Interim report for the period ending 30 September 2008

INTERIM REPORT
FOR THE PERIOD ENDING
30 SEPTEMBER 2008

CONTENTS

Highlights

First Nine Months of 2008

	30 September 2008 € million	30 September 2007 € million	% change	% change at constant exchange rates
Net sales	**649.6**	**644.6**	**0.8**	**3.0**
Contribution margin	237.5	229.7	3.4	5.7
EBITDA before one-offs	147.0	144.6	1.6	4.1
EBITDA	**147.9**	**143.4**	**3.2**	**5.6**
EBIT before one-offs	132.6	130.1	1.9	4.5
EBIT	**133.5**	**128.8**	**3.6**	**6.2**
EBIT margin % (EBIT / net sales)	20.6%	20.0%		
Group profit before tax	**116.5**	**115.5**	**0.9**	**2.9**

	30 September 2008 € million	31 September 2007 € million
Net debt	310.2	288.1

Third Quarter of 2008

	Third quarter of 2008 € million	Third quarter of 2007 € million	% change	% change at constant exchange rates
Net sales	**218.4**	**204.0**	**7.0**	**8.7**
Contribution margin	75.2	70.1	7.3	8.8
EBITDA before one-offs	46.6	42.2	10.4	11.6
EBITDA	**45.9**	**42.6**	**7.8**	**9.0**
EBIT before one-offs	41.8	37.3	11.9	13.1
EBIT	**41.1**	**37.7**	**8.9**	**10.1**
EBIT margin % (EBIT / net sales)	18.8%	18.5%		
Group profit before tax	**32.9**	**32.9**	**0.2**	**–0.1**

CORPORATE OFFICERS

BOARD OF DIRECTORS (1)

Luca Garavoglia
Chairman

Robert Kunze-Concewitz
Managing Director and Chief Executive Officer

Paolo Marchesini
Managing Director and Chief Executive Officer

Stefano Saccardi
Managing Director and Officer Legal Affairs and Business Development

Eugenio Barcellona
Director and member of the Remuneration and Appointments Committee

Enrico Corradi
Director, member of the Remuneration and Appointments Committee and member of the Audit Committee

Cesare Ferrero
Director and member of the Audit Committee

Marco P. Perelli-Cippo
Director and member of the Audit Committee

Renato Ruggiero
Director and member of the Remuneration and Appointments Committee

BOARD OF STATUTORY AUDITORS (2)

Antonio Ortolani
Chairman

Alberto Lazzarini
Statutory Auditor

Giuseppe Pajardi
Statutory Auditor

Alberto Giarrizzo Garofalo
Deputy Auditor

GianPaolo Porcu
Deputy Auditor

Paolo Proserpio
Deputy Auditor

INDEPENDENT AUDITORS (3)

Reconta Ernst & Young S.p.A.

(1) The nine-member Board of Directors was appointed by the shareholders' meeting of 24 April 2007 and will serve for the three-year period 2007-2009.
Luca Garavoglia was confirmed as Chairman and granted powers in accordance with the law and the company's articles of association.
The shareholders' meeting of 29 April 2008 ratified the appointment of Robert Kunze-Concewitz as Director on 8 May 2007.
At the same meeting on 8 May 2007, the Board of Directors vested Managing Directors Paolo Marchesini and Stefano Saccardi with the following powers for three years until approval of the 2009 accounts:

- with individual signature: powers of ordinary representation and management, within the value or time limits established for each type of function;
- with joint signature: powers of representation and management for specific types of function, within the value or time limits deemed to fall outside ordinary activities.

On 14 May 2008 the Board of Directors confirmed Robert Kunze-Concewitz in the post of Managing Director with the same powers as those granted on 23 July 2007 and those granted to Paolo Marchesini and Stefano Saccardi.

(2) The Board of Statutory Auditors was appointed by the shareholders' meeting of 24 April 2007 and will remain in office until the approval of the 2009 accounts.

(3) Appointed by the shareholders' meeting of 24 April 2007, which confirmed that Reconta Ernst & Young S.p.A. would audit the 2007, 2008 and 2009 accounts.

SIGNIFICANT EVENTS IN THE PERIOD

Termination of the distribution agreement for 1800 tequila and Gran Centenario

As previously announced, distribution by the Campari Group under licence of 1800 tequila and Gran Centenario in the US ended on 31 December 2007.

In future, distribution will be managed by the brands' owner, José Cuervo, via a wholly-owned subsidiary.

Acquisition of Cabo Wabo

In accordance with the agreement signed in May 2007, the acquisition of Cabo Wabo was completed on 2 January 2008.

The acquisition cost was US$ 80.8 million, equivalent to 11.9 times 2007 EBITDA (€57.0 million including legal and other expenses).

The Group will have the opportunity to acquire the remaining 20% of Cabo Wabo 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 awards. The product range includes Cabo Wabo añejo, Cabo Wabo blanco, Cabo Wabo reposado and the ultra luxury brand, Cabo Uno, which is barrel-aged for three years.

With sales of around 70,000 nine-litre cases, primarily in the US, Cabo Wabo is one of the fastest-growing brands on the US spirits market.

Distribution of Scotch whisky Morrison Bowmore and Flor de Caña rum in the US market

After signing two new distribution agreements, on 1 January 2008 Skyy Spirits, LLC became the sole importer and distributor for the US market of the Scotch whiskies produced by Morrison Bowmore Distilleries (a subsidiary of Japanese group Suntory) and Flor de Caña rum, a brand owned by the Compañia Licorera de Nicaragua and the biggest selling rum in Central America.

The Morrison Bowmore agreement relates to the single malt brands Bowmore (Islay), Auchentoshan (Lowland) and Glen Garioch (Highland), while the agreement with Compañia Licorera de Nicaragua covers the full range of Flor de Caña rums, including the Slow-Aged Collection and Centenario Collection.

The addition of these super premium brands further strengthens the spirits portfolio of Skyy Spirits, LLC in rum and Scotch whiskies, two key segments of the US market.

Rum is the second-biggest selling spirit in the US after vodka, and sales of the drink are growing strongly.

Sale of a building in Cinisello Balsamo

On 27 February, Davide Campari-Milano S.p.A. completed the sale of an industrial building, used as a warehouse for finished products, in Cinisello Balsamo (province of Milan).

With the closure of the factory in Sesto San Giovanni and the transfer of production to Novi Ligure, the Cinisello Balsamo warehouse, near the old factory, was no longer needed.

The building was therefore sold for €6.7 million, producing a capital gain of €6.1 million.

Launch of SKYY Infusions

On 10 March, Skyy Spirits, LLC announced the launch of SKYY Infusions, a new range of highly innovative products in the flavoured vodka category.

SKYY Infusions is an all-natural product made from SKYY vodka and fruit essences, blended using an exclusive patented infusion process. There are five flavours in the range: lemon, raspberry, cherry, passion fruit and grape.

Prior to the launch, the product underwent quality testing at the Beverage Testing Institute (BTI) in Chicago, and each of the five flavours outperformed all of the other flavoured vodkas in the same category.

The presentation of the product took place in March and distribution began in April.

