Interim report on operations

at 31 March 2012

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Highlights

	31 March 2012 € million	31 March 2011 € million	% change	% change at constant exchange rates
Net sales	**279.3**	**268.4**	**4.0**	**2.4**
Contribution margin	117.0	109.2	7.1	4.6
EBITDA before non-recurring items	71.4	69.4	2.9	-0.1
EBITDA	**70.1**	**68.6**	**2.2**	**-0.8**
Result from recurring activities	63.8	61.6	3.4	0.2
Operating result	**62.4**	**60.8**	**2.7**	**-0.7**
Operating margin (operating result/net sales)	**22.4%**	**22.6%**		
Group profit before tax	**52.8**	**50.4**	**4.6**	**0.1**

	31 March 2012 € million	31 December 2011 € million
Net debt	589.5	636.6

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. At the same shareholders' meeting, Luca Garavoglia was appointed Chairman and granted powers in accordance with the law and the Company's articles of association for the three-year period 2010-2012.
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 during the period

Continuation of the process to streamline the Group's structures

As part of the ongoing process to streamline the Group's structure, on 1 January 2012 Rare Breed Distilling LLC and Cabo Wabo LLC were merged into Skyy Spirits LLC, which changed its trading name to Campari America.
On the same date, Camargen SRL was also merged into Campari Argentina SA.
The company name of the Russian subsidiary, Vasco (CIS) OOO, was also changed to Campari Rus OOO.

New bottling plants

On 23 February 2012, the Group announced an investment plan for the Wild Turkey production site at Lawrenceburg in Kentucky (US), with the aim of bringing in-house the bottling of major Group brands, including Wild Turkey and SKYY, an activity currently performed by third parties.
The investment, to be spread over three years, totals approximately USD 41 million, net of USD 2.4 million in financial incentives from the Kentucky authorities for the creation of new jobs.
The plant's production capacity, which is projected to initially handle up to four million nine-litre cases, will support future demand for Group products in North America and the rest of the world, in response to the growth in Wild Turkey, American Honey, Russell's Reserve, Rare Breed and SKYY Vodka.
The new facility is scheduled to open in the autumn of 2013.
The Group has also decided to build a new plant in Scotland to handle the bottling of Glen Grant whiskies in house.
The new line is set to be operational in the second half of 2013, with the investment totalling GBP 4.9 million.

Purchase of own shares

From 1 January to 31 March 2012, the Company sold 1,183,545 own shares.
At 31 March 2012, the Parent Company held 2,163,020 own shares, equivalent to 0.4% of the share capital.

Sales performance

Overall performance

Consolidated net sales totalled € 279.3 million in the first quarter of 2012, an increase of 4.0% on the previous year. On a same-structure basis and at constant exchange rates, organic growth was 2.8%. As the following table shows, exchange rate variations had a positive effect of 1.6%; however, the net change in external growth had a negative effect of 0.4%.

	€ million	% change vs. first quarter of 2011
Net sales in the first quarter of 2012	279.3	
Net sales in the first quarter of 2011	268.4	
Total change	10.9	4.0%
of which		
organic growth	7.5	2.8%
external growth	-1.0	-0.4%
exchange rate effect	4.4	1,6%
Total change	10.9	4.0%

The following table shows organic growth by quarter, compared with the same period of the previous year, from the first quarter of 2010 to the first quarter of 2012.

Organic growth - % change	2012/2011	2011/2010	2010/2009
First quarter	+2.8%	+10.5%	+14.5%
Second quarter		+13.6%	+4.3%
Third quarter		+7.3%	+3.7%
Fourth quarter		+5.2%	+12.0%
Total for the year		**+8.8%**	**+8.4%**

Although organic growth was 2.8%, sales in the first quarter of 2012 grew less strongly than in the first quarter of 2011, due to a number of incidental factors and the effects of the financial crisis.
First of all, sales in the first quarter of 2012 suffered from a particularly challenging comparison base with the excellent performance in the first quarter of 2011, when organic growth was 10.5% due to exceptionally strong sales of Aperol in Germany and the various positive effects of changes in distribution structures in Russia, Argentina and Australia.
Secondly, sales in Brazil in early 2012 were particularly weak, due to the high level of early ordering in December 2011 in expectation of price increases made in January 2012.
Thirdly, in the context of the Italian credit crunch and to monitor credit risk more closely, the Group substantially reduced a major promotional activity in the traditional sales channel, based on more favourable payment terms and normally carried out in March. This had an unavoidable, significant impact on sales in the final and most important month of the quarter.
Lastly, the current recession has inevitably caused a generalised decline in confidence and consumption, not only in Italy, but also in certain major southern European markets.

