Interim report on operations
at 31 March 2011

CONTENTS

Highlights

	31 March 2011 € million	31 March 2010 € million	Change %	% change at constant exchange rates
Net sales	**268,4**	**233,6**	**14,9**	**13,0**
Contribution margin	109.2	93.7	16.5	14.5
EBITDA before non-recurring items	69.4	59.1	17.4	13.4
EBITDA	**68.5**	**58.6**	**17.0**	**12.9**
Result from recurring activities	61.6	52.3	17.9	13.1
Operating result	**60.8**	**51.8**	**17.4**	**12.4**
Operating margin (operating result /net sales)	**22.6%**	**22.2%**		
Group profit before tax	**50.5**	**43.3**	**16.6**	**10.6**

	31 March 2011 € million	31 December 2010 € million
Net debt	618.7	677.0

Corporate officers

Board of Directors [1]

Luca Garavoglia	Chairman
Robert Kunze-Concewitz	Managing Director and Chief Executive Officer
Paolo Marchesini	Managing Director and Chief Financial Officer
Stefano Saccardi	Managing Director and General Counsel and Business Development Officer
Eugenio Barcellona	Director and member of the Remuneration and Appointments Committee[4]
Enrico Corradi	Director, member of the Remuneration and Appointments Committee[4], and member of the Audit Committee[5]
Karen Guerra	Director
Thomas Ingelfinger	Director, member of the Remuneration and Appointments Committee[4], and member of the Audit Committee[5]
Marco P. Perelli-Cippo	Director and member of the Audit Committee[5]

Board of Statutory Auditors [2]

Pellegrino Libroia	Chairman
Enrico Colombo	Standing Auditor
Carlo Lazzarini	Standing Auditor
Giovanni Bandera	Alternate Auditor
Graziano Gallo	Alternate Auditor
Emilio Gnech	Alternate Auditor

Independent auditors[3]

PricewaterhouseCoopers S.p.A.

[1] The nine members of the Board of Directors were appointed on 30 April 2010 by the shareholders' meeting and will remain in office for the three-year period 2010-2012. Luca Garavoglia was appointed Chairman and granted powers in accordance with the law and the Company's articles of association.

The Board of Directors, at a meeting held on the same date, gave Managing Directors Robert Kunze-Concewitz, Paolo Marchesini and Stefano Saccardi the following powers for three years until approval of the 2012 accounts:

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

[2] The Board of Statutory auditors was appointed on 30 April 2010 by the shareholders' meeting for the three-year period 2010-2012.

[3] On 30 April 2010 the shareholders' meeting appointed PricewaterhouseCoopers S.p.A. as its independent auditors for the nine-year period 2010-2018.

[4][5] The Remuneration and Appointments Committee and the Audit Committee were appointed, for the three year period 2010-2012, by the Board of Directors on 30 April 2010.

Interim report on operations

Significant events in the period

Launch of Aperol Spritz

At the end of February 2011, the Group launched Aperol Spritz, a new product in which the ingredients of the famous aperitif - Aperol, Prosecco DOC and soda water - are offered to consumers already mixed and ready-to-drink in an innovatively packaged 17.5 cl bottle with an easy-open top.

The new product has, for the time being, only been launched on the Italian and Austrian markets, and is intended to increase domestic consumption of the now well-known aperitif, Aperol Spritz, which is enjoyed throughout Europe.

Acquisition of Vasco CIS in Russia

On 1 March 2011, the Group acquired an 80% stake in Vasco CIS, a wines and spirits import and distribution company based in Moscow.

The deal was worth € 6.4 million, of which € 0.4 million relates to the purchase of shares, and the remaining portion represents the acquired company's trade payables to suppliers.

The agreement also gives call and put options on the remaining 20%, on condition that the objectives stated in the contract are met.

Based on the estimates currently available, the value of the options that may be exercised in 2012 is € 1.8 million.

Vasco CIS, a small company but one with a consolidated presence in this market, forms a solid basis from which the Campari Group can develop a distribution platform in the important Russian market in the future.

The transfer of the Campari Group's brands from their current distributors in this market to the new company will commence in 2011 and will be completed by 2012.

Sale of the minority stake in the joint venture Focus Brands Trading (India) Private Limited

On 28 March 2011, in execution of a settlement agreement, the 26% stake in Focus Brands Trading (India) Private Limited, held by DI.CI.E Holding B.V., was sold.

Prior to this, the Group has already terminated the contractual business relationship through which the joint venture Focus Brands Trading (India) Private Limited had been the licence-holder for the local production of Old Smuggler and had a distribution agreement for the Group's other products in India.

The transaction was in line with the expected values and cost provisions made in the consolidated financial statements for the year ending 31 December 2010.

Merger of Zedda Piras S.p.A. into Sella & Mosca S.p.A.

To continue the process of streamlining and simplifying the corporate structure of the Campari Group, the Board of Directors of Azienda Vitivinicola Tenute Sella&Mosca S.p.A. and the Board of Directors of Zedda Piras S.p.A. have agreed and prepared a merger proposal, the primary aim of which is to make the Group's financial and balance sheet structure more efficient and functional, and to combine the manufacturing and commercial activities of the two companies.

The planned merger will take place via the incorporation of Zedda Piras S.p.A. into Azienda Vitivinicola Tenute Sella&Mosca S.p.A. and will be carried out, pursuant to article 2501-*quater* of the Italian Civil Code, on the basis of the balance sheets of the two companies at 31 December 2010.

