



Acquisition of Cabo Wabo Tequila

Conference call

8 May 2007



Acquisition overview

- > On 7 May 2007 Campari announced the signing of an agreement to acquire an **80% interest of Cabo Wabo® Tequilas**, an **award-winning ultra premium line**, from rock star and tequila connoisseur **Sammy Hagar**
- > The total **price paid for the acquisition is US\$ 80 million** (approx. € 60 million at current exchange rates), corresponding to 11.8 times expected EBITDA in 2007
- > The transaction is **expected to close at the beginning of January 2008**
- > In addition, **Gruppo Campari has options to buy the remaining 20%** of Cabo Wabo



Acquisition rationale

- > Cabo Wabo is an important step towards further strengthening Gruppo Campari's **leading position in the highly profitable US market**
- > This deal will increase Gruppo Campari's focus in **tequila by directly owning a brand** in a key and fastly growing category
- > Tequila is a very important category for Gruppo Campari's portfolio in the US thanks to **brand premiumization** and its **strong, long term growth potential**
- > It's a **strategic addition to Gruppo Campari** in the US as it contributes to build its high quality portfolio of **super premium brands**



The growing market of tequila

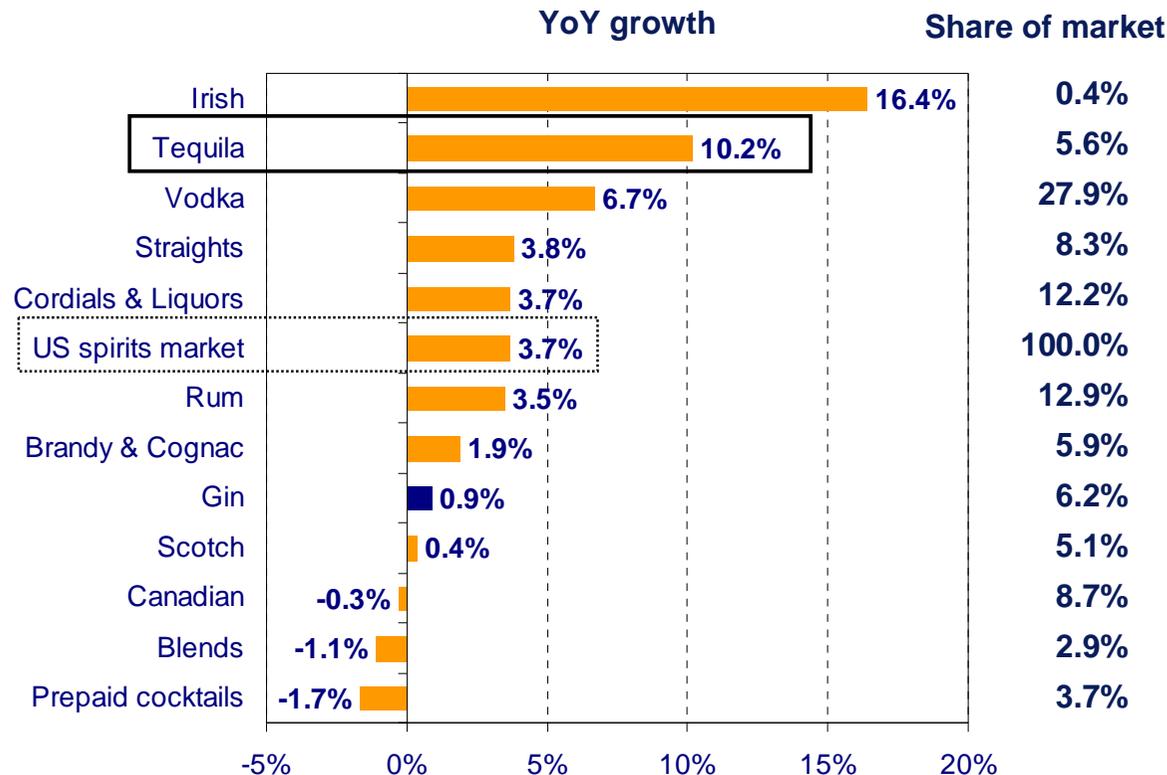
- > Tequila is a category of **approx. 20 million nine-liter cases worldwide**
- > Tequila is sold primarily in **two markets, the US**, accounting for c.46% of global volumes, and **Mexico**, accounting for c. 40% of global volumes. The remaining 14% of volume is spread throughout the world
- > Tequila is a growing category mainly thanks to:
 - > **Brand premiumization, thanks to increasingly more sophisticated drinking modes**, moving from shots to top-shelf margaritas to sipping neat
 - > **Innovation** via increased quality and **aged based segmentation**