Of the Group's key brands, Wild Turkey put in the best performance in the first quarter of this year, with robust double-digit growth, while the SKYY franchise and Aperol also performed well.

External growth had a limited effect overall, with a negative net balance of € 1.0 million (0.4%), due entirely to third-party brands, as shown in the table below.

Sales in the first three months of 2012: breakdown of external growth	€ million
Third-party brands in Russia (Campari RUS LLC)	1.3
New still wines in Italy	0.5
Termination of distribution of Cutty Sark in the US	-2.1
Termination of distribution of other agency brands	-0.8
Sub-total - third-party brands	-1.0
Total external growth	-1.0

Changes in average exchange rates had a positive effect on sales in the first quarter of 2012 of € 4.4 million (+1.6%), due to the appreciation against the euro of the US dollar (+4.3%), the Australian dollar (+9.5%) and the Swiss franc (+6.6%). These trends more than offset depreciation in the currencies of the main countries of Central and South America, i.e. Brazil, Argentina and Mexico.

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	First quarter 2012	First quarter 2011	% change
US$ x € 1 average for the period	1.311	1.367	4.3%
US$ x € 1 average at 31 March	1.336	1.421	6.4%
BRL x € 1 average for the period	2.316	2.279	-1.6%
BRL x € 1 at 31 March	2.432	2.306	-5.2%
CHF x € 1 average for the period	1.208	1.287	6.6%
CHF x € 1 at 31 March	1.205	1.301	8.0%
CNY x € 1 average for the period	8.271	8.997	8.8%
CNY x € 1 at 31 March	8.409	9.304	10.6%
GBP x € 1 average for the period	0.835	0.853	2.2%
GBP x € 1 at 31 March	0.834	0.884	6.0%
ARS x € 1 average for the period	5.691	5.485	-3.6%
ARS x € 1 at 31 March	5.842	5.753	-1.5%
AUD x € 1 average for the period	1.242	1.360	9.5%
AUD x € 1 at 31 March	1.284	1.374	7.0%
MXN x € 1 average for the period	17.014	16.491	-3.1%
MXN x € 1 at 31 March	17.022	16.928	-0.6%
RUB x € 1 average for the period	39.541	40.003	1.2%
RUB x € 1 at 31 March	39.295	40.285	2.5%

Sales by region

All regions registered a positive performance in the first quarter of 2012, while the Rest of the world and duty free region achieved robust double-digit growth (+36.6%).

	First quarter 2012		First quarter 2011		% change
	€ million	%	€ million	%	2012/2011
Italy	101.6	36.4%	101.1	37.7%	0.5%
Rest of Europe	62.2	22.3%	61.3	22.8%	1.4%
Americas	85.3	30.5%	83.9	31.3%	1.7%
Rest of the world and duty free	30.2	10.8%	22.1	8.2%	36.6%
Total	279.3	100.0%	268.4	100.0%	4.0%

Sales in **Italy** in the first quarter of 2012 totalled € 101.6 million, representing 36.4% of the Group total, with growth of 0.5% compared with the first quarter of 2011.

The following table shows the sales performance in Italy, broken down into four business segments and, for each of these, shows both absolute values and percentage changes, separating the effect of organic growth from changes in structure and the exchange rate effect.