Purchase of own shares

From 1 January to 31 March 2011 sales of a total of 472,558 own shares were carried out.

At 31 March 2011, the Parent Company held 1,804,622 own shares, equivalent to 0.3% of the share capital.

Sales performance

Overall performance

The Group's sales in the first quarter of 2011 totalled € 268.4 million, an increase of 14.9% compared with the first quarter of 2010, thus marking an extremely positive start to the year.
On a same-structure basis and at constant exchange rates, i.e. stripping out the positive contribution of the recent acquisitions and the depreciation of the euro, the Group posted double-digit growth of 10.5%, as shown in the table below.

	€ million	% change versus first quarter of 2010
Net sales in the first quarter of 2011	268.4	
Net sales in the first quarter of 2010	233.6	
Total change	**34.8**	**14.9%**
of which		
organic growth	24.6	10.5%
external growth	5.8	2.5%
exchange rate effect	4.4	1,9%
Total change	**34.8**	**14.9%**

To summarise briefly, the main factors behind this good result were the performance of the main brands of spirit and the Cinzano vermouth, and conditions on the German, Australian and Russian markets.
Moreover, it should be noted that the organic growth of 10.5% achieved by the Group in the first quarter of 2011 is particularly significant, given that it occurred on the back of double-digit organic growth of 14.5% already achieved in the first quarter of 2010.
The table below sets out the organic growth posted in each quarter, compared with the same period of the previous year.

Organic growth - % change	2011/2010	2010/2009
First quarter	+10.5%	+14.5%
Second quarter		+4.3%
Third quarter		+3.7%
Fourth quarter		+12.0%
Total for the year		**+8.4%**

The acquisitions made in the last 12 months, together with new distribution agreements (taking into account the agreements that ended during the year), generated external growth of 2.5%.
Following the acquisition of Vasco CIS in Russia on 1 March 2011, the sales made by this new company, totalling € 1.3 million, were also recorded during the quarter, and were allocated entirely to third-party brands.
The table below shows a breakdown of external growth, totalling € 5.8 million, into the two components of growth attributable to the Group's brands (€ 6.6 million) and third-party brands, which had a total net negative impact of € 0.8 million on first-quarter sales.

Sales in the first quarter of 2011: breakdown of external growth	€ million
Former C&C brands: Carolans, Frangelico and Irish Mist	6.6
Sub-total - Group brands	**6.6**
Termination of distribution of Tullamore Dew	-1.7
Third-party brands in Russia (Vasco CIS)	1.3
Other third-party brands, including Disaronno in Germany, Sagatiba cachaca in Brazil and new still wines	0.7
Copacking: net balance of assets transferred (Frangelico production for C&C) and new agreements	-1.1
Sub-total - third-party brands	***-0.8***
Total external growth	**5.8**

The change in average exchange rates had a positive impact of 1.9% on sales in the first quarter, due to the fall in the value of the euro against all the Group's major currencies except the Argentine peso, which declined against the euro compared with the first quarter of 2010.

The positive exchange rate effect was limited, however, given that the appreciation of the US dollar, the Group's main currency, was limited to an average of 1.3% for the quarter. During the quarter the US dollar reversed the trend, which led to a depreciation against the euro of 5.1% at 31 March. In light of the current euro/US dollar exchange rate, it is likely that the positive effect on sales in the first quarter will disappear over the year.
The table below compares the changes in exchange rates for the Group's most important currencies, both as a spot rate at 31 March and as an average figure for the period.

Exchange rates for the period	**1 January - 31 March 2011**	**1 January - 31 March 2010**	**% change**
US$ x € 1 average for the period	1.367	1.384	1.3%
US$ x € 1 at 31 March 2011	1.421	1.348	-5.1%
BRL x € 1 average for the period	2.279	2.495	9.5%
BRL x € 1 at 31 March 2011	2.306	2.404	4.3%
CHF x € 1 average for the period	1.287	1.464	13.7%
CHF x € 1 at 31 March 2011	1.301	1.428	9.8%
CNY x € 1 average for the period	8.997	9.451	5.0%
CNY x € 1 at 31 March 2011	9.304	9.201	-1.1%
GBP x € 1 average for the period	0.853	0.887	3.9%
GBP x € 1 at 31 March 2011	0.884	0.890	0.7%
ARS x € 1 average for the period	5.485	5.312	-3.2%
ARS x € 1 at 31 March 2011	5.753	5.223	-9.2%
AUD x € 1 average for the period	1.360	1.531	12.6%
AUD x € 1 at 31 March 2011	1.374	1.474	7.3%
MXN x € 1 average for the period	16.491	17.685	7.2%
MXN x € 1 at 31 March 2011	16.928	16.657	-1.6%

Sales by region

First-quarter sales were extremely positive in Europe, the Americas and the Rest of the world and duty free, but declined slightly in the Italian market.
The two tables below provide a breakdown of sales by region, with the impact of organic growth, external growth and exchange rate movements shown separately in the second table.

