Resoconto intermedio di gestione al 31 marzo 2008

First-quarter report at 31 March 2008

FIRST-QUARTER REPORT

AT 31 MARCH 2008

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Highlights

	31 March 2008 € million	31 March 2007 € million	% change	% change at constant exchange rates
Net sales	**190.9**	**196.6**	**–2.9**	**–0.7**
Contribution margin	76.7	75.8	1.1	3.3
EBITDA before one-offs	47.3	46.4	1.8	3.9
EBITDA	**50.2**	**46.5**	**8.0**	**10.1**
EBIT before one-offs	42.1	41.7	1.1	3.4
EBIT	**45.0**	**41.7**	**8.0**	**10.3**
EBIT margin (EBIT / net sales)	23.6%	21.2%		
Group profit before tax	**40.1**	**37.5**	**6.8**	**8.6**

	31 March 2008 € million	31 December 2007 € million
Net debt	286.2	288.1

SIGNIFICANT EVENTS IN THE PERIOD

Termination of the distribution agreement for 1800 tequila and Gran Centenario

As announced in September 2007, on 1 January 2008 the Campari Group ceased the distribution under licence of 1800 tequila and Gran Centenario in the United States, since the José Cuervo group, owner of the two brands, took over their direct management via a wholly-owned company.

Acquisition of Cabo Wabo Tequila

On 2 January 2008 the Group concluded the acquisition of Cabo Wabo, as announced in May 2007.

The transaction took place at a price of US$ 80.8 million (€54.8 million at the exchange rate on the day of closing), equivalent to a multiple of 11.9 x 2007 EBITDA.

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 prizes.

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 United States, Cabo Wabo is one of the fastest-growing brands on the US spirits market.

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 in the 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, giving a capital gain of €6.1 million (in the results at 31 December 2007, it was recorded under non-current assets held for sale).

Launch of SKYY Infusions

On 10 March, Skyy Spirits, LLC, a US company wholly owned by the Campari Group, announced the launch of SKYY Infusions™, a brand 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 bottle designed for SKYY Vodka: a taller, sleeker bottle, but still in the characteristic cobalt blue colour.

During the first quarter of this year, Skyy Spirits, LLC reduced stocks of SKYY Flavours on the US market ahead of the launch of SKYY Infusions™; as a result, irrespective of sales to end consumers, there was a delay in volumes shipped to US distributors from the first to the second quarter of the year.

SALES PERFORMANCE

Overall performance

Sales in the first quarter of 2008 totalled €190.9 million, registering growth of 1.3% versus the same period of last year on a same-structure basis and at constant exchange rates.

The net change was negative however (–2.9%), since sales during the period were hit by negative external growth and by an unfavourable exchange rate trend; as the table below shows, each of these two factors reduced sales by 2.1% compared with the first quarter of 2007.

	€ million	% compared to first quarter of 2007
– net sales in the first quarter of 2008	190.9	
– net sales in the first quarter of 2007	196.6	
Total change	**–5.6**	**–2.9%**
of which		
organic growth before exchange rate effect	2.6	1.3%
changes in the basis of consolidation	–4.1	–2.1%
exchange rate effect	–4.1	–2,1%
Total change	**–5.6**	**–2.9%**

The business registered positive but low organic growth of 1.3%, due to two specific circumstances.

First, an unfavourable comparison base with the same period of last year, when the sales performance was particularly good: at that time, organic growth of 11.3% was helped by the fact that orders were brought forward due to the price repositioning of two important brands, Campari and SKYY; in the first quarter of 2007 these registered sales growth of 10.7% and 21.5% respectively.

Second, as regards the SKYY brand specifically, the beginning of April 2008 saw the US launch of SKYY Infusions™, a new and innovative range of flavoured vodkas, as well as the new packaging for SKYY Vodka (note that SKYY Infusions™ completely replaces the SKYY Flavours range, which the Group stopped selling in January 2008).

Consequently, as distributors attempted to reduce unsold stocks of the old product, sales of the brand in the first quarter were very low.

Looking at the other major brands, sales in the first quarter were extremely positive for Aperol, Crodino and Cinzano vermouth and sparkling wines.

External sales fell by €4.1 million overall (or 2.1%) year-on-year.

The termination of distribution of 1800 tequila in the US, which reduced sales by €10.6 million, was only partly offset by the positive contribution (€5.3 million in total) of the new acquisitions Cabo Wabo and X-Rated, and by new distribution agreements worth €1.2 million for Morrison Bowmore whiskies and Flor de Caña rum.

Sales in the first quarter of 2008: breakdown of external growth	€ million
X-Rated	2.4
Cabo Wabo	3.0
Sub-total - Group brands	**5.3**
Termination of tequila distribution in the US	–10.6
Third-party brands (Morrison Bowmore and Flor de Caña in the US)	1.2
Sub-total - third-party brands	**–9.4**
Total	**–4.1**

Exchange rates had a negative effect of 2.1% overall on sales in the first quarter of the year.