Italy	First quarter 2012 € million	First quarter 2011 € million	Total change	Organic growth	External growth	Exchange rate effect
Spirits	69.8	69.8	0.0%	0.3%	-0.2%	0.0%
Wines	6.2	6.4	-3.3%	-9.5%	6.2%	0.0%
Soft drinks	25.6	24.9	2.8%	2.8%	0.0%	0.0%
Total	101.6	101.1	0.5 %	0.3 %	0.2 %	0.0 %

Generally speaking, sales in **Italy** in the first quarter of this year were largely flat, which is a satisfactory result given the current macroeconomic situation in the country, as pointed out above.
Organic growth was 0.3% in the first quarter of 2012, compared with a contraction of 2.9% on a same-structure basis in the first quarter of last year.
Sales of **spirits**, specifically, were in line with the first quarter of last year, with organic growth of 0.3% and negative external growth of 0.2%.
Among the core brands, Aperol (+7.3%) and Campari (+4.8%) performed well, while growth in Aperol Spritz, launched at the start of 2011, was extremely positive (+18.7%). Sales of Campari Soda were down (-6.4%), as were sales of all the other brands. The slight negative change in external growth was due to the discontinuation of distribution of Russian Standard vodka.
Sales of **wines** contracted by 3.3%, due to a 9.5% downturn in organic growth, which was offset by external growth of 6.2%. This reflected the positive impact of new major agreements for marketing third-party still wine brands.
The negative organic growth was attributable to both the Cinzano brand, which is not a concern since this is seasonally a quarter of low sales of sparkling wines, and Sella & Mosca wines, which have suffered from the sharp contraction in the restaurant channel.
Soft drinks closed the quarter with growth of 2.8%, due to a modest but significant positive signal in sales of Crodino (+1.0%), and a good result for the Lemonsoda drinks range (+9.2%); it was also supported by successful product innovation and favourable weather conditions.
There was no activity in the **other sales** segment in Italy during the quarter.

In the rest of **Europe**, sales totalled € 62.2 million in the first quarter of 2012, up 1.4% compared with the same quarter a year previously, which was attributable to external growth (+1.6%) and the exchange rate effect (+0.8%). There was a slight contraction in organic growth in the period (-1.0%). However, the region overall had a very challenging basis for comparison, since organic growth was 32.2% in the first quarter of 2011.
Of the key markets, Germany saw growth of 2.0% (organic: +1.9%), while Russia contracted by 8.7% (organic: -23.0%). Sales in Switzerland and Austria were very good, with respective increases of 27.5% (organic: 28.0%) and 28.9% (total and organic).
With regard to the important Russian market, the transition from third-party distributors to an in-house marketing structure has been taking place gradually, partly during 2011 and partly - for the core brands – since 1 January 2012. There were therefore two different situations: sales in the first quarter of 2011 were extremely high, as both third-party distributors had stepped up their orders in view of the imminent discontinuation of the distribution agreement; Group sales in the first quarter 2012, by contrast, were affected by the seasonal sales drive carried out by distributors in the market in the final part of 2011.

Rest of Europe	First quarter 2012 € million	First quarter 2011 € million	Total change	Organic growth	External growth	Exchange rate effect
Spirits	41.3	39.8	4.0%	3.3%	-0.1%	0.8%
Wines	18.2	19.8	-8.0%	-10.3%	1.7%	0.7%
Soft drinks	1.2	0.9	30.4%	27.2%	0.0%	3.1%
Other sales	1.5	0.9	64.4%	-10.5%	74.2%	0.7%
Total	62.2	61.3	1.4 %	-1.0%	1.6%	0.8%

In terms of business area, **spirits** posted overall sales growth of 4.0%, including organic growth of 3.3% and a positive exchange rate effect of 0.8% (mainly due to appreciation of the Swiss franc).
Among the Group brands, nearly all the core brands (Aperol, SKYY Vodka, Ouzo, Cynar and Old Smuggler) registered positive organic growth, with the important exceptions of Campari, which saw its sales decline on the key German market, and Frangelico, which contracted sharply in Spain. Among the third-party brands, Liquor 43 performed well in Germany.

In **wines**, meanwhile, sales contracted by 8.0% overall (-10.3% on a same-structure basis and at constant exchange rates), mainly reflecting a steep drop in sales of Cinzano (Vermouth and sparkling wines) and of Mondoro in Russia, which was mentioned in the first part of this section.
Among the very positive results in the quarter, the double-digit growth achieved by Cinzano sparkling wines in Germany was particularly strong.
The organic decline was partially offset by external growth of 1.7% and a modest positive exchange rate effect of 0.7%. External growth was due to sales of third-party brands by Campari Rus LLC in Russia (only consolidated from the beginning of March in 2011).
The **soft drinks** segment, while limited in size in this region, achieved growth of 30.4%, due to the launch of the Lemonsoda range in Switzerland and Austria.
The **other sales** segment, which is equally small, saw growth of 64.4% in Europe, mainly due to third-party products sold in Russia, which are in this segment because they cannot be included in the Group's three other businesses.

