2006 First Quarter Results

Conference call

11 May 2006

Results highlights and sales review

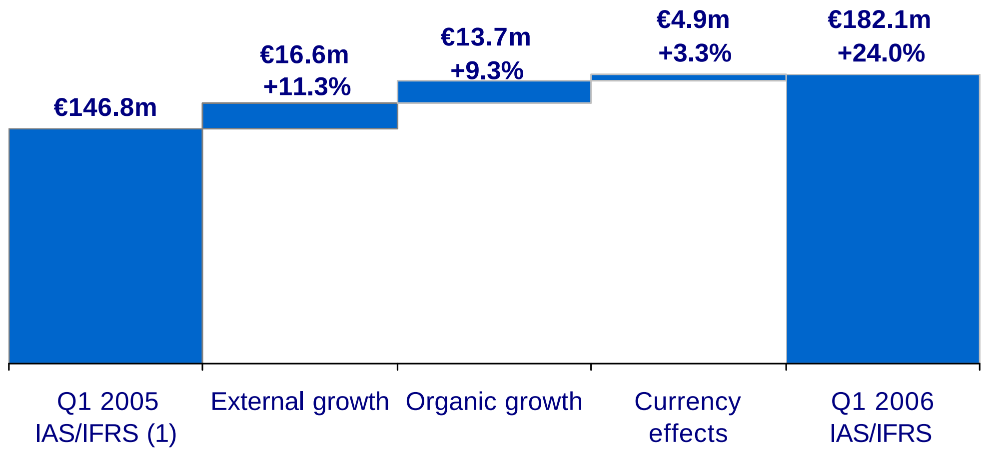
Enzo Visone, CEO

First quarter ended 31 March 2006

IAS/IFRS results	**Q1 2006 € million**	***% change at actual exchange***	***% change at constant exchange***
Net sales	182.1	+24.0%	+20.6%
Trading profit	54.3	+17.4%	+14.9%
EBITDA before one-off's	43.5	+16.3%	+14.4%
EBITDA	43.2	+14.3%	+12.4%
EBIT before one-off's	38.9	+17.5%	+15.8%
Operating profit = EBIT	38.6	+15.3%	+13.6%
Group's pretax profit	34.6	+15.5%	+14.4%

> 2006 first quarter results were extremely positive. They showed **double digit growth** in sales and all profits indicators, before positive currency effects, thanks to **solid organic growth** and positive contribution from new distribution agreements and acquisitions

2006 First quarter net sales growth drivers



(1) € 152.6 m under Italian GAAP. Reclassification of € (5.8) m between net sales and A&P expenses in application of IAS 18. The amounts subject to these reclassifications relate to trade promotions invoiced by customers to the Group.

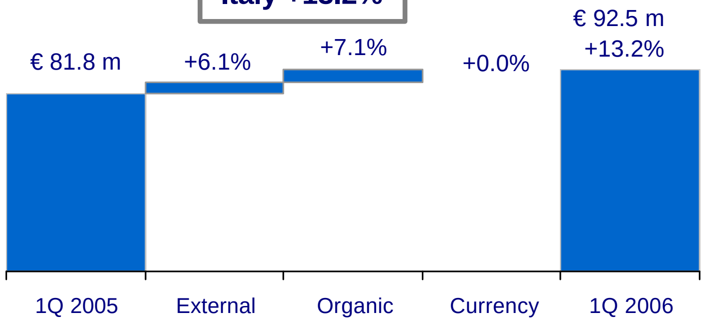
> **Organic growth** is driven mainly by **good performances from most of the core brands**

