be destined to servicing the stock option plan already resolved in favor of the Group's management.

The acquisition was conducted in accordance with the authorization of the General Shareholders' Meeting of May 2, 2001 and to the Board of Directors' resolution of May 7, 2001.

Brazilian Acquisition

Lastly, during the first quarter the Group consummated the acquisition from the UDV Group of the Brazilian company UDV Industria e Comercio Ltda. ("UDVIC"), which, together with its subsidiaries, owns certain leading brands in the Brazilian and Uruguayan markets, such as Dreher, Old Eight, Drury's, Liebfraumilch and Gregson's.

The terms and effects of this transaction were described in the six-month report as of June 30, 2001, to which readers are referred.

Sales Performance during the Period from January 1st through September 30, 2001

During the first nine months of the year the Group's sales net of discounts and excise taxes reached Euro 347.3 mio., up 8.2% from the Euro 321.1 mio. of the corresponding period of 2000.

As shown in the table that follows, growth was mostly determined by variations of the consolidation perimeter, quantifiable overall as 8.2%, and in particular by the Brazilian acquisition (8.0%), whose net sales during the period were Euro 25.6 mio. Organic growth was 0.8%, whilst the exchange rate variation relative to the consolidation currency had a negative impact of equal size on total sales, i.e. 0.8%.

This negative effect is mainly due to the Brazilian Real, whose average exchange rate versus the Euro dropped by 20.5% with respect to the January-September 2000 time frame.

	Euro mio.	% change on the January-September 2000 time frame
Net sales as of 30 September 2001	347.3	
Net sales as of 30 September 2000	321.1	
Total variation	26.2	8.2%
Whereof:		
– Brazilian acquisition	25.6	8.0%
– *Granini* fruit juice distribution	0.6	0.2%
Impact of the new consolidation perimeter	26.2	8.2%
Organic growth	2.7	0.8%
Effect of exchange rate variations	(2.7)	(0.8%)
Total variation	26.2	8.2%

The table below shows the distribution of sales, net of discounts and excise duties, by geographical area.

(Euro mio.)	January-September 2001		January-September 2000		% change
Italy	193.8	55.8%	190.6	59.3%	1.7%
EU	76.5	22.0%	75.8	23.6%	0.8%
Americas	47.2	13.6%	23.3	7.3%	102.7%
Other European countries	14.2	4.1%	14.4	4.5%	(1.4%)
Rest of the world	15.6	4.5%	17.0	5.3%	(8.3%)
Total	347.3	100.0%	321.1	100.0%	8.2%

The consolidation of sales pertaining to the recently acquired brands considerably increased the percent weight of the Americas area, whose year-on-year growth rate exceeded 100%, bringing its share of the Group's total sales from 7.3% to 13.6%.
Consequently, the percent weight of total sales for all other areas decreased.
In absolute terms, both Italy and the other EU Countries had positive sales trends, with respective growth rates of 1.7% and 0.8%.
Conversely, European countries outside the EU dropped by 1.4%, mainly because of the unsatisfactory results in the Czech Republic and in Poland, which more than offset the positive trend of sales in the Swiss market.
Lastly, in the Rest of the World net sales decreased by 8.3%, mostly due to the Australian market and to the negative effects of the exchange rate on sales in Japan.
The performance of the Group's net sales by business area is summarized in the table below.

(Euro mio.)	January - September 2001		January - September 2000		% change
Spirits	192.6	55.5%	166.2	51.8%	15.9%
Wines	42.1	12.1%	46.1	14.4%	(8.8%)
Soft drinks	104.6	30.1%	104.5	32.5%	0.1%
Altre vendite	8.0	2.3%	4.3	1.3%	86.0%
Total	347.3	100.0%	321.1	100.0%	8.2%

Spirits

The overall growth of the Group's sales in this business area was 15.9%, with 1.7% due to organic growth, net of negative exchange rate effects, and 14.2% to the aforementioned Brazilian acquisition.
As shown by the following table, 92.2% of net sales pertaining to the recently acquired Brazilian brands derive from the spirits sector.