	1 January - 31 March 2011		1 January - 31 March 2010		% change
	€ million	%	€ million	%	2011/2010
Italy	101.1	37.7%	104.2	44.6%	-2.9%
Rest of Europe	61.3	22.8%	43.9	18.8%	39.7%
Americas	83.9	31.3%	72.1	30.9%	16.4%
Rest of the world and duty free	22.1	8.2%	13.5	5.8%	64.4%
Total	**268.4**	**100.0%**	**233.6**	**100.0%**	**14.9%**

Breakdown of % change		% change		
	Total	organic growth	external growth	exchange rate effect
Italy	-2.9%	-2.9%	0.0%	0.0%
Rest of Europe	39.7%	32.2%	6.3%	1.2%
Americas	16.4%	10.3%	3.2%	2.9%
Rest of the world and duty free	64.4%	44.9%	5.6%	13.9%
Total	**14.9%**	**10.5%**	**2.5%**	**1.9%**

In **Italy**, sales in the first quarter of 2011 were down by 2.9%, totalling € 101.1 million.
Overall, the 2011 calendar, with Easter at the end of April (in 2010, it fell on the first week of April), is expected to have a not insignificant adverse effect on sales in the first quarter of 2011, although the impact of this will vary across the different product categories.
Among the main brands, Campari and, in particular, Aperol confirmed the favourable sales performance seen throughout 2010, which was supported by the positive trend in the consumption of aperitifs.
Conversely, Campari Soda and Crodino declined in the first quarter of the year, as did the entire wines segment.
Changes in the basis of consolidation did not have a significant impact on the quarter's sales.

In the **Rest of Europe**, sales put in a distinctly positive performance, totalling € 61.3 million, a total increase of 39.7%; this was due almost entirely to the solid organic growth of 32.2% and the good performance achieved in the Group's two main markets of Germany and Russia, as well as in Switzerland, Austria and Spain.

In Germany, Aperol continues to enjoy exceptional success, but the results were also positive for some of the Group's other important brands, such as Campari and Ouzo 12.
In Russia, first-quarter sales were extremely positive due to the favourable trend in consumption, as well as to the effect of orders being placed slightly earlier by distributors ahead of the renewal of import licences, which generally takes place in June for all operators.
Cinzano and Campari benefited from this situation in particular, and will continue to be marketed by local third-party distributors for the whole of 2011. Distribution of the Group's other brands, however, will progressively transfer to the new subsidiary Vasco CIS in 2011, starting with the GlenGrant and Old Smuggler whiskies.
The region's sales also benefited from a modest favourable exchange rate effect (1.2%) and external growth (6.3%), due mainly to sales of the former C&C brands, acquired in October 2010 (Carolans, Frangelico and Irish Mist) and, to a lesser extent, to third-party brands distributed by Vasco CIS in Russia.

Sales of the **Americas** region totalled € 83.9 million, an increase of 16.4% compared with the same period last year.
The two tables below show the trends in each of the two main markets, the US and Brazil, and in the "Other countries" segment within the Americas, and a breakdown of the growth components for each of the three sub-regions.

	1 January - 31 March 2011		1 January - 31 March 2010		% change
	€ million	%	€ million	%	2011/2010
US	54.4	64.8%	48.0	66.6%	13.3%
Brazil	17.5	20.9%	17.3	24.1%	1.0%
Other countries	12.0	14.3%	6.7	9.3%	78.7%
Total	**83.9**	**100.0%**	**72.1**	**100.0%**	**16.4%**

Breakdown of % change	% change			
	Total	organic change	external growth	exchange rate effect
US	13.3%	9.5%	2.5%	1.3%
Brazil	1.0%	-8.7%	1.2%	8.5%
Other countries	78.7%	65.5%	13.3%	-0.1%
Total	**16.4%**	**10.3%**	**3.2%**	**2.9%**

Sales in the **US** increased by 13.3%, due mainly to good organic growth (9.5%), especially for the SKYY Vodka and Wild Turkey brands.
External growth and exchange rate effects also made a contribution to growth, of 2.5% and 1.3% respectively; external growth was due in particular to the former C&C brands, with a positive contribution from Carolans and Frangelico that more than offset the termination of the distribution of Tullamore Dew.
In **Brazil**, sales in the first quarter of 2011 increased by 1.0% overall; this was the result, however, of an 8.7% decline in organic growth, offset by a significant positive exchange rate effect of 8.5%. The decline that occurred locally does not at the moment give cause for concern, due to the positive trend in consumption and the limited significance of sales in the first quarter of the year.
Note also that early 2011 suffers from a particularly unfavourable comparison base with the first quarter of 2010, when organic growth in sales was exceptional (335.8%).
Sales in **other countries in the Americas region** rose by 78.7% in total, due to organic growth of 65.5% and external growth of 13.3%, attributable respectively to the good results achieved in the two main markets of Argentina and Canada. Sales in this area are relatively modest (only € 12.1 million in total for the quarter) and, therefore, specific positive events could have an impact that, in percentage terms, may be quite significant.
The Argentine market, which continues to report positive results for all the Group's brands, is driven to a large extent by sales of Cinzano, the distribution of which was taken over by Campari Argentina S.A. from licensed third parties on 1 September 2010.
In Canada, on the other hand, a positive contribution came from external growth, due to the sales of the former C&C brands acquired on 1 October 2010.