The SKYY Infusions range is packaged using the new SKYY Vodka bottle: a taller, sleeker bottle, but still in the characteristic cobalt blue colour.

New distribution agreement in Spain

On 1 April 2008, responsibility for the distribution of the Campari Group's core products in Spain was given to Zadibe, part of the Diego Zamora group, a leading international producer and distributor of wines and spirits.

This date also marked the end of the agreement with the previous distributor, Summa S.L., a joint venture set up with the Gonzalez Byass group.

The Group subsequently formalised the sale of its 30% of Summa S.L. to Gonzalez Byass on 14 April 2008.

Winding-up of Campari Teoranta and Lacedaemon B.V.

On 2 April 2008 the Group launched procedures for the winding-up of Campari Teoranta, a Dublin-based holding and services company, as part of the ongoing programme of streamlining the Group's structure.

Procedures have also been initiated for the winding-up of Lacedaemon B.V., a holding company based in Amsterdam.

Ordinary shareholders' meeting of the Parent Company

On 29 April 2008 the shareholders' meeting of Davide Campari-Milano S.p.A. approved the accounts for the year ending 31 December 2007 and agreed the payment of a dividend of € 0.11 per share (excluding own shares), an increase of 10% compared with last year.

The meeting also voted to authorise the Board of Directors to purchase and/or sell own shares, mainly for the purpose of servicing the stock option plans.

Purchase of own shares

In the first nine months of the year, 272,000 own shares were acquired at the average price of €5.28 per share.

At 30 September 2008, the Parent Company held 1,316,454 own shares, equivalent to 0.5% of the share capital.

A further 438,293 own shares were acquired at an average price of €5.17 per share after the date of this report.

Launch of illyquore

On 10 June, the launch was announced of illyquore, a new coffee liqueur produced in conjunction with coffee company illycaffè.

The new liqueur is based on an innovative recipe, made using illy's 100% arabica coffee and without any artificial flavours or colouring.

It will be distributed by the Campari Group in Italy from July 2008, and in other countries from the beginning of 2009.

New plant in Brazil

The project to build a new plant in Pernambuco, northern Brazil, was launched during the period.

The new production facility, which will cover an area of around 70,000 square metres, including some 20,000 square metres of cellars, bottling areas and warehouses, will significantly increase local production capacity, in keeping with the Group's ambitious plans for expansion in Brazil and South America generally.

The new plant will join the main Sorocaba production facility, in the state of São Paulo, while the Jaboatão facility, also in Pernambuco, will cease operations when the new plant comes on stream, which should be in the second half of 2009.

Collapse of Lehman Brothers

On 15 September 2008, the investment bank Lehman Brothers filed for bankruptcy protection.

As the Campari Group had entered into a number of interest rate hedging agreements in respect of its bonds and private placement with this bank, it exercised the early termination option provided for in the agreements in the event of counterparty default.

The derivative instruments concerned were therefore recorded under medium/long-term financial receivables at their fair value on 15 September 2008, adjusted to their estimated realisable value, calculated as 30% of the nominal value of the receivables.

The overall effect on the results at 30 September 2008 was a net financial charge of €3.3 million.

SALES PERFORMANCE

Overall performance

The Group's net sales for the first nine months of the year increased by 5.8% year-on-year to €649.6 million on a same-structure basis and at constant exchange rates.

However, taking into account the negative impact of the external growth component (–2.8%) and of unfavourable exchange rate movements (–2.2%), which significantly eroded organic growth during the period, nine-month sales growth was positive overall, but modest, at 0.8%.

	€ million	% change vs. first nine months of 2007
net sales 1 January - 30 September 2008	649.6	
net sales 1 January - 30 September 2007	644.6	
Total change	**5.0**	**0.8%**
of which:		
organic growth	37.4	5.8%
external growth	–18.1	–2.8%
exchange rate effect	–14.3	–2.2%
Total change	**5.0**	**0.8%**

In light of the highly turbulent macroeconomic environment, organic sales growth of 5.8% for the first nine months of the year can be considered more than satisfactory, thanks to a very good performance from almost all the Group's main brands.

In particular, we would highlight the double-digit growth of Campari, Aperol, SKYY Vodka, Cinzano and the Brazilian brands, the steady growth of Crodino, and the fact that only CampariSoda – of all the main brands – produced a negative result for the period.

External growth showed a negative balance of €18.1 million in the first nine months of 2008, a decline of 2.8% compared with the same period last year.

The termination of the distribution agreement for 1800 tequila in the US reduced sales by €39.4 million, and was only partly offset by the positive contribution of €18.0 million from brands relating to the new acquisitions Cabo Wabo and X-Rated, and the €3.4 million resulting from new distribution agreements for Morrison Bowmore and Flor de Caña.

As regards the new acquisitions, the performance of X-Rated Fusion Liqueur was very good and in line with growth targets for the brand, while Cabo Wabo sales were slightly below expectations for the first nine months of the year, as distribution began only recently and the on-trade market – in which ultra premium brands have a strong presence – was particularly tough.

Sales for the first nine months of 2008: breakdown of external growth	€ million
X-Rated brands	6.6
Cabo Wabo	11.3
Sub-total: Group brands	**18.0**
Termination of distribution of 1800 tequila in the US	–39.4
Third-party brands (Morrison Bowmore and Flor de Caña in the US)	3.4
Sub-total: third-party brands	**–36.0**
Total external growth	**–18.1**

Exchange rates also had a negative impact in the first nine months of the year, of 2.2%, although this was a slight improvement on the figure for the first half of 2008.

Compared with the first nine months of 2007, the US dollar fell sharply versus the euro (–11.7%), as did two other key currencies for the Group, sterling and the Argentine peso.

Conversely, the Brazilian real and Swiss franc rose by 5.0% and 1.8% respectively against the euro, compared with the first nine months of 2007.

The table below shows the average exchange rates for the currencies of greatest importance to the Group in the two periods under review.

Average exchange rates for the period 1 January - 30 September	2008	2007	% change
US$ x 1 €	1.522	1.344	
€ x 1 US$	0.657	0.744	–11.7%
BRL x 1 €	2.562	2.690	
€ 1 BRL	0.390	0.372	5.0%
CHF x 1 €	1.608	1.637	
€ x 1 CHF	0.622	0.611	1.8%
GBP x 1 €	0.782	0.677	
€ x 1000 GBP	1.279	1.478	–13.5%
CNY x 1€	10.630	10.301	
€ x 1000 CNY	0.094	0.097	–3.1%
ARS x 1 €	4.727	4.175	
€ x 1000 ARS	0.212	0.240	–11.7%

In relation to the negative balance of external growth of €18.1 million, a decline of 2.8%, it is worth pointing out that this figure includes a negative exchange rate effect of –0.4% (equivalent to €2.8 million), attributable to the fact that last year's sales of 1800 tequila were converted at the average exchange rate for 2007, while the sales relating to the new acquisitions – which are mainly recorded in the US – have been converted using the average exchange rate for the first nine months of 2008.

Sales by region

Sales in the first nine months of 2008 were particularly positive in Europe (+10.0%), but fell in the Americas (–6.0%), although this decline was entirely attributable to negative external growth and a significant exchange rate effect; growth for Italy and the "rest of the world and duty free" segment was 1.3% in each case.