The euro continued to strengthen against the dollar, which stood at an average level of 1.50 in the quarter, a devaluation of 12.6% versus the same period of 2007.

By contrast, the Brazilian real gained 6.2% against the euro year-on-year.

The table below shows the average exchange rates for the currencies of greatest importance for the Group.

Average exchange rates for the period 1 January - 31 March	2008	2007	% change
US$ x € 1	1.500	1.310	
€ x US$	0.667	0.763	–12.6%
BRL x € 1	2.602	2.763	
€ x BRL 1	0.384	0.362	6.2%
CHF x € 1	1.600	1.616	
€ x 1 CHF	0.625	0.619	1.0%
JPY x 1 €	157.747	156.468	
€ x 1000 JPY	6.339	6.391	–0.8%
GBP x € 1	0.758	0.671	
€ x 1 GBP	1.320	1.491	–11.5%

Sales by region

Sales were positive in all areas, except, significantly, the Americas, where the entire negative impact of external growth was concentrated, and which experienced a significantly negative exchange rate effect.

The first table below shows the breakdown and growth of sales by region, while the second breaks down the overall change in each region by organic growth, external growth and the effect of exchange rate movements.

	1 January - 31 March 2008		1 January - 31 March 2007		% change
	€ million	%	€ million	%	2008 / 2007
Italy	99.2	52.0%	95.0	48.3%	4.4%
Europe	39.1	20.5%	36.6	18.6%	6.9%
Americas	44.3	23.2%	57.3	29.1%	–22.6%
Rest of the world and duty free	8.3	4.3%	7.7	3.9%	7.8%
Total	**190.9**	**100.0%**	**196.6**	**100.0%**	**–2.9%**

Breakdown of % change		% change		
	Total	organic growth	external growth	exchange rate effect
Italy	4.4%	4.4%	0.0%	0.0%
Europe	6.9%	7.5%	0.0%	–0.6%
Americas	–22.6%	–8.7%	–7.4%	–6.5%
Rest of the world and duty free	7.8%	8.7%	1.5%	–2.4%
Total	**–2.9%**	**1.3%**	**–2.1%**	**–2.1%**

As regards **Italy**, **Europe** and the **rest of the world** there are no particular events to report: all three regions generated satisfactory organic sales growth, of 4.4%, 7.5% and 8.7% respectively.

In addition, in the relatively stable and predictable drinks market, results in the first quarter are traditionally more volatile, since not only is it the least important period of the year, but it also comes immediately after the peak sales period of December, which makes the first-quarter trend appear even more negative.

Consequently, the results generated by an individual market, whether positive or negative, are not necessarily indicative of the performance of the brand in that country.

In the **Americas,** organic sales growth was negative, at –8.7%. The two tables below give a further breakdown by market.

	1 January - 31 March 2008		1 January - 31 March 2007		% change
	€ million	%	€ million	%	2008 / 2007
US	34.2	77.1%	45.7	79.8%	–25.2%
Brazil	7.4	16.6%	9.1	15.9%	–19.1%
Other countries	2.8	6.3%	2.5	4.3%	12.5%
Total	**44.3**	**100.0%**	**57.3**	**100.0%**	**–22.6%**

Breakdown of % change	% change			
	total	organic growth	external growth	exchange rate effect
US	–25.2%	–7.0%	–9.5%	–8.6%
Brazil	–19.1%	–23.7%	0.0%	4.7%
Other countries	12.5%	14.9%	5.7%	–8.1%
Total	**–22.6%**	**–8.7%**	**–7.4%**	**–6.5%**

In the **United States** organic sales growth was –7.0% in the first quarter of 2008, while external growth was –9.5% and the exchange rate effect was –8.6%, making a total contraction of 25.2%.

The reasons for the weak organic growth during the period have already been outlined in the introductory paragraph about the overall sales trend.

First, SKYY Vodka suffered from a comparison with the first quarter of 2007, when growth stood at 21.5% as US distributors brought forward their sales orders in view of a significant price hike announced and introduced in the second quarter.

Second, sales in the first quarter of 2008 were very low in view of the imminent launch of the new SKYY Infusions^{TM} range (to replace SKYY Flavours), and the introduction of new packaging for SKYY Vodka.

As regards third-party brands, Cutty Sark performed weakly in a fiercely competitive Scotch whisky market.

The negative external growth (–9.5%), which was expected, was due to the termination of distribution of 1800 Tequila, and was only partly offset by sales of the new Group brands X-Rated and Cabo Wabo, and of Morrison Bowmore Scotch whiskies and Flor de Caña rum, new third-party brands distributed since January 2008.

The negative exchange rate effect of 8.6% was due to the sharp depreciation in the US dollar.

In **Brazil** too, sales in the first quarter fell versus the same period of 2007.

The total decline was 19.1% (–23.7% at constant exchange rates), with falls being registered across all brands, with the exception of the whiskies Old Eight and Drury's.

First-quarter sales are of little significance as regards the Brazilian market in particular, since sales are much more concentrated towards the end of the year than on other markets.