The **Rest of the world and duty free** region achieved sales of € 22.1 million, with growth of 64.4% compared with the first quarter of 2010; 44.9% of this was due to the organic growth of the Group's brands, 5.6% to sales of former C&C brands acquired at the end of 2010 and a significant 13.9% to the positive exchange rate effect.
The excellent results achieved by the Group in this region broadly relate to the establishment of Campari Australia Pty. Ltd., which became operational on 1 April 2010. The new company, which progressively took over the direct distribution of all the Group's brands for the Australian market, ensured that the business was managed more efficiently in Australia and all the markets in the Asia-Pacific region during the quarter.

The good overall result achieved in the first quarter of 2011 is therefore partly due to the favourable comparison base with the same period last year, which was effectively a complex transition period, but is certainly due partly to the positive performances achieved by the Group's brands in the individual markets.

Sales by business area

The Group's positive sales performance in the first quarter of 2011 (+14.9%) was attributable to growth in spirits (+16.0%) and wines (+32.7%), i.e. the two segments that together represent around 90% of the Group's sales.
Conversely, soft drinks, which make up 9.6% of the total and other sales, an increasingly marginal segment, reported a decline compared with the first quarter of 2010.
The two tables below show changes in sales by business area and a breakdown of the overall change in each business area by organic growth, external growth and the effect of exchange rate movements.

	1 January -31 March 2011		1 January - 31 March 2010		% change
	€ million	%	€ million	%	2011/2010
Spirits	206.5	76.9%	178.1	76.2%	16.0%
Wines	34.3	12.8%	25.8	11.1%	32.7%
Soft drinks	25.9	9.6%	27.8	11.9%	-7.0%
Other sales	1.7	0.7%	1.9	0.8%	-2.4%
Total	**268.4**	**100.0%**	**233.6**	**100.0%**	**14.9%**

Breakdown of % change	% change			
	Total	organic growth	external growth	exchange rate effect
Spirits	16.0%	10.5%	3.2%	2.3%
Wines	32.7%	29.8%	1.6%	1.3%
Soft drinks	-7.0%	-7.1%	0.0%	0.1%
Other sales	-2.4%	11.2%	-16.1%	2.3%
Total	**14.9%**	**10.5%**	**2.5%**	**1.9%**

Spirits

Spirits sales totalled € 206.5 million, an increase of 16.0% compared with the first quarter of 2010.
The strong rise in sales in this business area was achieved through organic growth of 10.5%, as well as a favourable exchange rate effect (2.3%) and a positive contribution from external growth (3.2%).
External growth was positive overall, and this is attributable to sales of former C&C brands, i.e. the positive impact from additional sales of Carolans and Frangelico (acquired by the Group on 1 October 2010), which was partly offset by the negative impact of the termination of the distribution of Tullamore Dew in the US (from 1 January 2011).

In terms of the sales performance of the Group's main brands, **Campari** achieved growth of 3.5% at constant exchange rates and 5.4% at actual exchange rates, due to the revaluation of the Brazilian real.
In its three main markets, the brand recorded excellent results in Germany, satisfactory growth in Italy and a contraction in sales in Brazil.
Of the markets deemed to offer significant development potential, it is worth noting the good sales performance achieved in Argentina.

Sales of the **SKYY** brand, which includes the SKYY Infusions range, increased by 8.4% at constant exchange rates and 10.3% at actual exchange rates: this positive difference was the result of the sharp revaluation of the Brazilian real and the more modest revaluation of the US dollar.
In the US, which accounts for around 85% of SKYY sales, sales figures for the quarter were up 6.3%, with sales of the SKYY Infusions range outpacing the core SKYY Vodka brand.
In its other markets, SKYY sales continued to perform extremely well in Italy, Germany and Brazil, a market where the brand was only launched in 2009 but which has recorded very pleasing results.

In the first quarter of the year, **Aperol** sales grew by 57.1% (57.5% at actual exchange rates), with the period seeing a further acceleration over the remarkable and consistent growth rate achieved in recent years.
The Italian market, where the brand continues to enjoy double-digit growth, now accounts for less than 60% of total sales volumes following the extraordinary rise in consumption seen in Germany and, to a lesser extent, Austria.
Initiatives to strengthen the brand in high-potential international markets, by investing in communication and conducting tasting activities in the on-premise channel, were intensified during the quarter.

Sales of **Campari Soda**, which are almost entirely concentrated on the Italian market, started the year with a decline of 6.2% compared with the first quarter of 2010 (-6.1% at actual exchange rates).
The brand remains the undisputed market leader in single-serving carbonated aperitifs on the Italian market and the drop in sales during the period, which is not reflected in the Nielsen sell-out data, can be attributed to the fact that promotional activities were planned differently from the previous year.

The **Wild Turkey** franchise put in a very positive sales performance in the first quarter of the year; once the ready-to-drink range and American Honey liqueur are included, the brand achieved growth of 43.1% (52.3% at actual exchange rates, largely due to the sharp revaluation of the Australian dollar).
The core Wild Turkey brand, which enjoyed overall growth of 11.6% (17.3% at actual exchange rates), achieved a good increase in sales in both the US (+6.8%) and in Japan and Australia, the brand's other two main markets.
The Wild Turkey ready-to-drink line, which is currently sold only in Australia and New Zealand, had an excellent quarter due to positive local consumption trends. The comparison with the first quarter of last year is particularly favourable, although the comparison is not on a fully like-for-like basis: last year Campari Australia Pty. Ltd. was not yet operational, so the Group's business in relation to the Wild Turkey ready-to-drink range consisted of the sale of Wild Turkey whisky as a semi-finished good to third parties, which then bottled it and distributed it on the local market.
Finally, American Honey, which saw total growth of 30.0% (34.2% at actual exchange rates), reported very satisfactory results, both in the US, where the Group has decided to significantly strengthen its investments in marketing, and in Australia, where the rise in consumption has exceeded initial expectations.