	1 January - 30 September 2008		1 January - 30 September 2007		% change
	€ million	%	€ million	%	2008/2007
Italy	271.3	41.8%	267.8	41.5%	1.3%
Europe	148.7	22.9%	135.2	21.0%	10.0%
Americas	196.8	30.3%	209.2	32.5%	–6.0%
Rest of the world and duty free	32.8	5.1%	32.4	5.0%	1.3%
Total	**649.6**	**100.0%**	**644.6**	**100.0%**	**0.8%**

The table below shows the breakdown of the overall change in each region by organic growth, external growth and the exchange rate effect.

Note that organic growth for the Americas, before the effects of exchange rates and external growth, was 8.8%.

	% change			
Breakdown of % change	total	total organic growth	external growth	exchange rate effect
Italy	1.3%	1.3%	0.0%	0.0%
Europe	10.0%	10.7%	0.0%	–0.7%
Americas	–6.0%	8.8%	–8.8%	–6.0%
Rest of the world and duty free	1.3%	3.2%	0.5%	–2.4%
Total	**0.8%**	**5.8%**	**–2.8%**	**–2.2%**

In **Italy**, sales in the period rose by 1.3% overall to €271.3 million, equivalent to 41.8% of total sales (almost unchanged from last year's figure of 41.5%).

Among the main brands, Aperol, Crodino – and to a lesser extent, Campari – performed well, while sales of CampariSoda declined.

Sales of wine brands were broadly stable compared to last year, while soft drinks and mineral waters suffered a substantial decline due to unfavourable weather conditions in the months of peak sales.

Sales in **Europe** increased by 10.0% overall (10.7% at constant exchange rates) versus the first nine months of 2007, to €148.7 million.

The trend was positive in all the main European countries, and there was an exceptionally good performance from Cinzano in Russia.

In Germany, the Group's biggest market in the region, sales were higher than in the first nine months of last year, though growth was modest.

The negative impact of the price increase introduced in July last year for the Campari brand moderated somewhat in the third quarter of 2008.

In the **Americas**, sales for the period were €196.8 million (30.3% of the total).

This represented a 6.0% decline overall, as organic growth of 8.8% was more than offset by negative external growth (–8.8%) and exchange rate effects (–6.0%).

The two tables below provide further detail on sales in this region, with separate figures for the US and Brazil – the two most important countries – and other countries.

	1 January - 30 September 2008		1 January - 30 September 2007		% change
	€ million	%	€ million	%	2008/2007
US	131.4	66.8%	157.0	75.1%	–16.3%
Brazil	53.3	27.1%	42.1	20.1%	26.5%
Other countries	12.1	6.1%	10.1	4.8%	19.9%
Total	**196.8**	**100.0%**	**209.2**	**100.0%**	**–6.0%**

		% change		
Breakdown of % change	Total	Organic growth	External growth	Exchange rate effect
US	–16.3%	4.8%	–12.1%	–9.0%
Brazil	26.5%	20.5%	0.0%	6.0%
Other countries	19.9%	23.0%	6.5%	–9.6%
Total	**–6.0%**	**8.8%**	**–8.8%**	**–6.0%**

In the **US**, which represents two-thirds of sales in the Americas, organic growth in the period was 4.8%, thanks to the positive performance of SKYY Vodka, and in particular, SKYY Infusions, the new flavoured vodka range launched on the market in April.

At the same time, however, the negative impact of US dollar depreciation (–9.0%) and external growth (–12.1%) led to an overall contraction in sales of 16.3%.

As regards external growth, the termination of distribution of 1800 tequila was only partly offset by sales of new Group brands (X-Rated and Cabo Wabo) and of third-party brands distributed from the beginning of the year (Morrison Bowmore and Flor de Caña).

In **Brazil**, the sales trend in the first half of the year was comprehensively reversed in the third quarter, taking year-on-year organic growth for the nine months to 20.5%.

The main brands, i.e. Campari, Old Eight, Drury's and Dreher are doing very well, as confirmed by positive consumption growth data.

However, we should point out that sales benefited in the third quarter of the year from the announcement of an increase in excise duties (IPI) scheduled for introduction on 1 October 2008.

This increase, implemented with a presidential decree dated 2 October 2008, was subsequently postponed until 1 January 2009.

In addition, on 1 February 2008 a substantial increase in VAT (ICMS) was implemented in the state of São Paulo, where the Group has a particularly strong position; this had a negative impact on sales of low-price brands, such as Dreher and Cynar.

Moreover, the rise in value of the Brazilian real against the euro had a positive exchange rate effect of 6.0%, taking the overall rate of sales growth in Brazil to 26.5% in the first nine months of 2008.

Sales in the **other countries in the Americas** were extremely positive, posting organic growth of 23.0%, attributable mainly to Argentina, Canada and Mexico.

Sales in the **rest of the world and duty free** segment rose by 1.3% during the period (+3.2% at constant exchange rates and on a same-structure basis).

The sales trend continues to be positive for the duty free channel (which represents more than 40% of the segment's sales), while in terms of the most important countries, Japan posted good growth, while Australia recorded a temporary slowdown.

Sales by business area

In the first nine months of the year, all business areas recorded organic sales growth on a same–structure basis and at constant exchange rates; however, spirits registered a decline overall (–1.1%), entirely due to negative external growth and exchange rate effects.

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 2008 € million	%	1 January - 30 September 2007 € million	%	% change 2008/2007
Spirit	452.0	69.6%	456.8	70.9%	–1.1%
Wines	99.9	15.4%	92.3	14.3%	8.2%
Soft drinks	84.9	13.1%	83.2	12.9%	2.0%
Other sales	12.9	2.0%	12.3	1.9%	4.7%
Total	**649.6**	**100.0%**	**644.6**	**100.0%**	**0.8%**

Breakdown of % change	Total	% change Organic growth	External growth	Exchange rate effect
Spirits	–1.1%	5.7%	–4.0%	–2.8%
Wines	8.2%	8.8%	0.0%	–0.6%
Soft drinks	2.0%	2.0%	0.0%	0.0%
Other sales	4.7%	12.1%	0.0%	–7.4%
Total	**0.8%**	**5.8%**	**–2.8%**	**–2.2%**

Spirits

Sales of spirits in the first nine months of 2008 came to €452.0 million, and accounted for 69.6% of total sales.

Despite organic growth for this segment of 5.7%, the negative effect of external growth (–4.0%) and unfavourable exchange rate movements (–2.8%) resulted in a decline of 1.1% overall.

Notable among the main brands was a 10.2% increase at constant exchange rates (9.9% at actual exchange rates) in sales of **Campari**.

This highly positive performance was achieved on the back of good results in Italy, the main European markets and Japan; however, note that the nine-month results also benefited from strong growth in Brazil, where the announcement of a forthcoming increase in excise duties caused customers to bring forward their orders.

The overall growth trend amply offset the decline in sales of Campari on the German market, where volumes are still suffering as a result of the substantial price increase introduced in the second half of last year.