> **External growth** relates mainly to various **new distribution agreements**

> Positive currency effect is attributable to Brazilian Real and US Dollar

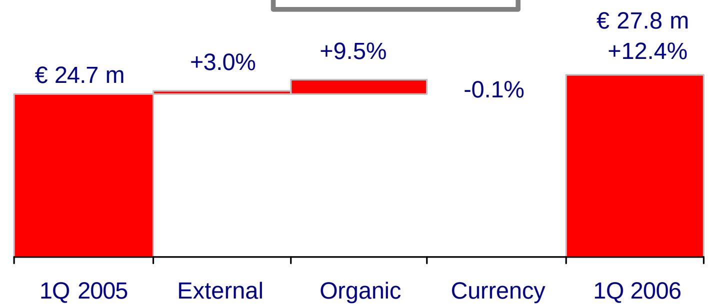
Net sales by region

Italy +13.2%



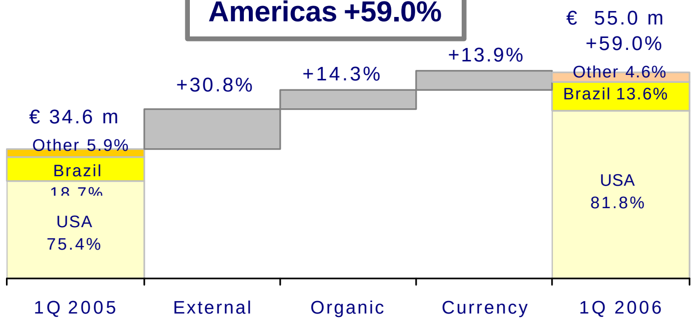
- Positive performance on **Campari**, **Campari Soda**, **Aperol** and soft drinks
- External growth mainly generated by the distribution of **Brown-Forman brands**

Europe +12.4%



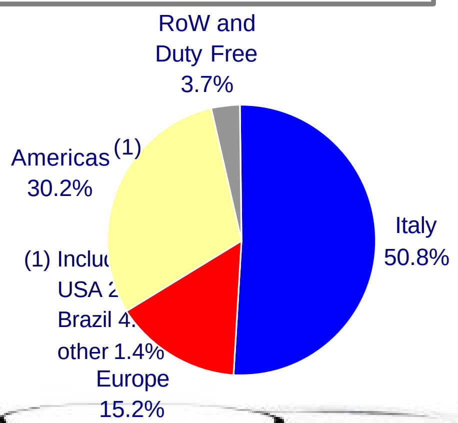
- Positive results **in particular in Germany.** Easy comps in Russian, Austrian and Greek markets due to temporary sales drops in Q1 2005
- External growth mainly generated by **Teruzzi & Puthod** wines

Americas +59.0%



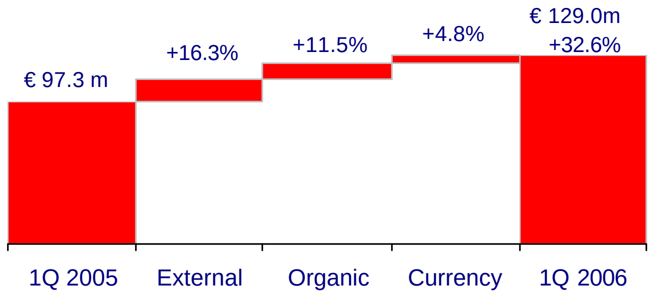
- Organic growth driven by **US (+20.9%),** thanks to solid performance on all brands
- Negative organic change in Brazil (-12.8%) due to tough comparison base (+37.5% in Q1 2005) in a period of low trading activity
- External growth mainly driven by **new distribution contracts in US**

1Q 2006 sales by region € 182.1 m



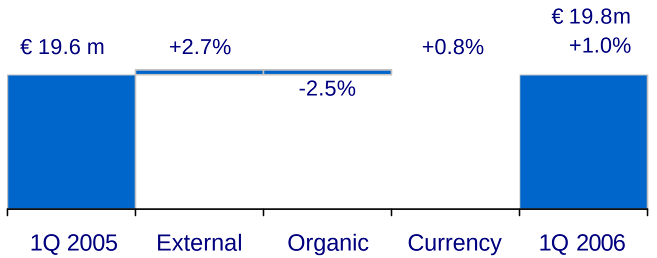
Net sales by segment

Spirits +32.6%



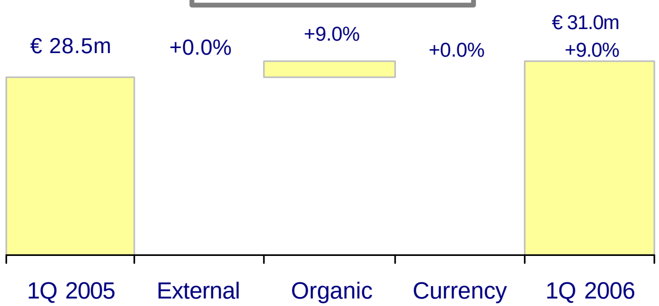
- Organic growth driven by **core brands**
- External growth mainly driven by **new distribution contracts**