Net sales of the Brazilian brands acquired as of 30 September 2001	Euro mio.	% of total
Dreher	*14.4*	*56.5%*
Old eight, Drury's e Gold Cup	*9.1*	*35.7%*
Spirits	23.6	92.2%
Liebfraumilch	*0.6*	*2.4%*
Wines	0.6	2.4%
Others	1.4	5.4%
Total	25.6	100.0%

Net Sales Performance of Group Brands

Campari dropped 2.0%.
With regard to the brand's three main markets, the following factors are confirmed: the good performance in Italy, with a 6.7% increase in sales during the first nine months of the year; the continuing difficult situation in Germany, where sales dropped 5.4%; lastly, a significant reduction in sales in Brazil, which were down 21.5%.
This sizable drop is mainly caused by the 20.5% fall of the Brazilian Real against the Euro.
However, it should be noted that *Campari* sales in Brazil during the last quarter also decreased in volume terms, confirming the strong correlation of the brand's consumption (which, with its high price market position is accessible for most of the population only during prosperous times) with the Country's economic performance.
CampariSoda grew by 0.5%.
In particular, sales performance remains positive both in Italy (0.3%), where 97% of the brand's sales are located, and in Switzerland and Germany, which are developing markets.
Cynar sales grew by 16.2%, mainly due to new distribution agreements with the licensee for the Swiss market; sales performance is, in any case, positive in all main markets, except for Italy where it dropped slightly.
Ouzo 12 sales were slightly lower, by 0.5%.
In the two main markets, Germany and Greece, opposite trends are observed: the former is growing while the latter has shrunk.
In Greece, the product's strong price repositioning, essential to implement a consistent brand policy, led to a decrease in volumes (offset in terms of sales thanks to significantly higher unit revenues), from which we expect to recover in the medium term.

Biancosarti, present exclusively on the Italian market, had its sales drop by 3.1%, due more to adjustments to the stock levels on the market than to an actual drop in consumption, which in fact is growing, according to Nielsen surveys.

Net Sales Performance of Third Party Brands

During the January-September 2001 time frame the positive phase of *Jägermeister* continued with 6.5% growth, while the further development of the distribution of *Skyy* led to a 31.6% increase in sales.

Wines

Net sales of the wines segment during the first nine months of the year amounted to Euro 42.1 mio., down 8.8% year-on-year.

Net Sales Performance of Group Brands

Sales of *Cinzano* trended negatively both for *vermouth* (–12.2%) and for sparkling wines (–11.3%).
During the third quarter, *Cinzano* sales were negatively affected by some problems connected with the management of an outsourced manufacturing operation, which led to non-marginal out-of-stock phenomena, compounded by a harsher competitive situation in some markets.
Sales of *Cinzano* sparkling wines, in spite of the aforementioned problems, continue to develop more than satisfactorily on the important German market, which grew by 11.3%.
In Italy, where the Group started marketing the brand directly only in May 2001, important commercial agreements were reached, which presumably will lead to achieving ambitious targets during the October to December high season.
However, a comparison with last year's net sales during the first nine months on the Italian market (-24.0%) is misleading, as data are not homogeneous: sales for the year 2000 were connected to a single distributor and as of 30 September they included the considerable sell-off of finished product stocks carried out during the first months of the year. These sales, therefore, were brought forward significantly relative to this year's sales, oriented mainly to the trade.
Lastly, sales of *Cinzano* sparkling wines were negatively influenced by the recent distributor change in the Japanese market, leading to short-term hardships that were accepted to place the brand in the portfolio of Suntory, with whom the Group has had a long-standing agreement for the distribution of all its products on the Japanese market, which has been highly profitable in the past.

Net Sales Performance of Third Party Brands

Net sales of Third Party brands in the wines segment were positive, with an important contribution by the Swiss market, where *Henkell Trocken* sales grew by 11.2%; on the contrary, *Riccadonna* sales were 3.5% lower, as a result of the disappointing performance of the Australian market.