Sales of the **Brazilian brands** Old Eight, Drury's and Dreher posted a contraction of 15.7% (-7.7% at actual exchange rates), with a more marked decline in sales for the two whisky brands than for Dreher.
As already mentioned in the section on sales by geographical area, it seems likely that the particularly slow start to the year for sales of the Group's brands in Brazil can be made up during the rest of the year, especially since the first quarter accounts for a very small share of local business for the entire year.

Sales of **GlenGrant** also saw a contraction in the first quarter of 2011 of 6.8% at constant exchange rates and 6.2% at actual exchange rates, caused by the poor results achieved in the three main markets of Italy, France and Germany.
In this case the dip in the Group's sales, which is emphasised by the fact that this is traditionally a period of modest trading activity, was due to the lack of holiday sales in the first quarter of the year (with Easter falling at the end of April this year), which are of some significance for the whisky category.
In Italy, the market that accounts for more than 50% of the brand's sales, short-term figures confirm a positive performance overall: the negative trend in whisky consumption continued, but GlenGrant strengthened its position as market leader.

Old Smuggler closed the first quarter with growth of 27.1% (26.0% at actual exchange rates), largely driven by the good results achieved in Argentina, the brand's main market.
The lower growth figure at actual exchange rates is the result of the devaluation of the Argentine peso, which is the only currency to lose value against the euro in terms of average exchange rates compared with the first quarter of 2010.

Ouzo 12 posted growth of 3.4% at constant exchange rates (3.8% at actual exchange rates) following strong sales figures in Germany, which has long been by far the largest market for this brand.

Sales of **Cynar** went down by 6.4% at constant exchange rates (2.8% at actual exchange rates): the difference in the rate of contraction was due to the revaluation of the Brazilian real and the Swiss franc, as well as the good sales performance achieved in these two markets.
However, sales for the quarter were down in Italy and Germany.

Sales of **Cabo Wabo** also declined in the first quarter of the year by 4.6% at constant exchange rates and 3.2% at actual exchange rates.
However, it is important not to overlook the positive medium-term trend for the brand in the US (which accounts for around 90% of total sales) following the redesign of the product packaging and price increase implemented during 2010.

Staying with the tequila market in the US, Espolón posted a good sales performance: this brand was added to the Group's product portfolio following the acquisition of Destiladora San Nicolas, S.A. de C.V. in Mexico at the end of 2008 and was relaunched in the premium tequila segment of the US market at a lower price than Cabo Wabo.

Sales of **X-Rated Fusion Liqueur**, which are almost entirely concentrated in the US market, declined by 11.3% in local currency (-10.0% at actual exchange rates).

The start of 2011 saw a decrease in sales of the Group's other spirit brands, which are largely concentrated on the Italian market, such as Aperol Soda, Barbieri liqueurs and Zedda Piras.

There were conflicting trends for the main third-party brands distributed by the Group in the first quarter of 2011, specifically:

- sales of Jack Daniel's, which is distributed mainly on the Italian market, fell by 4.6%, or 4.8% at actual exchange rates, which includes the exchange rate effect of the Argentine peso, although the brand is continuing to grow in Argentina;
- Jägermeister, which is distributed exclusively on the Italian market, declined by 8.2%;
- sales of Scotch whisky (Cutty Sark and Morrison Bowmore), which is distributed in the US, increased sharply by 29.3% at constant exchange rates (30.1% at actual exchange rates);
- sales of Suntory brands, which are also mainly distributed in the US, advanced by 10.2% (+11.8% at actual exchange rates);
- sales of Russian Standard, which is distributed in the Group's main European markets, dipped 20.7% (-19.8% at actual exchange rates);
- sales of Licor 43, which is mainly distributed in Germany, rose by 26.0% (+26.2% at actual exchange rates).

Note that the former C&C brands acquired on 1 October 2010 from William Grant & Sons, i.e. **Carolans**, **Irish Mist** and **Frangelico**, were already distributed by the Group in certain key markets (e.g. Carolans in the US) prior to the acquisition and, as such, were included in sales of third-party brands distributed by the Group, along with Tullamore Dew (distribution of which was transferred from the Group to William Grant & Sons, the new owners of the brand, as of 1 January 2011).
In relation to this acquisition, therefore, external growth – representing the total additional sales deriving from the former C&C brands – includes both sales in new markets of brands previously distributed in other markets and the change in sales in already established markets of brands that were previously distributed by the Group and are now Group brands (e.g. Carolans in the US).
In summary, in the first quarter of 2011 the Group achieved total sales of former C&C brands amounting to € 10.9 million, whereas the same figure for the year before, including Tullamore Dew, was € 6.0 million.

Wines
Sales of wines in the first quarter of 2011 totalled € 34.3 million, up sharply (32.7%) on the same period of the previous year.
This result is almost entirely attributable to the organic growth of the business (+29.8%), and is driven largely by the Cinzano brand, as external growth and the exchange rate effect contributed just 1.6% and 1.3% respectively.