Sales of the **SKYY** brand (SKYY Vodka and the flavoured range) advanced by 11.0% at constant exchange rates (–0.8%% at actual exchange rates).

On the US market, which accounts for 85% of total sales, volumes were boosted by the success of the launch of the new SKYY Infusions range, while SKYY Vodka posted double-digit growth in export sales: Italy, Germany, Canada and the duty free channel are the main markets for the brand, and continue to deliver strong growth.

Sales of **CampariSoda**, which are almost entirely concentrated on the Italian market, were down by 6.8% year-on-year in the first nine months of 2008; this decline was attributable partly to a change in the scheduling of promotional activities, and partly to a slight drop in consumption.

Aperol continues to perform very well, with sales up 19.3% in the period, driven by a double-digit advance in Italy (80% of the total) and growth in other European markets, especially Germany and Austria, where results outstripped expectations.

Sales of **Aperol Soda** in the first nine months of the year fell by 5.7% compared to the same period of 2007.

Sales of Group **brands in Brazil** grew by 15.3% in local currency, or 21.1% at actual exchange rates, thanks to the rise in value of the real.

The various tax measures relating to these products pushed up sales of the Brazilian brands.

In particular, Old Eight and Drury's posted strong growth as customers brought their orders forward in anticipation of the rise in excise duties (IPI), which was subsequently postponed, while the sales of Dreher fell slightly after VAT (ICMS) was increased in the state of São Paulo on 1 February 2008.

Combined sales of **Glen Grant** and **Old Smuggler** were almost flat at constant exchange rates but declined by 2.5% at actual exchange rates because of a fall in value of the Argentine peso, which had a negative impact on Old Smuggler sales.

Glen Grant sales were flat overall, despite a marked fall on the important Italian market, where whisky sales are falling rapidly; however, the brand increased its market share in Italy.

By contrast, its sales on other markets, which represent about 50% of the total, grew steadily.

Sales of Old Smuggler increased in Argentina, where the Group has managed the brand directly since last year, but fell in the US, where it no longer sells the product directly, as it has assigned the bottling and distribution rights to a third party, which obtains the liquid product from Scotland.

Sales of **Ouzo 12** increased by 3.7% at constant exchange rates (2.9% at actual exchange rates): a slight decline in Germany, the main market for this brand, was more than offset by a good performance in Greece, the brand's second biggest market.

Nine-month sales of **Cynar** fell by 3.9% at constant exchange rates, and 2.9% at actual rates.

The good result recorded in Italy, where a new advertising campaign seems to be revitalising the brand, did not fully offset the deterioration on the Brazilian market, where – as in the case of Dreher – sales of the product have been hit by a rise in VAT (ICMS).

Sales of Mirto di Sardegna and other **Zedda Piras** liqueurs, which are mainly recorded in Italy, were down 9.3% following a fall in tourism, which affected volumes in Sardinia.

As regards the main **third-party brands**, in the first nine-months of the year:

- sales of Jack Daniel's and Jägermeister were down by 1.0% and 0.7% respectively (both brands are distributed in Italy);
- Scotch whisky sales fell by 5.0% (–14.5% at actual exchange rates), with the decline largely attributable to Cutty Sark in the US;
- the C&C brands recorded growth of 2.9% (–8.3% at actual exchange rates), while the Suntory brands declined by 9.4% (–19.0% at actual exchange rates), which, in both cases, are mainly distributed in the US;
- Russian Standard vodka posted strong growth in distribution and sales, thanks to good results in Germany and Switzerland, and distribution in Italy since the end of last year.

Wines

In the first nine months of 2008, sales of wines totalled €99.9 million, an increase of 8.2% compared with the same period of last year (15.4% of total Group sales).

External growth had no impact on this segment in the period, the exchange rate effect was moderately negative (–0.6%), and organic growth was 8.8%.

Sales of **Cinzano vermouth** rose by 17.1% at constant exchange rates (15.9% at actual exchange rates), thanks to an excellent performance in Russia, in the other main European markets and in the duty free channel.

Cinzano sparkling wines also sold very well during the period, with growth of 8.0% at constant exchange rates (7.6% at actual exchange rates).

Russia, other Eastern European countries and Japan drove this growth, while sales in the main markets, Germany and Italy, were slightly lower than in the same period of 2007.

However, the nine-month results for this product in Italy are of limited significance, given the high concentration of sales in the last quarter of the year.

In the main wine category, growth in the period was modest for the **Sella & Mosca** (+0.7%) and **Cantina Serafino** (+1.5%) brands, but considerably more robust for **Teruzzi & Puthod** wines (+14.5%), which benefited from new international distribution agreements.

As for the Group's other wine brands, **Mondoro** sparkling wines again delivered very strong growth (+66.3%), partly thanks to orders on the Russian market being brought forward, while sales of **Riccadonna** sparkling wines fell by 13.0% (–14.3% at constant exchange rates).

Soft drinks

In the first nine months of 2008 sales of soft drinks totalled €84.9 million, a 2.0% advance on the same period of 2007.

In this segment (13.1% of total Group sales), sales of Crodino and the traditional soft drinks showed diverging trends.

Crodino continues to post very good performances in Italy, its main market, with sales up by 6.6%, boosted by an increased market share.

Sales of **Lemonsoda, Oransoda and Pelmosoda** and **Crodo** brand soft drinks and **mineral waters**, on the other hand, fell by 5.2% overall after bad weather affected the second-quarter results, although there was a partial recovery in consumption in an unseasonably warm September.

However, for Lemonsoda, Oransoda and Pelmosoda, the decline was just –1.1% compared to the same period of last year.

Other sales

In the first nine-months of 2008, other sales, which include sales of raw materials, semi-finished and finished goods to third parties, grew by 4.7% to €12.9 million (2% of Group sales).

At constant exchange rates, the increase was 12.1%, but depreciation of the Group's main currencies, especially sterling, had a negative impact of 7.4% (a large proportion of this segment's sales relates to malt distillate sold to the Pernod Ricard group).

Also notable in the period was an increase in sales of Old Smuggler in liquid form under bottling and distribution agreements with third parties in the US.

SALES PERFORMANCE IN THE THIRD QUARTER OF 2008

Sales in the third quarter of 2008 totalled €218.4 million, an increase of 7.0% compared to 2007.

This was an especially positive result, given that stripping out the negative effects of external growth (–3.1%) and exchange rate movements (–1.7%), organic growth was 11.9%.

	€ million	% change versus third quarter 2007
net sales for the third quarter of 2008	218.4	
net sales for the third quarter of 2007	204.0	
Total change	**14.3**	**7.0%**
of which:		
organic growth	24.2	11.9%
external growth	–6.4	–3.1%
exchange rate effect	–3.5	–1.7%
Total change	**14.3**	**7.0%**

The good performance for the quarter, with double-digit organic growth, was driven by the combined effect of three factors:

– robust and steady growth for brands such as Aperol, SKYY Vodka and Cinzano vermouth;

– orders being brought forward in the Brazilian market ahead of an increase in excise duties on 1 October 2008, whose implementation was postponed;

– a different sales trend in 2008, compared to the previous year.