Wines +1.0%



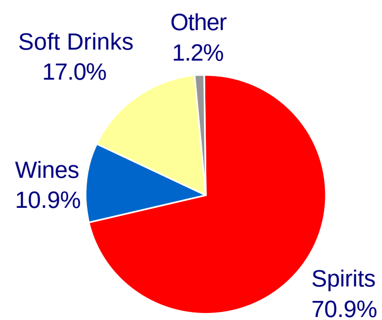
- Slow start on Cinzano in part offset by **Sella & Mosca**
- External growth generated by **Teruzzi & Puthod**

Soft drinks +9.0%



- Positive contribution of **Crodino**, **carbonated soft drinks** and **Lipton Ice Tea**

1Q 2006 sales by segment € 182.1 m



Review of main brands (1 of 2)

% change in value Q1 2006 / Q1 2005	*at constant exchange*	*at actual exchange*	
Spirits			
Campari	*+8.8%*	*+12.1%*	> Solid performance in major markets (Italy, Germany, Brazil).
SKYY	*+22.7%*	*+32.8%*	> Strong growth in the US (+24.0% at costant exchange). US depletions show consistent double digit growth in SKYY core. Strong growth in sales also outside US (+14.2%).
CampariSoda	*+28.6%*	*+28.6%*	> Extraordinary performance for this brand mainly concentrated on the Italian market, also due to different phasing of promotional activities.
Aperol	*+10.4%*	*+10.4%*	> Excellent performance on key Italian market and good progression in other markets.
Brazilian brands	*-17.2%*	*+9.7%*	> Performance for Dreher and admix whiskies sales (in a period of low trading activity) due to tough comparison base.
Cynar	*-12.3%*	*-10.1%*	> Weaker performance on its core markets.
Ouzo 12	*+66.1%*	*+67.0%*	> Positive performance aided by the introduction of the packaging upgrade and easy comps in Greece.
tequila 1800	*+14.9%*	*+25.2%*	> Continuing double digit growth in key US market.
Jägermeister	*-10.7%*	*-10.5%*	> Mainly concentrated on the Italian market.

Review of main brands (2 of 2)

% change in value Q1 2006 / Q1 2005	*at constant exchange*	*at actual exchange*	
Wines			
Cinzano sparkling wines	*-1.0%*	*-1.2%*	> Positive results in Germany offset by weaker performance in Italy.
Cinzano vermouths	*-15.8%*	*-13.6%*	> Slow start in a period of low trading activity, plus tough comparison base.
Sella & Mosca	*+22.1%*	*+22.6%*	> Very positive performance in Italy and international markets.
Soft drinks			
Crodino	*+7.5%*	*+7.5%*	> Solid growth trend sustained by strong brand awaraness and leadership in its core market.
Carbonated soft drinks	*+13.2%*	*+13.2%*	> Positive performance aided by favourable comparison base.
Lipton Ice Tea	*+14.7%*	*+14.7%*	> Low margin agency brand.

Q1 2006 consolidated results

Paolo Marchesini, CFO

Consolidated EBIT

	Q1 2006		Q1 2005		Change at actual exchange	Change at constant exchange
	€ m	%	€ m	%	%	
Net turnover	**182.1**	***100.0%***	**146.8**	***100.0%***	***24.0%***	***+20.6%***
COGS	(78.4)	*-43.1%*	(59.3)	*-40.4%*	*32.3%*	
Gross margin	**103.7**	***56.9%***	**87.6**	***59.6%***	***18.4%***	
Advertising and promotion	(25.4)	*-14.0%*	(21.8)	*-14.8%*	*16.8%*	
Sales and distribution expenses	(24.0)	*-13.2%*	(19.6)	*-13.3%*	*22.5%*	
Trading profit	**54.3**	***29.8%***	**46.2**	***31.5%***	***17.4%***	***+14.9%***
G&A and other operating income/expenses	(15.3)	*-8.4%*	(13.1)	*-8.9%*	*17.1%*	
EBIT before one-off's	**38.9**	***21.4%***	**33.1**	***22.6%***	***17.5%***	***+15.8%***
One-off's (1)	(0.3)	*-0.2%*	0.4	*0.3%*	*-174.9%*	
Operating profit = EBIT	**38.6**	***21.2%***	**33.5**	***22.8%***	***15.3%***	***+13.6%***
Other information:						
Depreciation	(4.5)	*-2.5%*	(4.3)	*-2.9%*	*6.7%*	
EBITDA before one-off's	**43.5**	***23.9%***	**37.4**	***25.5%***	***16.3%***	***+14.4%***
EBITDA	**43.2**	**23.7%**	**37.8**	**25.7%**	**14.3%**	***+12.4%***