The first quarter accounts for no more than 10% of annual sales in Brazil, while the fourth quarter represents more than 40%.

As a result, tiny differences in sales and consumption during the Christmas period have a significant impact on the results posted in the early months of the following year.

Last year, for example, sales posted a very different trend from that seen in early 2008, with year-on-year organic growth in the first quarter of 2007 coming in at 27.6%.

Sales in other countries in the Americas region were positive, recording organic growth of 14.9%.

Sales by business area

Breaking down the performance by business area, first-quarter sales of spirits fell by 7.2%, while wines posted growth of 3.3% and soft drinks did very well, increasing by 12.8% versus the first quarter of 2007.

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 - 31 March 2008 € million	%	1 January - 31 March 2007 € million	%	% change 2008 / 2007
Spirits	129.1	67.6%	139.2	70.8%	–7.2%
Wines	26.5	13.9%	25.7	13.1%	3.3%
Soft drinks	31.7	16.6%	28.1	14.3%	12.8%
Other sales	3.6	1.9%	3.6	1.8%	1.3%
Total	**190.9**	**100.0%**	**196.6**	**100.0%**	**–2.9%**

Breakdown of % change	Total	% change organic growth	external growth	exchange rate effect
Spirits	–7.2%	–1.6%	–2.9%	–2.7%
Wines	3.3%	3.7%	0.0%	–0.4%
Soft drinks	12.8%	12.8%	0.0%	0.0%
Other sales	1.3%	8.2%	0.0%	–6.9%
Total	**–2.9%**	**1.3%**	**–2.1%**	**–2.1%**

Spirits

Sales of spirits totalled €129.1 million, a fall of 1.6% year-on-year on an organic basis.

In addition, external growth was –2.9%, while exchange rate effects were also negative, at –2.7%, leading to an overall contraction of 7.2%.

More specifically, sales of **Campari** rose by 1.4% at constant exchange rates in the first quarter of 2008 (0.9% at actual exchange rates), despite a particularly unfavourable comparison base with the first quarter of last year, when sales rose by 10.7% year-on-year at constant exchange rates.

The result was good in many European markets and in Japan, while in the three main markets of Brazil, Italy and Germany, the brand had a weaker start to the year, as expected, owing to a number of factors.

As regards Brazil, please see the comments above as regard the minor significance of first-quarter results; in addition, the apparent slowdown in sales in that country should be set against the steady growth in consumption of the brand.

In Italy, the dip was smaller, despite a particularly unfavourable comparison with the first quarter of last year, when the brand performed especially well.

First-quarter sales volumes of Campari in Germany were again impacted by the major price repositioning carried out in the second half of last year.

The **SKYY brand** (SKYY Vodka and SKYY Flavours) saw its sales decline by 2.3% at constant exchange rates and by 13.2% at actual exchange rates, owing to the depreciation of the US dollar.

The fall in sales in the quarter was entirely attributable to the US market and, as explained in detail above, to the imminent launch of the new SKYY Infusions™ range and the new packaging for SKYY Vodka, which took place in April.

Sales of **CampariSoda**, which are almost entirely concentrated on the Italian market, rose by 2.8% in the first quarter.

Aperol once again put in an extremely good performance: the increase in the first quarter of 2008 was once again in the double digits, at 11.6%, thanks to steady growth on the Italian market (which still represents about 90% of total sales) and strong rises on some European markets.

Sales of **Aperol Soda** fell by 12.5% year-on-year owing to a change in the schedule of promotional activities.

In the first three months of 2008 – low season for this market, as mentioned earlier – sales of the **Brazilian brands** fell by 20.3% in local currency and by 15.4% at actual exchange rates.

The trend was negative for Dreher aguardiente and slightly up for the whiskies Old Eight and Drury's.

Sales of the Scotch whiskies **Glen Grant and Old Smuggler** grew by 2.5% in total at constant exchange rates, but contracted by 0.8% at actual exchange rates.

Glen Grant put in a negative performance on the important Italian markets, although the brand increased its market share in a falling market.

By contrast, Old Smuggler did well on the international markets.

Ouzo 12 posted sales broadly in line with the same period of last year, recording a decline of 0.3% at constant exchange rates (–1.0% at actual exchange rates), the combined effect of an increase in Greece and a fall in Germany.

Cynar experienced a 9.3% contraction in sales in the first quarter at constant exchange rates, due to a sharp drop on the Brazilian market which was partly offset by growth in Italy and Switzerland.

As regards sales of the main **third-party brands**, in the first quarter of the year:

- sales of Jack Daniel's, which is mainly distributed on the Italian market, grew by 7.0%;
- sales of Jägermeister, again in Italy, were broadly flat;
- Scotch whisky sales fell by 39.6% (–45.9% at actual exchange rates), with the decline largely attributable to Cutty Sark in the US;
- sales of C&C group brands went up by 1.9% (–10.4% at actual exchange rates);
- sales of Suntory brands were down 22.6% (–31.3% at actual exchange rates).