The table below illustrates this last point, showing that organic sales growth for January - September 2008 was 5.8%, lower than the year-on-year figure recorded the previous year (+8.2%).

Organic sales growth	First six months	Third quarter	Total period January - September
% change 2008 / 2007	3.0%	11.9%	5.8%
% change 2007 / 2006	10.7%	3.4%	8.2%

Looking in more detail at the two periods, it is notable that in 2007, first-half sales growth (+10.7%) was far higher than in the third quarter (+3.4%), while in 2008, partly because of the comparison with 2007 sales, the growth trend was reversed, i.e. lower in the first half of the year (+3.0%) and much higher in the third quarter (+11.9%).

Sales by region

Overall third-quarter growth of 7.0% was driven by Europe and the Americas, while sales fell in Italy and the rest of the world and duty free segment.

	Third quarter of 2008		Third quarter of 2007		% change
	€ million	%	€ million	%	2008/2007
Italy	73.2	33.5%	75.2	36.8%	–2.6%
Europe	58.0	26.6%	48.7	23.9%	19.1%
Americas	75.1	34.4%	65.9	32.3%	14.0%
Rest of the world and duty free	12.0	5.5%	14.3	7.0%	–16.1%
Total	**218.4**	**100.0%**	**204.0**	**100.0%**	**7.0%**

Disregarding the negative effects of external growth and exchange rate movements, the 11.9% figure for organic growth in the third quarter was attributable to double-digit growth in Europe and the Americas, as the table below shows.

Breakdown of % change	% change Total	Organic growth	External growth	Exchange rate effect
Italy	–2.6%	–2.6%	0.0%	0.0%
Europe	19.1%	19.6%	0.0%	–0.5%
Americas	14.0%	28.3%	–9.7%	–4.6%
Rest of the world and duty free	–16.1%	–14.2%	–0.2%	–1.7%
Total	**7.0%**	**11.9%**	**–3.1%**	**–1.7%**

In **Italy**, third-quarter sales were down 2.6%: the good results of Aperol and Crodino were offset by a quarter of contraction for Campari, CampariSoda and Sella & Mosca wines.

Third-quarter sales growth in **Europe**, was 19.1% overall (+19.6% excluding the slightly negative exchange rate effect).

Sales were very good in Russia, other Eastern European markets and Germany.

In the important German market, third-quarter sales saw a trend reversal, registering double-digit growth in comparison with the same period of 2007, which was affected by the substantial rise in the price of Campari.

In the **Americas**, sales were up 14.0% despite the strongly negative effects of external growth (–9.7%) and exchange rates (–4.6%), both of which related solely to the US business.

Stripping out these effects, organic growth for the region was 28.3%.

US sales were very good in the third quarter, with double-digit organic growth, while Brazil put in an exceptional performance, although this was mostly due to the anticipated tax increases (which were eventually postponed).

The **rest of the world and duty free** segment recorded a decline of 16.1% (–14.2% at constant exchange rates and on a same-structure basis), chiefly owing to a change in the timing of orders and sales, mainly in Australia.

Sales by business area

The sales trend for the third quarter of 2008 (+7.0%) was positive for all three business areas – spirits, wines and soft drinks.

	Third quarter of 2008		Third quarter of 2007		% change
	€ million	%	€ million	%	2008/2007
Spirits	147.6	67.6%	138.1	67.7%	6.9%
Wines	39.8	18.2%	35.4	17.4%	12.4%
Soft drinks	26.5	12.1%	25.8	12.7%	2.4%
Other sales	4.5	2.1%	4.7	2.3%	–5.4%
Total	**218.4**	**100.0%**	**204.0**	**100.0%**	**7.0%**

The breakdown of the total change in each segment, for the three components of organic growth, external growth and exchange rate effects, shows double-digit organic growth for spirits and wines.

Breakdown of % change	Total	% change Organic growth	External growth	Exchange rate effect
Spirits	6.9%	13.8%	–4.6%	–2.2%
Wines	12.4%	13.0%	0.0%	–0.5%
Soft drinks	2.4%	2.4%	0.0%	0.0%
Other sales	–5.4%	0.6%	0.0%	–5.9%
Total	**7.0%**	**11.9%**	**–3.1%**	**–1.7%**

Sales of **spirits** rose by 6.9% overall in the third quarter, with negative external growth and exchange rate effects (see comments above) eroding the organic growth figure of 13.8%.

Of the most important brands, the positive trend for SKYY Vodka and Aperol was confirmed in the quarter, with both brands recording double-digit growth, while all the brands sold in Brazil – including both the local (Old Eight, Drury's and Dreher) and international (Cynar and Campari) brands made a significant contribution.

As regards Campari, it is worth pointing out that even excluding the strong growth recorded in Brazil, its sales performance on other markets was very good.

On the other hand, among the Group's brands, sales of CampariSoda were down versus the same period of last year, as were those of Jack Daniel's and the other whiskies distributed by the Group among third-party brands.

Growth in **wines** was 12.4% at actual exchange rates and 13.0% at constant exchange rates, boosted mainly by the excellent result from Cinzano vermouth and Mondoro in Russia.

Soft drinks sales grew by 2.4% in the quarter, largely driven by a good performance from Crodino and a fall in sales of other soft drinks and mineral waters.

The minor **other sales** segment declined by 5.4% during the quarter, which was entirely attributable to the fall in value of sterling, as this had a negative impact on the sales of malt distillate to third parties.

INCOME STATEMENT

New format

In 2008 the Group introduced a new format for its consolidated income statement. The differences in the new format relate to the aggregation of cost categories and the introduction of a new item, the contribution margin.

This revised presentation corresponds to the new income statement format introduced internally for planning and control purposes.

Under the new presentation, distribution costs are now included in cost of goods sold, in order to show the cost of the product at the point of sale.

Consequently, gross profit is shown after distribution costs, and trading profit is replaced by the contribution margin, which is shown before structure costs.

In breaking down results by business area, in future we will refer to the contribution margin and not to trading profit.

This means that costs relating to sales operations are no longer allocated to products or business areas, since such allocations have become increasingly arbitrary given the gradual shift from indirect, commission–based sales structures to direct, salary-based ones.

To provide a like-for-like comparison with the results for the first nine months and third quarter of 2008, the figures for the same periods of 2007 have been reclassified in the new format. For further clarification, last year's figures are shown in the old and new formats in the table below.