Soft drinks

Net sales of this business sector, from January to September 2001, reached Euro 104.6 mio., substantially in line (+0.1%) with the corresponding period of 2000.

Net Sales Performance of Group Brands

Among the Group brands in this segment, *Crodino* continues to have a very positive performance, with sales increasing by 3.3%.
Lemonsoda, *Oransoda* and *Pelmosoda* have benefited from excellent weather in August, which allowed to reduce, at least partially, the lag accumulated in the first months of the year; at the end of September, however, year-on-year net sales are still 3.7% lower.

Net Sales Performance of Third Party Brands

In regard to the two third party brands distributed by the Group in Italy, for *Lipton Ice Tea* the consideration made previously about own brands also applies: thus, after a positive summer, net sales for the first nine months of the year are up 2.1% from 2000.

As to *Granini* fruit juices, whose distribution started in March 2001, the performance achieved so far appears in line with the targets set for the first year of activity.

Other Sales

This residual segment includes sales of other than finished products, i.e.:
– Services (bottling on behalf of third parties), for Euro 4.5 mio.
– Sales of raw materials and semi-finished products for Euro 3.5 mio.
With respect to last year, a considerable increase was recorded (86%), mainly due to the consolidation of the 2001 Brazilian acquisition.

Net Sales Performance, Third Quarter 2001

Third quarter net sales were Euro 113.7 mio., with an overall year-on-year growth of 5.3%.
The global 5.3% increase is the result of 7.2% external growth (Brazilian acquisition), combined with a 0.3% decrease in the organic part of the business, and –1.6% caused by the negative impact of exchange rates.

	Euro mio.	% Change from 3rd Quarter 2000
Net sales, third Quarter 2001	113.7	
Net sales, third Quarter 2000	107.9	
Total variation	5.8	5.3%
Whereof:		
– Brazilian acquisition	7.7	7.1%
– Distribution of *Granini* fruit juices	0.1	0.1%
Impact of new consolidation perimeter	7.8	7.2%
Organic growth	(0.3)	(0.3%)
Effect of exchange rate variations	(1.7)	(1.6%)
Total variation	5.8	5.3%

The following table summarizes net sales performance by business area.

(Euro mio.)	Third Quarter 2001		Third Quarter 2000		% change
Spirits	58.2	51.2%	52.1	48.2%	11.9%
Wines	16.6	14.6%	21.3	19.8%	(22.2%)
Soft drinks	33.7	29.6%	32.0	29.7%	5.3%
Other Sales	5.2	4.5%	2.5	2.3%	104.1%
Total	113.7	100.0%	107.9	100.0%	5.3%

Sales of spirits grew by 11.9% overall during the third quarter 2001; however, net of the sizable positive contribution of the former UDV brands in Brazil, the organic part of the business recorded a 1.6% reduction.
This negative result was caused by *Campari* (–2.3%) and by *CampariSoda* (–7.4%), while the other brands maintained a positive trend.
As stated previously in the comment to the sales for the first nine months of the year, the wines segment had a particularly negative trend during the third quarter, with a fairly significant impact on the Group's total consolidated sales.
The negative variation for the quarter was 22.2%, mostly caused by the *Cinzano* brands and in particular by *vermouths*.
Net sales of soft drinks grew by 5.3% during the quarter, due partly to the period's favorable weather conditions which benefited *Lemonsoda*, *Oransoda*, *Pelmosoda* and *Lipton Ice Tea*, and partly to the positive trend of *Crodino*, whose sales are less directly correlated to climatic oscillations.
"Other sales" grew considerably, more than doubling during the third quarter and reaching an incidence of about 5% over the Group's total sales.
Third quarter sales were undoubtedly influenced by the particularly negative performance of the second half of September, which suffered from the dramatic events of 11 September 2001; although the terrorist attacks do not seem, as yet, to have had a significant impact on consumption (which, however, cannot be ruled out in the future,

especially if the current uncertainty should continue), they did cause an understandable shock in the trade, which delayed planned purchases, leading to a temporary reduction of inventories in the distribution system.