Wines

Sales of wines in the first quarter of 2008 totalled €26.5 million, an increase of 3.3% compared with the same period of last year.

There were no changes in the basis of consolidation, but after a negative exchange rate effect of 0.5%, organic growth came in at 3.7%.

All the main brands registered a positive trend.

Sales of **Cinzano vermouth** rose by 9.7% at constant exchange rates (8.5% at actual exchange rates).

Sales of **Cinzano sparkling wines** also grew, by 9.3% at constant exchange rates and 9.1% at actual exchange rates, thanks to the good results achieved in Germany and the main European markets.

Conversely, in Italy, where the first quarter is of little significance for sparkling wines, there was a slower start to the year.

Looking at sales of other wines, the first quarter of 2008 was positive for **Sella & Mosca** (+2.2%) and **Cantina Serafino** (+2.3%), and saw an excellent performance from **Teruzzi & Puthod** wines (+27.3%).

As for other wine brands, **Mondoro** posted an increase (+16.9% at constant exchange rates) thanks to a good performance on the Russian market, while **Riccadonna** recorded a temporary drop (–30.3%, again at constant exchange rates).

Soft drinks

In the first quarter of 2008 sales of soft drinks totalled €31.7 million, a 12.8% advance on the same period of 2007.

In a low season for sales of these products, the Group's brands did very well, with **Crodino** up 14.1%, **Lemonsoda, Oransoda and Pelmosoda** rising by 14.2% and **Crodo mineral waters** increasing by 9.3%.

Other sales

In the first quarter of 2008, other sales (which include sales of raw materials and semi-finished goods to third parties and co-packing revenues) grew by 1.3% to €3.6 million.

Growth was 8.2% at constant exchange rates, but the depreciation of sterling had a negative impact of 6.9%.

The majority of the other sales business consists of the sale of malt distillate produced and sold by Glen Grant Distillery Company Ltd. to the Pernod Ricard group, under agreements signed when Glen Grant was acquired.

FINANCIAL SITUATION

Preparation criteria

This quarterly report at 31 March 2008 has been prepared in compliance with the provisions of art. 154-*ter* of the Testo Unico della Finanza (TUF) law.

The financial information comply with the valuation and measurement criteria contained in the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and ratified by the European Union.

The quarterly report at 31 March 2008 was authorised for publication by resolution of the relevant administrative body on 14 May 2008.

Basis of consolidation

The consolidated quarterly results include the profit and loss accounts and balance sheets of the Parent Company and Italian and foreign subsidiaries at 31 March, which were prepared in accordance with international accounting standards.

Joint ventures and companies over which the Group exercises a significant influence are accounted for by the equity method.

In the first quarter of 2008, two new companies were included in the basis of consolidation:

– Cabo Wabo, LLC, a trading company based in San Francisco, which is 80%-owned by Redfire, Inc;
– Redfire Mexico, S.A. de C.V., a manufacturing and trading company based in Guadalajara, which is 80%-owned by DI.CI.E Holding B.V.

Profit and loss account

New format

In 2008 the Group introduced a new format for its consolidated profit and loss account.

The differences in the new format relate to the aggregation of cost categories and the representation of the contribution margin.

The new format complies with IFRS criteria on representing revenues and costs, and is the same as the new profit and loss layout introduced internally for planning and control activities.

In addition, the adoption of the new classification, which is widely used by other companies in the sector, means that readers can now more easily compare the Group's results with those of its competitors.

To allow a like-for-like comparison with 2008, the results for the first quarter of 2007 have been reclassified using the new criteria.

The new disclosure method meets the following objectives:

– it classifies distribution costs under cost of goods sold, in order to show the cost of the product for sale at the point of sale;
– it means that the costs of sales structures are no longer allocated to products or business areas.

Such allocations could potentially have become increasingly arbitrary given the gradual shift from indirect, commission-based sales structures to direct, salary-based ones.

Consequently, gross profit is shown net of distribution costs and trading profit is replaced by a contribution margin, 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.

To give a better understanding of the reclassifications carried out, the table below shows the results for the first quarter of 2007 in the two different formats, with footnotes explaining the changes.

	First quarter 2007			
Previous format	€ million	note	€ million	New format
Net sales	**196.6**		**196.6**	**Net sales**
Cost of goods sold	(81.7)	2)		
		2)	(88.9)	Cost of goods sold after distribution costs
Gross profit	**114.8**	3)		
		3)	**107.6**	**Gross profit after distribution costs**
Advertising and promotional costs	(31.8)		(31.8)	Advertising and promotional costs
Sales and distribution costs	(25.3)	1)		
		4)	**75.8**	**Contribution margin**
Trading profit	**57.7**	4)		
General and administrative costs	(16.0)	5)		
		5)	(34.2)	Structure costs
EBIT before one-offs	**41.7**		**41.7**	**EBIT before one-offs**
Other one-offs: income and charges	0.0		0.0	Other one-offs: income and charges
EBIT	**41.7**		**41.7**	**EBIT**