Reclassified income statement for the first nine months and third quarter of 2007

	30 September 2007		
previous format	€ million	€ million	new format
Net sales	**644.6**	**644.6**	**Net sales**
Cost of goods sold	(273.7)		
		(297.5)	Cost of goods sold after distribution costs
Gross profit	**370.9**		
		347.1	**Gross profit after distribution costs**
Advertising and promotional costs	(117.4)	(117.4)	Advertising and promotional costs
Sales and distribution costs	(76.9)		
		229.7	**Contribution margin**
Trading profit	**176.7**		
General and administrative expenses	(46.6)		
		(99.6)	Structure costs
EBIT before one-offs	**130.1**	**130.1**	**EBIT before one-offs**
One-offs: income and charges	(1.2)	(1.2)	One-offs: income and charges
EBIT	**128.8**	**128.8**	**EBIT**

	Third quarter of 2007		
previous format	€ million	€ million	new format
Net sales	**204.0**	**204.0**	**Net sales**
Cost of goods sold	(88.7)		
		(96.4)	Cost of goods sold after distribution costs
Gross profit	**115.3**		
		107.7	**Gross profit after distribution costs**
Advertising and promotional costs	(37.5)	(37.5)	Advertising and promotional costs
Sales and distribution costs	(24.8)		
		70.1	**Contribution margin**
Trading profit	**53.0**		
General and administrative expenses	(15.6)		
		(32.8)	Structure costs
EBIT before one-offs	**37.3**	**37.3**	**EBIT before one-offs**
One-offs: income and charges	0.4	0.4	One-offs: income and charges
EBIT	**37.7**	**37.7**	**EBIT**

Comments on changes:

- the item sales and distribution costs is no longer shown under the new format, since:
  - distribution costs, which are mostly variable, are now included in the cost of goods sold, together with the previous components (materials and manufacturing costs) included in this item; these costs totalled €23.8 million in the first nine months of 2007 and €7.6 million in the third quarter of 2007;
  - sales costs (i.e. the costs relating to sales and marketing operations) are now included, together with general and administrative costs, in the new item structure costs;
- the figure for the cost of goods sold is higher in the new format as it includes distribution costs;
- the gross profit figure is lower, since it is now shown after distribution costs;
- trading profit, shown in the previous format, has been replaced by the contribution margin;
- the figure for the contribution margin is higher than that for trading profit as it no longer includes sales costs (i.e. the costs related to sales and marketing structures);
- the item structure costs, introduced in the new format, includes sales and distribution costs, as well as general and administrative expenses.

As the table below shows, EBIT before one-offs and EBIT remain unchanged, as do all subsequent income statement items. They are therefore fully comparable with results for previous years.

Income statement in the first nine months of 2008

The Campari Group's results for the first nine months of 2008 were significantly impacted by unfavourable exchange rate movements (sharp fall in value of the US dollar) and negative external growth (termination of distribution of 1800 tequila in the United States).

The percentage increases or decreases versus last year, shown in the table below, are overall changes that include the negative impact of these factors.

	30 September 2008		30 September 2007		%
	€ million	%	€ million	%	change
Net sales	**649.6**	**100.0**	**644.6**	**100.0**	**0.8**
Cost of goods sold after distribution costs	(294.2)	–45.3	(297.5)	–46.2	–1.1
Gross profit after distribution costs	**355.4**	**54.7**	**347.1**	**53.8**	**2.4**
Advertising and promotional costs	(117.9)	–18.2	(117.4)	–18.2	0.5
Contribution margin	**237.5**	**36.6**	**229.7**	**35.6**	**3.4**
Structure costs	(104.9)	–16.2	(99.6)	–15.5	5.3
EBIT before one-offs	**132.6**	**20.4**	**130.1**	**20.2**	**1.9**
One-offs: income and charges	1.0	0.2	(1.2)	–0.2	–
EBIT	**133.5**	**20.6**	**128.8**	**20.0**	**3.6**
Net financial income (charges)	(16.1)	–2.5	(13.5)	–2.1	19.5
Profit (loss) of companies valued at equity	0.2	0.0	0.1	0.0	28.4
Charges for put option	(0.9)	–0.1	–	0.0	–
Profit before tax and minority interests	**116.7**	**18.0**	**115.5**	**17.9**	**1.0**
Minority interests	(0.2)	0.0	(0.0)	0.0	–
Group profit before tax	**116.5**	**17.9**	**115.5**	**17.9**	**0.9**
Depreciation and amortisation	(14.4)	–2.2	(14.6)	–2.3	–0.9
EBITDA before one-offs	**147.0**	**22.6**	**144.6**	**22.4**	**1.6**
EBITDA	**147.9**	**22.8**	**143.4**	**22.2**	**3.2**

Net sales for the first nine months of 2008 totalled €649.6 million.

Organic growth of 5.8% was almost entirely eroded by negative external growth (–2.8%) and exchange rate movements (–2.2%), leaving an increase of 0.8%.

For more details on these effects and on sales by region and business area, please refer to the "Sales performance" section above.

Cost of goods sold after distribution costs stood at 45.3% of sales, 0.9 percentage points lower than in the same period last year (46.2%).

In terms of the various cost categories making up the cost of goods sold in the first nine months of 2008, there was an improvement in manufacturing costs thanks to savings made following the closure of the Sulmona plant; however, raw material and transport costs rose, as expected, because of high oil prices.

Moreover, the improvement in the cost of goods sold as a proportion of sales can be fully attributed to the termination of distribution of 1800 tequila in the US and the positive effect this had on the sales mix; stripping out this factor, the cost of goods sold as a proportion of sales was in line with the same period of last year.

Gross profit after distribution costs was up 2.4% to €355.4 million, a greater increase than at the sales level (2.1%) because of the lower cost of goods sold.

This item represented a slightly higher proportion of sales, at 54.7% (+0.9%), than in the first nine months of 2007.

Advertising and promotional costs stood at 18.2% of sales in the first nine months of the year, the same proportion as last year.

These costs rose as a proportion of sales in the third quarter of the year, as expected, while the figure for the first six months of the year was lower than in 2007 (17.5% compared with 18.1%).

The **contribution margin** for the first nine months of 2008 came to €237.5 million, corresponding to an overall advance of 3.4% on the same period of last year, attributable to:

- organic growth of 7.1%;
- external growth of 1.4%;
- a negative exchange rate effect of 2.4%.

As regards the external growth component, the negative impact was more marked on sales (–2.8%) than on the contribution margin (–1.4%), as the new Group brands Cabo Wabo and X-Rated are more profitable than 1800 tequila.

Structure costs, which include sales and distribution costs in addition to general and administrative expenses, increased by 5.3% in the first nine months of 2008 (and from 15.5% to 16.2% as a proportion of sales).

This increase is partly attributable to structure costs relating to the new subsidiaries in China, Argentina and Austria, which were established in 2007 and will be fully operational from 2008.

Stripping out this effect, structure costs increased by 4.1% in the period.

EBIT before one-offs was €132.6 million, an increase of 1.9% versus the first nine months of 2007 or 4.5% at constant exchange rates; stripping out negative external growth, the figure for organic growth was 7.4%.

One-offs showed a positive balance of €1.0 million, resulting mainly from a capital gain from the sale of a building in Cinisello Balsamo for €6.1 million, which was partly offset by extraordinary personnel expenses (€2.6 million) and costs relating to the early termination of distribution agreements (€1.5 million).

In the same period last year this item showed a negative balance of €1.2 million, so the year-on-year improvement in the first nine months of 2008 was €2.2 million.

EBIT was up 3.6% in the first nine months of 2008 to €133.5 million, while the EBIT margin improved from 20.0% to 20.6%; stripping out negative exchange rate effects, however, growth for the period was 6.2%.

Depreciation and amortisation charges totalled €14.4 million in the period, broadly unchanged from the first nine months of 2007 (€14.6 million).