The growing market of tequila (cont'd)

- > While representing a relatively small percentage of the total US distilled spirits market (less than 6%), **tequila has consistently outperformed the US spirits market** since 2001 and today is **one of the fastest growing categories** within the US market

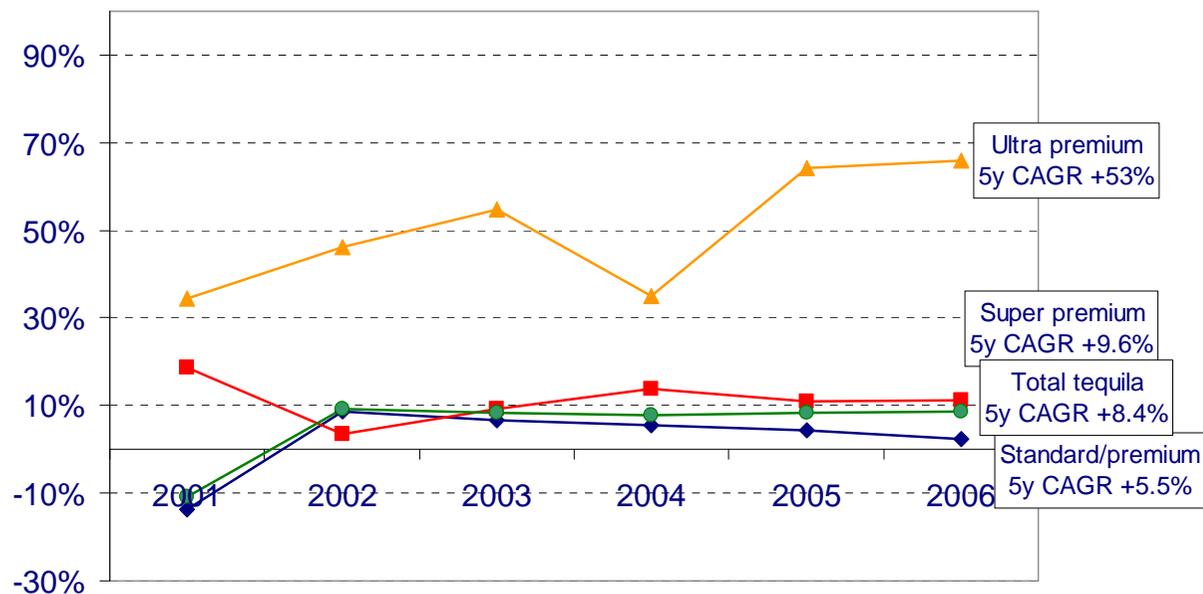
YoY growth and share of US spirits market by category (2006)



The growing market of tequila (cont'd)

- > The US tequila category (c. 10 million 9-ltr cases) can be divided into three segments driven by price points:
 - > Standard/premium segment (c.77% of total tequila volume)
 - > Super premium segment (c.9% of total tequila volume)
 - > Ultra premium segment (c.14% of total tequila market)
- > The ultra premium segment is the fastest growing area, mainly thanks to premiumization trend

Performance of US tequila category by segment (2001-2006)