1) Sales and distribution costs are no longer shown under the new format, since:
   - distribution costs, mostly variable, are now shown under the cost of goods sold, together with materials and manufacturing costs, which were already included under that item;
   - sales costs – that is, the costs of the trading, marketing and trade marketing structures – are now shown, together with general and administrative costs, under the new item structure costs;

2) as a result of the reclassification, the cost of goods sold has a higher absolute value under the new format;

3) meanwhile, the gross margin has a lower absolute value, since it includes distribution costs;

4) trading profit is no longer shown under the new format, since it is replaced by the contribution margin, which is the real profit generated by individual brands after the cost of goods sold and after advertising and promotional costs; it is higher than trading profit in absolute value, since it does not include any allocation of sales costs;

5) general and administrative costs are no longer shown under the new format, since they are replaced by the item structure costs, a larger aggregation comprising not only general and administrative costs but also sales costs, which consist of the costs of the trading, marketing and trade marketing structures.

As the table shows, EBIT before one-offs and EBIT remain unchanged, as do the rest of the items in the profit and loss account.

They are therefore fully comparable with results for previous years.

At the end of this report we have published similar reclassifications for the profit and loss accounts for each quarter, the first half, the first nine months and the whole of 2007.

In addition, we have also shown a reconciliation between the previous and new formats for the profit and loss accounts of the Group's business areas for the half-year and consolidated full-year 2007 figures.

Profit and loss account for the first quarter of 2008, shown in the new format

The Campari Group's consolidated profit and loss account for the first quarter was significantly impacted by the sharp depreciation in the US dollar, and by the suspension 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.

	First quarter 2008		First quarter 2007		% change
	€ million	%	€ million	%	%
Net sales	**190.9**	**100.0**	**196.6**	**100.0**	**–2.9**
Cost of goods sold after distribution costs	(86.7)	–45.4	(88.9)	–45.2	–2.6
Gross profit after distribution costs	**104.3**	**54.6**	**107.6**	**54.8**	**–3.1**
Advertising and promotional costs	(27.6)	–14.5	(31.8)	–16.2	–13.2
Contribution margin	**76.7**	**40.2**	**75.8**	**38.6**	**1.1**
Structure costs	(34.6)	–18.1	(34.2)	–17.4	1.1
EBIT before one-offs	**42.1**	**22.1**	**41.7**	**21.2**	**1.1**
Other one-offs: income and charges	2.9	1.5	0.0	0.0	–
EBIT	**45.0**	**23.6**	**41.7**	**21.2**	**8.0**
Net financial income (charges)	(4.5)	–2.3	(4.2)	–2.1	7.2
Profit (loss) of companies valued at equity	0.1	0.0	0.0	0.0	55.0
Profit before taxes and minority interests	**40.6**	**21.3**	**37.6**	**19.1**	**8.2**
Minority interests	(0.6)	–0.3	(0.0)	0.0	–
Group profit before tax	**40.1**	**21.0**	**37.5**	**19.1**	**6.8**
Total depreciation and amortisation	(5.1)	–2.7	(4.8)	–2.4	7.3
EBITDA before one-offs	**47.3**	**24.8**	**46.4**	**23.6**	**1.8**
EBITDA	**50.2**	**26.3**	**46.5**	**23.6**	**8.0**

Net sales for the quarter totalled €190.9 million.

The 2.9% decline was the result of organic growth of 1.3%, offset by negative external growth of 2.1% and a negative exchange rate difference of the same amount.

Cost of goods sold after distribution costs stood at 45.4% of sales, 0.2 percentage points higher than last year's figure of 45.2%.

The slight increase was due to a combination of positive and negative factors.

On the one hand the costs of some raw materials increased during the period, as did unit transport costs, whose trend is linked to the price of oil.

Offsetting this were two positive factors: savings made following the closure of the Sulmona plant and an improved sales mix year-on-year, due partly to the change in the basis of consolidation (1800 tequila).

Gross profit after distribution costs as a percentage of sales therefore declined by 0.2 percentage points.

In absolute terms, it fell by 3.1% versus the first quarter of 2007.

Of this, 2.0% was due to exchange rate effects and 1.1% to external growth; the impact of organic growth was therefore unchanged versus 2007.

Advertising and promotional costs stood at 14.5% of sales, a fall of 1.7 percentage points on the 16.2% figure posted in 2007.

Most of this improvement (1.3 percentage points) was due to a change in media and trade marketing investment planning, which in 2007 was more concentrated in the first quarter of the year.

The rest was due to the changed basis of consolidation following the termination of distribution of 1800 tequila, since advertising and promotional costs for this brand were particularly high in the first quarter of 2007.

The **contribution margin** for the first quarter of 2008 was €76.7 million, corresponding to an overall 1.1% advance on the same period last year attributable to:

– organic growth of 3.7%;
– external growth of –0.4%;
– an exchange rate effect of –2.2%.