Consolidated Financial Statements

Basis of Presentation

In accordance with Art. 82, Para. 1 of CONSOB resolution no. 11971 dated May 14, 1999, the Board of Directors prepared the present quarterly report as of September 30, 2001 on a consolidated basis.
The accounting principles and valuation criteria do not differ from those adopted for the yearly financial statements as of December 31, 2000 and for the half-year report as of June 30, 2001, to which reference is made.
The situation at the end of the corresponding period of the year 2000 was prepared based on the same criteria, solely for the purpose of providing a basis of comparison for the present quarterly report.
Data are presented in reclassified form with the same level of detail as the yearly and half-yearly financial statements, in order to make them fully comparable.
Unless otherwise indicated, financial statements and the comments thereto are expressed in millions of Euro.
Results are expressed before taxes.
With respect to the consolidation area as of June 30, 2001, the only item of note is the completion of the merger of Cinzano Investimenti e Partecipazioni S.p.A. into Campari-Crodo S.p.A.; the associated deed was recorded in the Registry of Companies on September 24, 2001.

Consolidated Income Statement for January-September 2001

The table below shows the consolidated income statement for the first nine months of 2001, reclassified according to international practice.
The 2001 values, expressed in Millions of Euro, were compared to those of the corresponding period of 2000; moreover, each line shows the percentage of total sales (net of discounts and excise taxes), as well as the percent change between the corresponding values recorded in the two compared periods.

Consolidated income statement (progressive data)	30 September 2001		30 September 2000		% change
(Euro mio.)	Value	%	value	%	
Net sales	**347.3**	**100.0%**	**321.1**	**100.0%**	**8.2%**
Cost of sales	(151.7)	(43.7%)	(133.0)	(41.4%)	14.0%
Gross margin	**195.6**	**56.3%**	**188.1**	**58.6%**	**4.0%**
Advertising and marketing expenses	(67.3)	(19.4%)	(65.1)	(20.3%)	3.4%
Selling and distribution expenses	(39.4)	(11.3%)	(36.6)	(11.4%)	7.7%
Trading margin	**88.9**	**25.6%**	**86.4**	**26.9%**	**2.9%**
General and administrative expenses	(21.7)	(6.2%)	(20.6)	(6.4%)	5.5%
Amortization of goodwill and trademarks	(8.7)	(2.5%)	(5.8)	(1.8%)	50.7%
Operating income (EBIT) before non recurring costs	**58.5**	**16.8%**	**60.0**	**18.7%**	**(2.5%)**
Non recurring costs	(4.6)	(1.3%)	(0.7)	(0.2%)	
Operating income (EBIT)	**53.9**	**15.5%**	**59.3**	**18.5%**	**(9.1%)**
Net financial income (losses)	2.5	0.7%	2.7	0.8%	(7.3%)
Income (losses) on net exchange rates	(1.6)	(0.5%)	(0.1)	(0.0%)	
Other non operating income (losses)	1.0	0.3%	6.5	2.0%	(84.9%)
Minority interest	0.0	0.0%	0.0	0.0%	0.0%
Income before taxes	**55.8**	**16.1%**	**68.4**	**21.3%**	**(18.3%)**
EBITDA before non recurring costs	**77.3**	**22.3%**	**74.5**	**23.2%**	**3.8%**
EBITDA	**72.6**	**20.9%**	**73.7**	**23.0%**	**(1.5%)**

During the period, the Group recorded an operating income (EBIT) before non recurring costs of Euro 58.5 mio., down 2.5% with respect to the Euro 60.0 mio. for the corresponding period of 2000.
Sales net of discounts and excise taxes, analyzed in detail in the first part of the report, amounted to Euro 347.3 mio., with an overall growth of 8.2%.

The cost of sales, obtained by adding raw material and production costs, at Euro 151.7 mio., grew more than proportionately relative to net sales (+14.0%), thereby increasing its incidence on sales from 41.4% to 43.7% and reducing the margin by 2.3%.