(1) According to IAS/IFRS net exceptional income (renamed as one-off's) is reclassified as a component of operating profit.

- > **Gross margin** down from 59.6% to 56.9% on net sales due to perimeter effects (-4.2% on net sales due to new agency brands), in part offset by existing business (+1.5% on net sales due to lower cost of production)
- > **A&P** expenses down from 14.8% to 14.0% due to perimeter effects (new agency brands benefit from A&P third party contributions)
- > **Sales and distribution** at 13.2% on net sales, increasing in line with sales as a result of higher marketing and sales costs
- > Change in **trading profit** is composed of 10.5% organic growth, 4.4% external growth and 2.5% currency effect
- > **G&A and other operating income/expenses** increased by 17.1% also due to currency effects

Consolidated Group’s pretax profit

	Q1 2006		Q1 2005		Change at actual exchange	Change at constant exchange
	€ m	***%***	**€ m**	***%***	***%***	
Operating profit = EBIT	**38.6**	**21.2%**	**33.5**	**22.8%**	**15.3%**	***+13.6%***
Net financial income (expenses)	(3.0)	*-1.6%*	(3.0)	*-2.0%*	*-0.7%*	
Income from associates	(0.2)	*-0.1%*	(0.2)	*-0.1%*	*25.0%*	
Pretax profit	**35.5**	**19.5%**	**30.4**	**20.7%**	**16.8%**	***+15.1%***
Minority interests	(0.9)	*-0.5%*	(0.4)	*-0.3%*	*105.6%*	
Group's pretax profit	**34.6**	**19.0%**	**30.0**	**20.4%**	**15.5%**	***+14.4%***

> **Net financial expenses** unchanged to Q1 2005. Payment of Glen Grant acquisition for €130m occurred on 15 March 2006

> Increase in Skyy **minority interests** due to increase in Skyy’s profits. Reduction in the stake held by third parties is offset by positive currency effects

Financial indebtedness

€ million	31 March 2006	31 December 2005
Cash at bank and marketable securities	378.8	247.5
Borrowings from banks	(345.8)	(112.8)
Real estate leases (current portion)	(3.0)	(3.1)
Private placement and bonds (current portion)	(6.6)	(9.6)
Other assets or liabilities	(1.2)	(1.4)
Total short-term cash/(debt)	**22.1**	**120.6**
Borrowings from banks	(26.1)	(26.7)
Real estate leases	(18.3)	(19.0)
Private placement and bonds	(391.6)	(397.7)
Other financial liabilities	(2.7)	(3.0)
Total medium to long-term cash/(debt)	**(438.7)**	**(446.5)**
Total net cash/(debt) relating to activities	**(416.5)**	**(325.9)**
Debt for eventual exercise for put option on remaining Skyy minority stake [1]	(45.1)	(45.5)
Total net cash/(debt)	**(461.6)**	**(371.4)**

(1) Debt for eventual exercise for put option (expiring in 2007) on remaining 11% minority stake in Skyy Spirits, LLC

> Increase in net financial debt by € 90.2 m due to:

- acquisition of Glen Grant for € 130 m paid in March 2006
- increase in Operating Working Capital of € 21.3 m
- capex of € 5.6 m