The changed basis of consolidation therefore had a greater negative effect on sales (–2.1%) than on the contribution margin (–0.4%), since, as expected, the profitability lost due to 1800 tequila was almost entirely offset by increased profitability from the Group's new brands Cabo Wabo and X-Rated.

Structure costs, which in the new-format profit and loss account include general and administrative costs, sales costs and other operating income and expenses, recorded a slight increase of only 1.1% in the first quarter (3.2% at constant exchange rates).

However, they increased as a proportion of sales from 17.4% last year to 18.1% in 2008, owing to negative external growth, which hit sales.

EBIT before one-offs was €42.1 million, an increase of 1.1% year-on-year at actual exchange rates and of 3.3% at constant exchange rates.

One-offs were positive at €2.9 million in the first quarter.

The main items under this heading were the capital gain from the sale of the property in Cinisello Balsamo on the income side, and provisions and extraordinary staff costs on the expenses side.

In the same period of last year no significant items were recorded under this item, and the total balance was less than €0.1 million.

EBIT came in at €45.0 million, an increase of 8.0% year-on-year (+10.3% at constant exchange rates), while the EBIT margin rose from 21.2% to 23.6%.

Total **depreciation and amortisation** charges recorded in the period were €5.1 million, an increase versus the €4.8 million posted last year.

As a result, **EBITDA before one-offs** increased by 1.8% to €47.3 million, while **EBITDA** rose 8.0% to €50.2 million.

Net financial charges stood at €4.5 million, slightly above the €4.2 million registered last year owing to the rise in variable interest rates.

The Group's portion of **profits or losses of companies valued at equity** showed a positive balance of €0.1 million, compared with a positive but insignificant balance last year.

Profit before tax and minority interests grew 8.2% compared to the same period last year, to €40.6 million.

Minority interests in the first quarter of 2008, relating almost entirely to the minority shares of Cabo Wabo, stood at €0.6 million.

In the first quarter of 2007 this item was wholly marginal.

Group profit before tax stood at €40.1 million, an increase of 6.8% versus the first quarter of 2007.

Net debt

The Group's consolidated net debt from **operating activities** stood at €267.8 million at 31 March 2008, a reduction of €20.3 million compared with the position at 31 December 2007, when debt totalled €288.1 million.

Note that during the period, the Group paid US$ 80.8 million (€54.8 million at the exchange rate when the deal was completed) for Cabo Wabo, and received €6.7 million from the sale of the warehouse in Cinisello Balsamo near Milan.

As the table below shows, the Group's short-term net cash position improved by €11.3 million, while medium and long-term net debt decreased by €9.0 million.

Exchange rate fluctuations between 31 December 2007 and 31 March 2008 caused a €3.2 million fall in consolidated net debt at the end of the period.

	31 March 2008 € million	31 December 2007 € million
Cash and equivalents	191.0	199.8
Payables to banks	(99.7)	(114.4)
Real estate lease payables	(3.2)	(3.2)
Private placement and bond issue	(11.6)	(17.3)
Other financial receivables and payables	1.1	1.3
Short-term net cash position	**77.6**	**66.3**
Payables to banks	(1.8)	(1.8)
Real estate lease payables	(12.1)	(12.9)
Private placement and bond	(330.7)	(338.8)
Other financial receivables and payables	(0.8)	(1.0)
Medium / long-term net debt	**(345.4)**	**(354.4)**
Debt from operating activities	**(267.8)**	**(288.1)**
Payables for the exercise of the Cabo Wabo put option	(18.4)	–
Net debt	**(286.2)**	**(288.1)**

The balance sheet at 31 March 2008, and thus the Group's **net debt** figure, also includes a payable of €18.4 million relating to the possible future exercise of put options by the minority shareholders of Cabo Wabo, LLC and Redfire Mexico, S.A. de C.V.

The payable is recorded on the balance sheet together with an upwards adjustment in trademarks, which are classified under intangible assets.

This move was due to a particular interpretation of IAS 32 (Financial instruments: disclosure and presentation) issued by the International Accounting Standards Board (IASB).

The Group followed the same interpretation previously in relation to the put options attributed to minority shareholders of Skyy Spirits, LLC.

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

The strike price of the options is estimated on the basis of contractually agreed earnings multiples, while expected earnings are based on the Group's medium-term growth plans.

Operating working capital

The balance sheet at 31 March 2008 showed working capital of €236.7 million, down €53.6 million from 31 December 2007.

	31 March 2008 € million	31 December 2007 € million	change € million	31 March 2007 € million
Receivables from customers	202.9	280.0	(77.1)	186.0
Inventories	172.8	166.9	5.8	179.2
Payables to suppliers	(138.9)	(156.6)	17.6	(127.6)
Operating working capital	**236.7**	**290.4**	**(53.6)**	**237.6**
Sales year-on-year change	951.9	957.5	(5.6)	946.9
Working capital as % of sales in the previous 12 months	24.9	30.3		25.1

The decrease in working capital between the two dates compared was due mainly to the seasonal nature of the business, and in particular to trade receivables, which stand at their highest level of the year on 31 December.