The growth in the cost of sales, main cause for the period's reduced overall profitability can essentially be ascribed to the effects deriving from the consolidation of the Brazilian acquisition and to the rise in the cost of raw materials.

The cost of sales for the recently acquired Brazilian brands was, as expected, significantly higher than the Group's organic cost of sales; in particular, during the period, the effect of consolidation in this business explains more than half of the change in the incidence of the Group's cost of sales.

Raw materials' unit costs grew by an average of 4%, mostly due to the very significant rise in the price of alcohol (more than 50%), to a more modest rise in the price of glass and packing materials, and to the substantial stability of other important raw materials, such as sugar and extracts.

Investments for promotional and advertising support to the brands amounted to Euro 67.3 mio., up 3.4% from the first nine months of 2000 but with a smaller incidence on net sales, from 20.3% to 19.4%.

In this case, consolidation of the Brazilian acquisition contributed to reduce the incidence on net sales, since typically the average cost per contact in emerging markets is lower than that of more developed markets.

The investment to support *Cinzano* brands, also as a consequence of the aforementioned harsher competitive climate in certain major markets was smaller as of 30 September 2001 with respect to the previous year.

Sale and distribution costs, which structurally have a strong variable component, grew 7.7% during the period, thus maintaining substantially unchanged their percent incidence on net sales.

The trading margin for the period was Euro 88.9 mio., up 2.9% from the figure for 2000, which was Euro 86.4 mio.

General and administrative expenses, which also include sundry operating expenses and revenues, grew by 5.5% from 2000.

In this case the effect of the consolidation of the acquired Brazilian activities, characterized by a sizable administrative organization, had a very considerable impact on the absolute growth of costs, whose percent incidence on net sales nonetheless was slightly lower (from 6.4% to 6.2%).

Operating income before non recurring costs and amortization of goodwill and trademarks, amounting to Euro 67.2 mio., was up 2.1% with respect to the first nine months of 2000.

Amortization of goodwill and trademarks for the January – September 2001 time frame was Euro 8.7 mio., with an increase of Euro 2.9 mio. with respect to the corresponding period of 2000.

This difference, almost totally caused by amortization of the goodwill posted in the consolidated financial statements as a result of the Brazilian acquisition, had a significant impact on the Group's operating income.

Non recurring costs in 2001 amounted to Euro 4.6 mio., of which:

- Euro 2.3 mio. are the expenses incurred during the first half of the year for the Stock Market listing;
- Euro 1.9 mio. are restructuring costs, mostly due to the reorganization of the Italian sales network;
- Euro 0.4 mio. are expenses connected to the *M&A* activity.

For the first nine months of 2000, non-recurring costs were Euro 0.7 mio. and derived from restructuring expenses; the increase of this entry, therefore, has a negative impact of Euro 3.9 mio. on the 2001 operating income.

To summarize, the operating income (EBIT) for the period, which is significantly penalized by goodwill amortization and non recurring costs, was Euro 53.9 mio., down 9.1% from the figure for the first nine months of 2000, which was Euro 59.3 mio.

The financial and extraordinary entries of the income statement show highly significant differences between the values of the first nine months of 2001 and those of the corresponding period of 2000; in particular, a comparison between the two periods shows that in 2001:

- Extraordinary income was lower by Euro 5.5 mio., mainly ascribable to the considerable capital gains achieved in 2000 on the sale of non instrumental real estate assets;
- Exchange rate losses were higher by Euro 1.5 mio., of which Euro 0.5 mio. are unrealized and derive from the revaluation of a debt denominated in USD;
- Net financial income was lower by Euro 0.2 mio.

Consequently, earnings before taxes, amounting to 55.8 mio., were 18.3% lower than the figure for the first nine months of 2000, which was Euro 68.4 mio.

Consolidated Income Statement for the Third Quarter 2001

The table below shows the consolidated income statement for the third quarter 2001, reclassified according to international practice. The data are compared with those for the corresponding period of 2000.