Sales of **Cinzano vermouth** in the first quarter of 2011 more than doubled compared with the previous year (114.5% at constant exchange rates, 115.1% at actual exchange rates) as a result of the combination of two particularly positive effects.
On the one hand, orders from Russia grew solidly due to the strong trend in consumption and the effect of orders being placed slightly earlier by distributors ahead of the renewal of import licences, which generally takes place in June for all operators in the sector.
On the other hand, a strong boost was provided by sales in Argentina, where the Group started to sell the brand directly in September 2010, following the early termination of the licence agreement previously granted to a third party.

Sales of **Cinzano sparkling wines** grew by 3.6% (+4.2% at actual exchange rates), once again largely due to the good performance achieved in Russia, which offset the slight decline posted in Germany and Italy.
Note that in the first quarter of the year sparkling wines only benefited slightly from sales connected with the Easter holidays, which fell at the end of April.

Riccadonna started 2011 with growth of 32.0% (43.4% at actual exchange rates), which is fully attributable to the main market Australia, where first-quarter sales benefited from a return to normality in the distribution structure; Campari Australia Pty. Ltd. was fully operational during the quarter, whereas Group sales for the same period of 2010 suffered the effect of a reduction in orders by distributors in view of the imminent expiry of distribution contracts.

Mondoro, with Russia as its main market, saw its sales rise by 121.7% (+122.6% at actual exchange rates); this result can once again be attributed to the strong recovery in consumption, as well as – to a certain extent – to incidental factors relating to the renewal of import licences for sector operators, as discussed earlier.

Sales of **Odessa** sparkling wines, which are produced and sold by the Group in Ukraine, declined by 8.0% at constant exchange rates and by 6.1% at actual exchange rates in the first quarter.

As for still wines, 2011 started with a 19.0% drop in sales for **Sella&Mosca** (-18.9% at actual exchange rates), largely due to a lag in orders in export markets.
However, there were positive performances from **Cantina Serafino** (+13.4%) and **Teruzzi&Puthod** (+16.3%), as well as the start of new agreements to distribute third-party brands on the Italian market.

Soft drinks
In the first quarter of 2011, sales of soft drinks totalled € 25.9 million, down 7.0% compared with 2010 (-7.1% stripping out a marginally positive exchange rate effect).

The drop in sales was due to the decline of 9.0% posted by **Crodino**, the main brand in this segment (8.9% at actual exchange rates).
However, the brand remains the undisputed market leader in single-serving non-alcoholic aperitifs on the Italian market and the drop in sales during the period, which is not reflected in the Nielsen sell-out data, can be attributed to the fact that promotional activities were planned differently from the previous year.

The **Lemonsoda** range of drinks reported a drop in sales of 1.3%, although this quarter is traditionally a period of modest trading activity, whereas sales of Crodo mineral waters were up.

Other sales
The other sales segment made a very marginal contribution in the first quarter of the year with revenues of € 1.7 million, representing just 0.7% of total Group sales.
From March 2011, in addition to the sale of raw materials and semi-finished goods to third parties and co-packing activities on behalf of third parties, this segment also includes the sale of finished products that do not fall into the spirits, wines and soft drinks categories that represent the Group's core business.
These sales, which are achieved in Russia through Vasco CIS, partly offset sales relating to the contract to bottle Frangelico on behalf of C&C, which was terminated following the acquisition of the brand by the Group on 1 October 2010.

Income statement

The Group’s income statement for the first quarter of 2011 is extremely positive, showing growth in all profitability indicators.
The operating result grew solidly by 17.4% compared with the previous year, and even once the positive impact of external growth and the exchange rate effect have been stripped out, organic growth is still in double figures (+11.0%).

	31 March 2011		31 March 2010		Change
	€ million	%	€ million	%	%
Net sales	268.4	100.0	233.6	100.0	14.9
Cost of goods sold, after distribution costs	(112.3)	-41.8	(100.0)	-42.8	12.4
Gross profit, after distribution costs	156.1	58.2	133.6	57.2	16.8
Advertising and promotional costs	(46.9)	-17.5	(39.9)	-17.1	17.7
Contribution margin	109.2	40.7	93.7	40.1	16.5
Overheads	(47.6)	-17.7	(41.5)	-17.8	14.7
Result from recurring activities	**61.6**	**23.0**	**52.3**	**22.4**	**17.9**
Non-recurring income (charges)	(0.8)	-0.3	(0.5)	-0.2	-
Operating result	**60.8**	**22.6**	**51.8**	**22.2**	**17.4**
Net financial income (charges)	(10.3)	-3.8	(8.3)	-3.6	23.5
Profit (loss) of companies valued at equity	0.1	0.0	(0.0)	0.0	-
Put option charges	-	0.0	(0.1)	0.0	-
Profit before tax and minority interests	50.6	18.8	43.4	18.6	16.6
Minority interests	(0.1)	0.0	(0.1)	0.0	-
Group profit before tax	**50.5**	**18.8**	**43.3**	**18.5**	**16.6**
			-		
Total depreciation and amortisation	(7.7)	-2.9	(6.8)	-2.9	14.0
EBITDA before non-recurring items	**69.4**	**25.8**	**59.1**	**25.3**	**17.4**
EBITDA	**68.5**	**25.5**	**58.6**	**25.1**	**17.0**

Net sales for the quarter came in at € 268.4 million, an increase of 14.9%, due to significant organic growth of 10.5%, external growth of 2.5% and a positive exchange rate effect of 1.9%.
For more details on these effects and on sales by region and business area, please refer to the section above.