Conversely, inventories at 31 March are normally higher than at year-end, in anticipation of sales in the important second quarter.

The depreciation of currencies other than the euro during the quarter helped curb working capital, reducing it by €7.4 million.

The comparison with the figure at 31 March 2007 – that is between two periods that have the same seasonal trends – is also positive, and shows that working capital as a percentage of sales fell from 25.1% to 24.9% year-on-year.

EVENTS TAKING PLACE AFTER 31 MARCH 2008

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.

At the same time, the agreement with the previous distributor, Summa S.L., a joint venture set up with the Gonzalez Byass group, was terminated.

Subsequently, on 14 April 2008, the Group formalised the sale of its 30% stake in Summa S.L. to the Gonzalez Byass group.

Winding-up of Campari Teoranta

On 2 April 2008 the Group launched procedures for the winding-up of Campari Teoranta, a Dublin-based financial and services company.

Ordinary shareholders' meeting of the Parent Company

On 29 April 2008 the shareholders' meeting of Davide Campari-Milano S.p.A. approved the full-year results 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% from 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.

OUTLOOK

The results generated by the Group in the first quarter were in line with forecasts, and were affected not only by negative external growth and exchange rate effects, but also by contingent factors announced in advance to the market, which caused a temporary slowdown in organic sales growth.

Taking account of the fact that the first-quarter trend is not generally indicative of the full-year performance of the Group's brands, we report that sales slowed as expected in the first three months of the year.

At present we see no reason to alter the growth forecasts made at the start of this year.

Milan, 14 May 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 first-quarter report accurately represents the figures contained in the Group's accounting records.

Paolo Marchesini
Chief Financial Officer

APPENDICES

Reconciliation between previous and new profit and loss formats for 2007 results

– First quarter 2007
– Second quarter 2007
– Third quarter 2007
– Fourth quarter 2007

– Six months to 30 June 2007
– Nine months to 30 September 2007
– Twelve months to 31 December 2007

Reconciliation between previous and new summary profit and loss formats by business area for 2007 results

– Six months to 30 June 2007
  • Total
  • Spirits
  • Wines
  • Soft drinks
  • Other sales

– Twelve months to 31 December 2007
  • Total
  • Spirits
  • Wines
  • Soft drinks
  • Other sales

Profit and loss accounts for each quarter of 2007

	First quarter 2007		
Previous format	€ million	€ million	New format
Net sales	**196.6**	**196.6**	**Net sales**
Cost of goods sold	(81.7)		
		(88.9)	Cost of goods sold after distribution costs
Gross profit	**114.8**		
		107.6	**Gross profit after distribution costs**
Advertising and promotional costs	(31.8)	(31.8)	Advertising and promotional costs
Sales and distribution costs	(25.3)		
		75.8	**Contribution margin**
Trading profit	**57.7**		
General and administrative costs	(16.0)		
		(34.2)	Structure costs
EBIT before one-offs	**41.7**	**41.7**	**EBIT before one-offs**
Other one-offs: income and charges	0.0	0.0	Other one-offs: income and charges
EBIT	**41.7**	**41.7**	**EBIT**

	Second quarter 2007		
Previous format	€ million	€ million	New format
Net sales	**244.0**	**244.0**	**Net sales**
Cost of goods sold	(103.2)		
		(112.2)	Cost of goods sold after distribution costs
Gross profit	**140.8**		
		131.8	**Gross profit after distribution costs**
Advertising and promotional costs	(48.0)	(48.0)	Advertising and promotional costs
Sales and distribution costs	(26.7)		
		83.8	**Contribution margin**
Trading profit	**66.0**		
General and administrative costs	(14.9)		
		(32.7)	Structure costs
EBIT before one-offs	**51.1**	**51.1**	**EBIT before one-offs**
Other one-offs: income and charges	(1.7)	(1.7)	Other one-offs: income and charges
EBIT	**49.4**	**49.4**	**EBIT**

Previous format	€ million	€ million	New format
	Third quarter 2007		
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 costs	(15.6)		
		(32.8)	Structure costs
EBIT before one-offs	**37.3**	**37.3**	**EBIT before one-offs**
Other one-offs: income and charges	0.4	0.4	Other one-offs: income and charges
EBIT	**37.7**	**37.7**	**EBIT**

Previous format	€ million	€ million	New format
	Fourth quarter 2007		
Net sales	**312.9**	**312.9**	**Net sales**
Cost of goods sold	(133.5)		
		(143.8)	Cost of goods sold after distribution costs
Gross profit	**179.4**		
		169.1	**Gross profit after distribution costs**
Advertising and promotional costs	(57.3)	(57.3)	Advertising and promotional costs
Sales and distribution costs	(28.2)		
		111.8	**Contribution margin**
Trading profit	**94.0**		
General and administrative costs	(20.6)		
		(38.5)	Structure costs
EBIT before one-offs	**73.3**	**73.3**	**EBIT before one-offs**
Other one-offs: income and charges	(1.6)	(1.6)	Other one-offs: income and charges
EBIT	**71.7**	**71.7**	**EBIT**