Analysis of Operating Working Capital

€ million	31 Mar 2006	31 Dec 2005	Change
Trade receivables	194.0	237.4	(43.4)
Inventories	187.0	135.3	51.7
Trade payables	(137.2)	(150.2)	13.0
Operating Working Capital	**243.8**	**222.5**	**21.3**
Of which:			
Organic change			(14.3)
Currency effects			0.6
Glen Grant (perimeter effect at closing date)[1]			23.6
New distribution agreements			11.4

€ million	31 Mar 2006	31 Dec 2005
Operating Working Capital, adj.[2]	208.2	222.5
Last 12 months sales as of 31 Mar 2006, adj.[3]	834.4	809.9
Adj. OWC / LTM sales	*24.9%*	*27.5%*

(1) Included in the consolidation paid
(2) At constant currency and perimeter
(3) Excluding sales from new distribution agreements

Outlook

Enzo Visone, CEO

Outlook

- > **Positive signs** in the first quarter of 2006 support the **Group's strategy and its deployment through business projects** implemented last year
- > The **positive results** achieved in the first quarter **confirm the outlook for 2006**

We remain **confident for a positive performance in 2006 and the medium term** across our core brands and markets

Supplementary schedules

Schedule - 1	Analysis of net sales growth by segment and region
Schedule - 2	Consolidated income statement
Schedule - 3	Average exchange rates

Supplementary schedule - 1

Net sales analysis by segment and region

Consolidated net sales by segment

	Q1 2006		Q1 2005		Change	of which:		
	€ m	%	€ m	%	%	*external*	*organic*	*currency*
Spirits	129.0	70.9%	97.3	66.2%	**32.6%**	*16.3%*	*11.5%*	*4.8%*
Wines	19.8	10.9%	19.6	13.4%	**1.0%**	*2.7%*	*-2.5%*	*0.8%*
Soft drinks	31.0	17.0%	28.5	19.4%	**9.0%**	*0.0%*	*9.0%*	*0.0%*
Other revenues	2.2	1.2%	1.5	1.0%	**49.6%**	*18.8%*	*29.1%*	*1.8%*
Total	**182.1**	**100.0%**	**146.8**	**100.0%**	**24.0%**	***11.3%***	***9.3%***	***3.3%***

Consolidated net sales by region

	Q1 2006		Q1 2005		Change	of which:		
	€ m	%	€ m	%	%	*external*	*organic*	*currency*
Italy	92.5	50.8%	81.8	55.7%	**13.2%**	*6.1%*	*7.1%*	*0.0%*
Europe	27.8	15.2%	24.7	16.8%	**12.4%**	*3.0%*	*9.5%*	*-0.1%*
Americas (1)	55.0	30.2%	34.6	23.6%	**59.0%**	*30.8%*	*14.3%*	*13.9%*
RoW & Duty Free	6.8	3.7%	5.8	3.9%	**16.8%**	*4.4%*	*10.4%*	*2.0%*
Total	**182.1**	**100.0%**	**146.8**	**100.0%**	**24.0%**	***11.3%***	***9.3%***	***3.3%***

(1) Breakdown of Americas

	Q1 2006		Q1 2005		Change	of which:		
	€ m	%	€ m	%	%	*external*	*organic*	*currency*
USA	45.0	81.8%	26.1	75.4%	**72.5%**	*40.7%*	*20.9%*	*10.9%*
Brazil	7.5	13.6%	6.5	18.7%	**15.7%**	*0.3%*	*-12.8%*	*28.3%*
Other countries	2.5	4.6%	2.0	5.9%	**23.1%**	*1.2%*	*15.9%*	*6.0%*
Total	**55.0**	**100.1%**	**34.6**	**100.0%**	**59.0%**	**30.8%**	**14.3%**	**13.9%**

Supplementary schedule - 2

Consolidated income statement

	Q1 2006		Q1 2005		Change
	€ m	%	€ m	%	%
Net sales (1)	**182.1**	**100.0%**	**146.8**	**100.0%**	**24.0%**
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Notes:
(1) Net of discounts and excise duty

Supplementary schedule - 3

Average exchange rates

	Q1 2006	Q1 2005	% change
Brazilian Real : 1 Euro	2.640	3.497	
Euro : 1 Brazilian Real	0.3788	0.2859	32.5%
US dollar : 1 Euro	1.202	1.311	
Euro : 1 US dollar	0.8319	0.7631	9.0%

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