In the two periods under comparison, the **cost of goods sold** showed a very positive trend, falling as a percentage of sales by 100 basis points from 42.8% last year to 41.8% in 2011.
This improvement was due partly to the Group's ability to contain the rise in production costs, but above all to a favourable sales mix attributable to the strong performance of Aperol spirits, the Wild Turkey franchise and the former C&C brands.
The cost of goods sold also includes a distribution cost component, which rose as a percentage of sales compared with the previous year, partly as a result of the consolidation of Campari Australia Pty. Ltd., which began its distribution activities in the second quarter of 2010.

Gross profit, which came in at € 156.1 million, grew by 16.8%, rising more than sales (+14.9%) due to the containment of the cost of goods sold.

Advertising and promotional costs increased as a percentage of sales from 17.1% in the first quarter of 2010 to 17.5% in the first quarter of 2011.
It should be noted that the first quarter of the year is normally not very significant, but the figure for the start of 2011 is headed in the direction that was expected and reflects the Group's target of increasing advertising spending.

The **contribution margin** for the quarter came to € 109.2 million, representing an overall advance of 16.5% on 2010, broken down as follows:
- organic growth of 10.6%;
- external growth of 3.9%;
- a positive exchange rate effect of 2.0%.

Overheads, which include sales and general and administrative expenses, increased by 14.7% in the quarter, although overheads as a proportion of sales fell slightly, from 17.8% in 2010 to 17.7% in 2011.
The large increase in overheads in absolute terms does, however, include external growth of 2.6%, caused by the start-up of commercial operations in Australia, which only took place in the second quarter of 2010, and an exchange rate effect of 2.5%.
On a same-structure basis and at constant exchange rates, overheads nevertheless saw a significant rise of 9.6% (which was therefore lower than organic sales growth for the period of 10.5%). This rise includes the impact of the strengthening of sales organisations that began during 2010 and the effect of the variable sales costs component, represented by commission paid to agents on the basis of turnover.

The **result from recurring activities** was € 61.6 million, a rise of 17.9% compared with last year. Net of changes in the basis of consolidation (+4.9%) and exchange rate effects (+1.5%), this profitability indicator grew by 11.4%.

Non-recurring income and charges showed a net negative balance of € 0.8 million, mainly caused by restructuring costs (the same figure for 2010 was a negative balance of € 0.5 million).

The **operating result** came in at € 60.8 million in the first quarter of 2011, an increase of 17.4% compared with the same quarter of 2010. Stripping out the effects of changes in the basis of consolidation (+5.0%) and exchange rates (+1.4%), the Group operating result grew by 11.0%.
The operating margin (operating result as a percentage of net sales), came in at 22.6%, a rise of 40 basis points on the 22.2% recorded in 2010.

Total **depreciation and amortisation** were higher than last year, and stood at € 7.7 million (compared with € 6.8 million for the first quarter of 2010).

EBITDA before non-recurring items increased by 17.4% (+15.8% at constant exchange rates) to € 69.4 million. **EBITDA** came in at € 68.5 million, up 17.0% (+15.5% at constant exchange rates).

Net financial charges stood at € 10.3 million in the first quarter of 2011, higher than the € 8.3 million registered in the same period of 2010.
The increase in financial charges is linked partly to the Group's higher average debt level following the acquisition of the former C&C brands on 1 October 2010, and partly to the progressive rise in interest rates; the average cost of debt in the first quarter, which includes a greater negative carry (due to an average return on cash investment that is lower than the cost of debt), came in at 6.3%.

The Group’s portion of **profits or losses of companies valued at equity** was an immaterial amount in the two periods under comparison.
During the quarter, the Group sold its share of the joint venture Focus Brands Trading (India) Private Limited, which operates in India. As a result, in 2011 the only entity valued at equity is a commercial joint venture that distributes products made by the Group and its partners in the Netherlands.

Charges for put options were an insignificant amount in 2011.
The figure for 2010 was € 0.1 million, and the item related to the portion of profit pertaining to minority shareholders of Cabo Wabo, LLC, which is now wholly owned by the Group.

Minority interests for the period were low, at € 0.1 million, and the same as in the first quarter of 2010.

Group profit before tax was up 16.6% year-on-year, at € 50.5 million (+14.9% at constant exchange rates).

Financial situation

Breakdown of net debt

	31 March 2011 € million	31 December 2010 € million	Change
Cash and cash equivalents	255.4	259.7	(4.3)
Payables to banks	(25.2)	(38.4)	13.2
Real estate lease payables	(3.6)	(3.4)	(0.2)
Short-term portion of private placement	(5.9)	(6.2)	0.3
Other financial receivables and payables	20.7	(10.7)	31.4
Short-term net cash position	241.3	201.0	40.3
Payables to banks	(0.4)	(0.4)	0.0
Real estate lease payables	(3.2)	(4.4)	1.2
Private placement and bond	(850.7)	(869.0)	18.3
Other financial receivables and payables	(0.5)	(0.7)	0.2
Medium-/long-term net debt	(854.8)	(874.5)	19.7
Debt relating to operating activities	(613.5)	(673.6)	60.1
Payables for the exercise of put options and potential earn-out payments	(5.2)	(3.4)	(1.8)
Net debt	(618.7)	(677.0)	58.3