As a result, EBITDA grew at a similar rate to EBIT. **EBITDA before one-offs** increased by 1.6% (+4.1% at constant exchange rates) to €147.0 million, while **EBITDA** was up 3.2% (+5.6% at constant exchange rates) to €147.9 million.

Net financial charges, after exchange rate differences booked in the period, were €16.1 million, versus €13.5 million in the same period last year.

The increase was due to the termination of a number of interest rate hedging agreements that the Group had entered into with Lehman Brothers (see the section on “Significant events in the period”).

This resulted in a net charge of €3.3 million on the income statement.

Excluding this charge, the average net interest rate paid by the Group was slightly lower than in the same period of 2007.

This was because of diverging trends in Europe, where average interest rates were higher than in the same period of 2007, and the US, where interest rate cuts and dollar depreciation reduced the amount of interest paid.

The Group's portion of **profits or losses of companies valued at equity** showed a positive balance of €0.2 million, up from €0.1 million in the same period last year.

The companies accounted for by the equity method are two trading joint ventures that distribute products made by the Group and its partners, which are located in Belgium and the Netherlands.

The item **charges for put option** (€0.9 million) on the income statement for the nine months to 30 September 2008 relates to minority interests in Cabo Wabo.

In view of the put options on the minority holdings, which can be exercised in 2012 and 2015, the liability relating to the possible future purchase of the remaining 20% of Cabo Wabo has been recorded on the balance sheet, while 100% of the acquisition cost has been booked under assets.

As a result, the portion of profit pertaining to the owners of the remaining 20% of Cabo Wabo is not included in minority interests on the income statement, but is booked under the Group's financial liabilities.

Profit before tax and minority interests grew by 1.0% (3.2% at constant exchange rates) compared with the first nine months of 2007, to €116.7 million.

As **minority interests** for the period came to a marginal €0.2 million, **Group profit before tax** was €116.5 million in the first nine months of 2008, up 0.9% year-on-year (+2.9% at constant exchange rates).

The net profit margin was 17.9%, in line with the same period of 2007.

INCOME STATEMENT FOR THE THIRD QUARTER OF 2008

	Third quarter of 2008		Third quarter of 2007		%
	€ million	%	€ million	%	change
Net sales	**218.4**	**100.0**	**204.0**	**100.0**	**7.0**
Cost of goods sold after distribution costs	(100.6)	–46.0	(96.4)	–47.2	4.3
Gross profit after distribution costs	**117.8**	**54.0**	**107.7**	**52.8**	**9.4**
Advertising and promotional costs	(42.6)	–19.5	(37.5)	–18.4	13.4
Contribution margin	**75.2**	**34.5**	**70.1**	**34.4**	**7.3**
Structure costs	(33.5)	–15.3	(32.8)	–16.1	2.1
EBIT before one-offs	**41.8**	**19.1**	**37.3**	**18.3**	**11.9**
One-offs: income and charges	(0.7)	–0.3	0.4	0.2	–
EBIT	**41.1**	**18.8**	**37.7**	**18.5**	**8.9**
Net financial income (charges)	(7.9)	–3.6	(4.9)	–2.4	59.8
Profit (loss) of companies valued at equity	0.0	0.0	0.0	0.0	–
Charges for put option	(0.2)	–0.1	0.0	0.0	–
Profit before tax	**33.0**	**15.1**	**32.8**	**16.1**	**0.4**
Minority interests	(0.1)	0.0	0.0	0.0	–
Group profit before tax	**32.9**	**15.1**	**32.9**	**16.1**	**0.2**
Depreciation and amortisation	(4.8)	–2.2	(4.9)	–2.4	–0.7
EBITDA before one-offs	**46.6**	**21.3**	**42.2**	**20.7**	**10.4**
EBITDA	**45.9**	**21.0**	**42.6**	**20.9**	**7.8**

The consolidated profit and loss account for the third quarter of 2008 shows a marked improvement in sales and operating profitability compared with the same quarter of 2007.

Organic growth of 11.9% was partly eroded by negative external growth (–3.1%) and exchange rate movements (–1.7%), leaving an increase in **sales** of 7.0%.

Please refer to the "Sales performance" section above for more details.

The **contribution margin** for the quarter was up 7.3% at €75.2 million; stripping out the negative effects of exchange rates (–1.4%) and external growth (–2.7%) gives an organic growth figure of 11.4%.

As a percentage of sales, the figure of 34.5% was broadly unchanged from the third quarter of 2007, although the cost of sales accounted for a lower proportion (entirely attributable to an improvement in the sales mix), while advertising and promotional spending represented a higher proportion.

Structure costs were up only 2.1% year-on-year, and fell from 16.1% to 15.3% as a proportion of sales.

EBIT rose by 8.9% year-on-year to €41.1 million; at constant exchange rates the increase was 10.1%.

EBITDA was up by 7.8% (9.0% at constant exchange rates) versus the third quarter of 2007, at €45.9 million.

Financial charges increased by €3.0 million to €7.9 million in the third quarter of 2008, which had a significant impact on net profit.

The increase related to the write-downs made following the collapse of Lehman Brothers, with which the Group had entered into a number of interest rate hedging agreements.

For more information, please refer to the comments on the income statement for the first nine months of the year.

The improvement in EBIT was almost entirely eroded by the increase in financial charges.

The **Group's profit before tax** was therefore broadly unchanged from the third quarter of 2007, at €32.9 million (+0.2%).

FINANCIAL SITUATION

Breakdown of net debt

The Group's consolidated net debt stood at €310.2 million at 30 September 2008, an increase on the figure of €288.1 million posted at 31 December 2007.

The table below shows the debt structure at the beginning and end of the period.

	30 September 2008 € million	31 December 2007 € million
Cash and cash equivalents	157.9	199.8
Payables to banks	(84.7)	(114.4)
Real estate lease payables	(3.2)	(3.2)
Private placement: short-term portion	(8.6)	(8.4)
Other financial payables and receivables	(4.0)	(7.6)
Short-term financial position	**57.3**	**66.3**
Payables to banks	(1.7)	(1.8)
Real estate lease payables	(10.5)	(12.9)
Private placement and bond issue:		
medium to long-term portion	(338.7)	(338.8)
Other financial payables and receivables	3.8	(1.0)
Medium / long-term net debt	**(347.0)**	**(354.4)**
Net debt from operating activities	(289.7)	(288.1)
Payables relating to the exercise of the Cabo Wabo put option	(20.5)	–
Net debt	**(310.2)**	**(288.1)**

There are no significant variations in the composition of short or medium / long-term debt.

However, the Group had previously entered into interest rate hedging agreements with Lehman Brothers in relation to the private placement and bond issue, and – as noted above – following the investment bank's collapse, the Group exercised its right to early termination of these agreements, and an amount corresponding to the fair value of the instruments in question on 15 September 2008 (the date Lehman Brothers filed for bankruptcy protection) was recorded under financial receivables.

At the date of this report, the amount referred to was adjusted to the estimated realisable value, calculated at 30% of the nominal value, and allocated to the income statement; at 30 September 2008 the residual value was recorded under medium / long-term financial receivables.