Cabo Wabo – Brand overview



- > Cabo Wabo is an **ultra premium tequila**, with a **volume of about 70,000 nine-liter cases**, mainly sold in US, and **one of the fastest growing brands**
- > **Founded by rock legend Sammy Hagar**, Cabo Wabo Tequila quickly gained a loyal following and success among fans and tequila lovers in the US
- > Cabo Wabo enjoys a strong reputation for **quality, exceptional smoothness and taste, and heritage**. Cabo Wabo's strong credentials are reflected in the Double Gold Award for Reposado – one of many awards won - at the 2006 World Spirits Competition in San Francisco
- > Produced and bottled in the town of Tequila, Jalisco state, Mexico, Cabo Wabo is **made from 100% Blue Weber Agave**, and is crafted according to the traditional production methods combined with stringent quality standards that consistently produce the smoothest and finest tequila



Cabo Wabo – Brand overview (cont'd)

- > Cabo Wabo tequilas line includes **Cabo Wabo Reposado**, **Cabo Wabo Añejo**, **Cabo Wabo Blanco**, and new ultra luxury **Cabo Uno**, barrel-aged for three years



BLANCO. Double-pot distilled the old fashioned way. Perfect for shooting or mixing into premium margaritas



REPOSADO. 100% Blue Agave, aged in oak casks for 4 to 6 months. Great on its own or in top-shelf margaritas



ANEJO. Gently aged in small oak barrels for 14 months



CABO UNO. Aged in American white oak barrels for 38 months. Ultra luxury new product and limited edition reserve

New packaging introduced in March 2007



Cabo Wabo – Brand overview (cont'd)

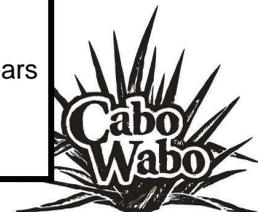
- > **Sammy Hagar, inventor and major shareholder of Cabo Wabo**, is a professional rocker and tequila connoisseur. After a successful solo-career, he became the lead singer, song writer for Van Halen in the 80's and early 90's
- > Sammy Hagar also established himself as brand ambassador and **creative force behind the Cabo Wabo brand**. His inventive energy and endorsement have contributed significant value to the creation of Cabo Wabo brand
- > Sammy Hagar **will remain involved in supporting the business** and will continue to be intimately involved in the brand's quality guide lines and in the marketing designed to expand brand awareness and sales in the US and in the rest of the world
- > In particular, **Cabo Wabo cantinas**, which **are not part of the assets sold to Gruppo Campari**, but **will continue to support the Cabo Wabo tequila brand**, are nightclubs and restaurants that provide live rock music entertainment, will continue to be operated by Sammy via separate and wholly-owned companies



Deal terms

- > The **price for the purchase of an 80% interest** of Cabo Wabo Tequilas is **US\$ 80 million** (approx. € 60 million at the current exchange rate), corresponding to a multiple of **11.8 times the expected EBITDA in 2007**
- > Cabo Wabo Tequila will be imported, marketed and distributed by Gruppo Campari through Skyy Spirits in US. Moreover, Gruppo Campari will distribute Cabo Wabo tequila in the international markets
- > Following the closing **Sammy Hagar** and his associate **Marco Monroy** will continue to **own 20% of Cabo Wabo Tequila**
- > Gruppo Campari **has the option to buy the remaining 15% and 5% interests in Cabo Wabo Tequila in 2012 and 2015** respectively through **call/put options** as described below

	Call option	Put option
Call / Put option on 15% interest on Cabo Wabo	Gruppo Campari	Minority shareholders
	<p><u>Exercise time:</u> from 1 January 2012</p> <p><u>Strike price:</u> 15 times the average net profit of Cabo Wabo, LLC for the three years ending prior to the year in which the option is exercised</p>	
Call / Put option on 5% interest on Cabo Wabo	Gruppo Campari	Minority shareholders
	<p><u>Exercise time:</u> from 1 January 2015</p> <p><u>Strike price:</u> 15 times the average net profit of Cabo Wabo, LLC for the three years ending prior to the year in which the option is exercised</p>	



GRUPPO



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