Cumulative profit and loss accounts at 30 June 2007, 30 September 2007 and 31 December 2007

Profit and loss account at 30 June 2007			
Previous format	€ million	€ million	New format
Net sales	**440.6**	**440.6**	**Net sales**
Cost of goods sold	(185.0)		
		(201.1)	Cost of goods sold after distribution costs
Gross profit	**255.6**		
		239.4	**Gross profit after distribution costs**
Advertising and promotional costs	(79.8)	(79.8)	Advertising and promotional costs
Sales and distribution costs	(52.1)		
		159.6	**Contribution margin**
Trading profit	**123.7**		
General and administrative costs	(31.0)		
		(66.9)	Structure costs
EBIT before one-offs	**92.7**	**92.7**	**EBIT before one-offs**
Other one-offs: income and charges	(1.6)	(1.6)	Other one-offs: income and charges
EBIT	**91.1**	**91.1**	**EBIT**

Profit and loss account at 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 costs	(46.6)		
		(99.7)	Structure costs
EBIT before one-offs	**130.1**	**130.1**	**EBIT before one-offs**
Other one-offs: income and charges	(1.2)	(1.2)	Other one-offs: income and charges
EBIT	**128.8**	**128.8**	**EBIT**

Profit and loss account at 31 December 2007			
Previous format	€ million	€ million	New format
Net sales	**957.5**	**957.5**	**Net sales**
Cost of goods sold	(407.2)		
		(441.4)	Cost of goods sold after distribution costs
Gross profit	**550.3**		
		516.2	**Gross profit after distribution costs**
Advertising and promotional costs	(174.6)	(174.6)	Advertising and promotional costs
Sales and distribution costs	(105.1)		
		341.5	**Contribution margin**
Trading profit	**270.6**		
General and administrative costs	(67.2)		
		(138.1)	Structure costs
EBIT before one-offs	**203.4**	**203.4**	**EBIT before one-offs**
Other one-offs: income and charges	(2.8)	(2.8)	Other one-offs: income and charges
EBIT	**200.6**	**200.6**	**EBIT**

Summary profit and loss accounts by business area at 30 June 2007 and 31 December 2007

Profit and loss accounts at 30 June 2007

Total - 30 June 2007			
Previous format	€ million	€ million	New format
Net sales	440.6	440.6	Net sales
Gross profit	255.6		
		239.4	Gross profit after distribution costs
		159.6	**Contribution margin**
Trading profit	**123.7**		

Spirits - 30 June 2007			
Previous format	€ million	€ million	New format
Net sales	318.7	318.7	Net sales
Gross profit	196.5		
		187.5	Gross profit after distribution costs
		123.4	**Contribution margin**
Trading profit	**97.7**		

Wines - 30 June 2007			
Previous format	€ million	€ million	New format
Net sales	56.9	56.9	Net sales
Gross profit	25.4		
		23.1	Gross profit after distribution costs
		12.3	**Contribution margin**
Trading profit	**5.9**		

Soft drinks - 30 June 2007			
Previous format	€ million	€ million	New format
Net sales	57.4	57.4	Net sales
Gross profit	32.3		
		27.6	Gross profit after distribution costs
		22.5	**Contribution margin**
Trading profit	**18.9**		

Other sales - 30 June 2007			
Previous format	€ million	€ million	New format
Net sales	7.6	7.6	Net sales
Gross profit	1.4		
		1.3	Gross profit after distribution costs
		1.3	**Contribution margin**
Trading profit	**1.3**		

Profit and loss accounts at 31 December 2007

Total - 31 December 2007			
Previous format	€ million	€ million	New format
Net sales	957.5	957.5	Net sales
Gross profit	550.3		
		516.1	Gross profit after distribution costs
		341.5	**Contribution margin**
Trading profit	**270.6**		

Spirits - 31 December 2007			
Previous format	€ million	€ million	New format
Net sales	687.1	687.1	Net sales
Gross profit	424.6		
		405.9	Gross profit after distribution costs
		269.7	**Contribution margin**
Trading profit	**219.3**		

Wines - 31 December 2007			
Previous format	€ million	€ million	New format
Net sales	151.3	151.3	Net sales
Gross profit	65.7		
		59.3	Gross profit after distribution costs
		30.4	**Contribution margin**
Trading profit	**16.6**		

Soft drinks - 31 December 2007			
Previous format	€ million	€ million	New format
Net sales	102.4	102.4	Net sales
Gross profit	56.9		
		48.0	Gross profit after distribution costs
		38.5	**Contribution margin**
Trading profit	**31.8**		

Other sales - 31 December 2007			
Previous format	€ million	€ million	New format
Net sales	16.7	16.7	Net sales
Gross profit	3.2		
		2.9	Gross profit after distribution costs
		2.9	**Contribution margin**
Trading profit	**2.9**		

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