The Group's net debt at 31 March 2011 came in at € 618.7 million, € 58.3 million lower than the figure of € 677.0 million reported at 31 December 2010.
The improvement of € 58.3 million is the combined result of an increase of € 40.3 million in the short-term net cash position due to the cash generated during the period and a reduction in medium-/long-term net debt of € 19.7 million, largely due to the positive effect of the devaluation of the US dollar on the debt component denominated in that currency (which alone was worth € 16.7 million during the quarter).
The Group's net financial position shows separately a financial payable relating to the possible future exercise of a put option by the minority shareholders of Vasco CIS and the possible recognition of earn-outs mainly connected to the acquisition of Cabo Wabo.
At 31 March 2011, this payable amounted to € 5.2 million, a rise of € 1.8 million compared with 31 December 2010 following the acquisition of Vasco CIS during the quarter.

Operating working capital

The table below shows figures at 31 March 2011, 31 December 2010 and 31 March 2010; operating working capital is shown, for each period, as a proportion of sales over the previous 12 months.

	31 March 2011 € million	31 December 2010 € million	Change € million	31 March 2010 € million	Change € million
Receivables from customers	237.1	269.4	(32.3)	192.5	44.6
Inventories	305.8	294.9	10.9	289.2	16.6
Trade payables	(178.6)	(187.4)	8.8	(175.9)	(2.8)
Operating working capital	**364.3**	**376.8**	**(12.5)**	**305.8**	**58.4**
Sales in the previous 12 months	1,197.9	1,163.0	34.9	1,051.9	146.0
Operating working capital as % of sales in the previous 12 months	30.4	32.4		29.1	

Operating working capital at 31 March 2011 was € 364.3 million, a decrease of € 12.5 million compared with 31 December 2010.
Once the exchange rate effect and external growth are stripped out, working capital posted a more modest decrease during the quarter of € 2.8 million.
The devaluation of the US dollar and the Brazilian real meant that exchange rate effects led to a reduction in working capital of € 13.6 million, while external growth in the form of the consolidation of Vasco CIS resulted in an increase of € 3.9 million.

The trend towards a reduction in working capital seen between the two dates under comparison is partly the result of seasonal effects that caused a drop in the value of trade receivables (which are at their highest at 31 December), partly offset by an increase in inventories.
At 31 March 2011, operating working capital amounted to 30.4% of net sales in the previous 12 months, compared with 32.4% at 31 December 2010.
Operating working capital at 31 March 2011 increased by € 58.4 million compared with the same period the previous year.
At 30.4%, operating working capital in 2011 represented a higher percentage of sales than in March 2010, when the figure was 29.1%. This was largely due to the start-up of commercial activities by Campari Australia Pty. Ltd. during the second quarter of 2010, which led to a significant increase in receivables from customers and inventories in the second of the two quarters under comparison.

Events taking place after the end of the period

Ordinary shareholders' meeting of the Parent Company

On 29 April 2011, the ordinary shareholders' meeting of Davide Campari-Milano S.p.A. approved the full-year results for the year ending 31 December 2010 and agreed the distribution of a dividend of € 0.06 per share outstanding.
This dividend is in line with the dividend paid for 2009.
The total dividend, calculated on the shares outstanding and excluding own shares (4,127,716 shares) is € 34,600,337.

Acquisition of the Cazalis and Reserva San Juan brands in Argentina

On 10 May 2011, the Group finalised the acquisition of the aperitif Cazalis and the brandy Reserva San Juan in Argentina from Destiladora Internacional S.A. for USD 1.5 million. These brands were already distributed by Campari Argentina S.A., which will now also carry out production at its Capilla del Senor facility.

Outlook

Although the results for the first quarter of the year relate to what is traditionally a period of modest trading activity and are therefore generally not significant in terms of forecasting the final results for the year ahead, this was without doubt a strong first quarter. It allows us to pursue the ambitious targets that we have set for 2011 with a certain degree of confidence, and confirms that the excellent sales results achieved in the fourth quarter of 2010 were supported by positive consumption figures for the Christmas period.
More specifically, the first quarter of 2011 performed well under the challenging comparison with the first quarter of 2010, which saw organic growth of 14.5%, while also benefiting from a very unusual situation on the Russian market, which has shown not only a recovery in consumption but also the effect of slightly earlier orders from distributors ahead of the renewal of import licences, which generally takes place in June for all operators in the sector.
Looking ahead to the rest of 2011, we expect that the Group's main drivers of growth, i.e. the aperitifs portfolio in the European market, SKYY Vodka in North and South America, and Wild Turkey in the US and Australia, will continue to post good result in line with forecasts.
It is worth noting that the next two quarters, in which major launches of new products, relaunches of recently acquired products and the peak sales period for the aperitifs portfolio are concentrated, will be a particularly busy time for the Group and will require a keen focus from the sales and marketing organisations operating in the various countries.
The Group will ensure that all the brands are sufficiently supported by increased investment in communication.
In short, in terms of expectations for the 2011 results and in light of the fact that risks and opportunities remain broadly balanced for the rest of the year, the Group is optimistic that it will once again achieve satisfactory results.

Sesto San Giovanni (MI), Thursday 12 May 2011

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