The Group's net debt at 30 September 2008 also included a payable of €20.5 million relating to the possible exercise of the put option by the minority shareholders of Cabo Wabo, LLC and Redfire Mexico, S. de R.L. de C.V.

The put / call options on 20% of Cabo Wabo, LLC and Redfire Mexico, S. de R.L de C.V may be exercised in two tranches, one of 15% in 2012 and one of 5% in 2015.

The value of exercising the options is estimated on the basis of expected profits, to which contractually agreed multiples have been applied.

Operating working capital

Operating working capital at 30 September 2008 was €257.0 million, a reduction of €33.4 million versus 31 December 2007.

The decrease was due *inter alia* to seasonal factors that led to a reduction in trade receivables, which was partly offset by an increase in stocks, and to a lesser extent, to a reduction in payables to suppliers.

The table below shows figures at 30 September 2008, 31 December 2007 and 30 September 2007; operating working capital is shown, for each period, as a proportion of sales over the previous 12 months.

	30 September 2008 € million	31 December 2007 € million	Change € million	30 September 2007 € million	Change € million
Receivables from customers	205.9	280.0	(74.1)	169.3	36.6
Inventories	200.2	166.9	33.3	211.4	(11.1)
Payables to suppliers	(149.2)	(156.6)	7.3	(154.8)	5.6
Operating working capital	**257.0**	**290.4**	**(33.4)**	**225.8**	**31.1**
Sales - previous 12 months	962.5	957.5	5.0	950.1	12.3
Operating working capital as % of sales in the previous 12 months	26.7	30.3		23.8	

At 30 September 2008 operating working capital was 26.7% as a percentage of net sales in the previous 12 months, versus 30.3% at the beginning of the period.

Compared with the same period of 2007, operating working capital at 30 September 2008 increased by €31.1 million, and rose as a percentage of sales from 23.8% to 26.7%.

This increase was partly attributable to higher growth in sales in the third quarter of the year, while in 2007, sales were much lower in the third quarter than in the first half of the year.

As a result, total receivables from customers were proportionally higher at 30 September 2008.

The increase in these receivables was also due to the liquidity crisis in the financial system, which meant that a number of customers took longer to pay.

It is therefore expected that the operating working capital / sales ratio could be worse at the end of the year than it would be in a normal business environment.

AMENDMENTS MADE IN COMPLIANCE WITH ARTICLE 36 OF THE MARKET REGULATIONS

In compliance with the provisions of article 36 *et seq.* of the Market Regulations, which lay down the rules for the listing of companies with subsidiaries incorporated in and regulated by the laws of countries outside the EU, Davide Campari-Milano S.p.A has prepared and submitted an adaptation plan to Consob, of which the main points are discussed in the interim financial report for the first half of 2008.

The obligations set out in this plan have now been fulfilled, as have the conditions described in article 36, paragraph 1, points a), b) and c) of the Market Regulations.

EVENTS TAKING PLACE AFTER THE END OF THE PERIOD

Joint venture in India

On 31 October 2008 an agreement to create a joint venture in India was signed by the Campari Group, which will have a minority stake of 26%, and the Jubilant Group, an Indian conglomerate operating in several business areas.

The new company will be formed following the acquisition of a local distributor, and will begin operating on 1 January 2009 under the name Focus Brands Trading India Ltd. It will distribute brands imported by the Campari Group and the Old Smuggler brand, under which Scotch whisky, rum and gin produced locally will be sold.

Agreement for the production and sale of Cointreau in Brazil

In October 2008 an agreement was finalised with French group Remy Cointreau for the production and distribution of Cointreau liqueur on the Brazilian market from 1 January 2009.

The agreement will run for three years, and may be renewed for a further two years.

Acquisition of Destiladora San Nicolas

The Campari Group has signed an agreement to acquire 100% of di Destiladora San Nicolas, S.A. de C.V., which has assets including a distillery, the Espolón and San Nicolas tequila brands, tequila stocks and a distribution structure for the Mexican market.

The cost of the acquisition is US$ 17.5 million (€13.7 million at actual exchange rates), plus US$ 10 million (€7.8 million at actual exchange rates) of financial debt; in addition, the agreement provides for an earn-out based on increases in sales volumes.

The total value of the transaction corresponds to around 10 times estimated 2009 EBITDA, after synergies.

The transaction is due to be completed by the end of the year and will be paid for in cash.

The product portfolio, with a total volume of around 50,000 nine-litre cases, is mainly distributed in Mexico, and comprises the tequila brands Espolón (Espolón Blanco, Espolón Reposado and Espolón Añejo), which has won several awards, and Tequila San Nicolás (San Nicolás Joven and San Nicolás Blanco).

Espolón is made using a 100% natural process and in full compliance with rigorous quality standards that have resulted in one of the purest and most delicate tequilas on the market; it has a strong reputation, and in 2006 won a Gold Award at the World Spirits Competition in San Francisco.

Destiladora San Nicolas has been operating since 1998 and combines a traditional Mexican product emblematic of the country’s culture with modern and advanced production technologies.

This acquisition is a strategic one in that it enables the Campari Group to gain direct access to the Mexican market via an established production and distribution structure, and to strengthen its presence in a growing market for premium spirits.

OUTLOOK

The results achieved in the first nine months of 2008 can be considered highly satisfactory given the exceptional factors that have had a particularly negative impact on business performance this year.

The most notable of these are:

– the termination of distribution of a major and growing brand (1800 tequila) in an important category in the US market;
– the difficulties inherent in integrating newly-acquired brands into Group structures;
– the substantial depreciation of the US dollar leading to negative exchange rate effects;
– the oil price spike and the attendant rise in the price of key raw materials, particularly glass, and in transport costs.

That said, looking ahead, the unexpected worsening of the crisis in the global financial system, which culminated in the collapse of one the world’s biggest investment banks, has completely changed the macroeconomic scenario.

Even if the attempts of governments and central banks to solve the crises of confidence and liquidity prove effective, they will not prevent the world’s major economies from entering a recession in the short term.

Nevertheless, it is reasonable to believe, partly based on past evidence, that a recession will have a relatively limited effect on the industry in terms of overall consumption, even in the countries most exposed to the crisis.

On the other hand, the credit crunch may have a negative – although, it is to be hoped, short-lived – effect on the ability of our customers to maintain stocks even at a minimum level, respect agreed payment terms, and in some cases, to survive the crisis.

The Group is projecting a weaker fourth quarter of 2008 than expected, in view of the reduction of stock levels by wholesalers and retailers affected by the credit crisis, and an increase in working capital, as customers inevitably take longer to pay.

However, as this report has reiterated, the Group's main brands are robust, and it is therefore expected that the risks described above may lead to the full-year organic growth forecasts, which were drawn up at the beginning of the full year, being revised downward, rather than completely changed.

As for the impact that the precarious situation on the financial markets may have on external growth, it is reasonable to assume that, firstly, given the Group's strong balance sheet and financial position, its ability to issue debt instruments will not be affected, and secondly, that investment opportunities will increase over time, and that the multiples at which transactions are agreed will fall.

Milan, 11 November 2008

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 interim report accurately represents the figures contained in the Group's accounting records.

Paolo Marchesini
Chief Financial Officer