Consolidated income statement (quarterly data)	Third Quarter 2001		Third Quarter 2000		% change
(Euro mio.)	value	%	value	%	
Net sales	**113.7**	**100.0%**	**107.9**	**100.0%**	**5.3%**
Cost of sales	(53.7)	(47.2%)	(46.1)	(42.7%)	16.4%
Gross margin	**60.0**	**52.8%**	**61.8**	**57.3%**	**(3.0%)**
Advertising and marketing expenses	(23.3)	(20.5%)	(23.5)	(21.8%)	(0.7%)
Selling and distribution expenses	(12.2)	(10.7%)	(11.5)	(10.7%)	5.8%
Trading margin	**24.5**	**21.5%**	**26.8**	**24.8%**	**(8.8%)**
General and administrative expenses	(6.9)	(6.1%)	(7.2)	(6.7%)	(5.6%)
Amortization of goodwill and trademarks	(3.0)	(2.6%)	(1.9)	(1.8%)	60.4%
Operating income (EBIT) before non recurring costs	**14.6**	**12.8%**	**17.7**	**16.4%**	**(17.4%)**
Non recurring costs	(0.6)	(0.5%)	(0.3)	(0.3%)	
Operating income (EBIT)	**14.0**	**12.3%**	**17.4**	**16.1%**	**(19.5%)**
Net financial income (losses)	0.6	(0.5%)	1.6	(1.5%)	(61.1%)
Income (losses) on net exchange rates	3.0	2.6%	0.0	0.0%	
Other non operating income (losses)	1.2	1.1%	3.3	3.1%	(63.6%)
Minority interest	0.0	0.0%	0.0	0.0%	
Income before taxes	**18.8**	**16.5%**	**22.3**	**20.7%**	**(15.6%)**
EBITDA before non recurring costs	**21.2**	**18.6%**	**22.1**	**20.5%**	**(4.4%)**
EBITDA	**20.6**	**18.1%**	**21.8**	**20.2%**	**(5.9%)**

The income for the third quarter 2001 alone was significantly influenced by the overall slow-down of sales, already analyzed above, and by the unfavorable mix within the Group's product portfolio.
With respect to the third quarter 2000, sales of *Campari* and *CampariSoda*, more profitable products, were lower, whereas sales of soft drinks grew across the board; with the exception of *Crodino*, these are the products with the highest incidence of cost of sales in the portfolio.
Moreover, the increase in the cost of raw materials, analyzed above among the major average trends of the whole January-September period, was more accentuated in the third quarter, which obviously bears the full impact of all the price rises that occurred between January and June, particularly for alcohol, cans and PET.
For the above reasons, the cost of sales for the third quarter of the year is 16.4% higher than that of the corresponding period of 2000, with a consequent direct impact on all profitability levels reported in the income statement.

Net Financial Position

(Euro mio.)	30 September 2001	30 giugno 2001	31 December 2000
Cash and banks	147.4	137.7	167.7
Marketable securities (*)	42.4	41.3	48.9
Bank borrowings	(85.6)	(88.2)	(11.5)
Lease payable and other financial debts, current portion	(1.8)	(2.6)	(1.6)
Short-term net financial position	**102.4**	**88.2**	**203.5**
Lease payable and other financial debts, long-term portion	(14.0)	(13.5)	(15.3)
Total net financial position	**88.4**	**74.7**	**188.2**

(*) not including the buy-back of own shares by the Parent Company, posted among the financial fixed assets and amounting to Euro 31 mio.

Significant events occurred after closing of the third quarter 2001

None.

Forecast for the remainder of 2001

As mentioned above, the performance of the fourth quarter 2001 will likely be influenced by the impact that the dramatic events of 11 September will have on consumers' and traders' behavior.
Even if – as it is hoped – there is no significant real drop in consumption, the immediate reaction of the trade, already partly seen, could be greatly to reduce stock levels and hence directly to impact our sales in the short term.

Luca Garavoglia
Chairman of the Board
of Directors

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

Investor Relations
Telefono: 02 6225330
Fax: 02 6225207
e-mail: investor.relations@campari.com

Web site
www.campari.com

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