Sales in the **Americas** totalled € 85.3 million, growing by 1.7% overall compared with the first quarter of 2011.

Americas	First quarter 2012 € million	First quarter 2011 € million	Total change	Organic growth	External growth	Exchange rate effect
Spirits	80,1	78,5	2,0%	2,2%	-2,7%	2,5%
Wines	4,2	4,7	-9,8%	-5,0%	-2,6%	-2,2%
Other sales	1,0	0,7	37,5%	37,9%	0,0%	-0,5%
Total	85,3	83,9	1,7 %	2,1%	-2,6%	2,2%

As the table above shows, around 94% of sales in this region are in spirits.
To provide a more detailed analysis of the region, including by business area, it is considered more efficient to provide the figures for the two main markets (US and Brazil) and the additional region of other countries on the American continent by way of the following two tables.

	First quarter 2012		First quarter 2011		% change
	€ million	%	€ million	%	2012/2011
US	57.6	67.5%	54.4	64.8%	5.9%
Brazil	11.7	13.8%	17.5	20.9%	-33.0%
Other countries	16.0	18.7%	12.0	14.3%	32.9%
Total Americas	85.3	100.0%	83.9	100.0%	1.7%

Breakdown of % change	Total	Organic growth	External growth	Exchange rate effect
US	5.9%	5.4%	-3.8%	4.3%
Brazil	-33.0%	-31.9%	0.0%	-1.1%
Other countries	32.9%	36.9%	-1.4%	-2.6%
Total Americas	1.7%	2.1%	-2.6%	2.2%

The **US**, which represented 67.5% of total sales on the American continent in the quarter and more than 20% of the Group total, registered total growth of 5.9% and organic growth of 5.4%. Again, the comparison with the first quarter of 2011 was particularly challenging since the US registered excellent organic growth of 9.5% in this period.
The positive performance achieved on this market is attributable to strong results from the key brands, i.e. the Wild Turkey franchise (+9.6%, with an outstanding performance by American Honey) and the SKYY brand (+4.5%). The other brands for which the US market is key, i.e. Carolans (+28.95), Espolon (+44.9%) and Campari (+24.7%), also did well in the reporting period; however, sales of Frangelico (-13.7%) and Cabo Wabo (-5.5%) contracted, although Cabo Wabo registered positive depletions.
Of the key brands distributed by third parties, Suntory and Flor de Cana had a positive quarter, while sales of Bowmore were down.
External growth was negative at -3.8%, due to the discontinuation of distribution of Cutty Sark in June 2011, while the appreciation in the US dollar had a positive effect of 4.3% on first-quarter sales.

Sales in **Brazil** in the first quarter of 2012 contracted sharply on the previous year, by 31.9% at constant exchange rates and by 33.3% at actual exchange rates (due to a slight depreciation of 1.1% in the Brazilian real).
As a result, the relative contribution of sales in this region fell to 13.8% of the total for the American continent and to just over 4% of the Group total. The first quarter of 2011 also saw a contraction in organic sales, but this was limited to -8.7%.

With the sole exception of SKYY Vodka, the downturn in 2012 affected the sales of all the core brands. This general trend (in a quarter that is, however, of little significance for the Brazilian market) was mainly due to strong early purchasing by distributors in December, in anticipation of the price increases that came into effect in January.
However, the sales situation was also influenced by cooling consumption, related to a clear slowdown in the country's growth.

The **sales of other countries on the American continent**, however, continued to show a positive trend overall, rising by 32.9% in total in the quarter, with organic growth at 36.9%.
This growth was attributable to the three key markets of Argentina, Canada and Mexico, but the contribution of countries for which the outlook is interesting, such as Peru and Chile, is becoming substantial.
In Argentina, Campari and Old Smuggler registered strong growth of 56.5% and 57.7% respectively. The local brands acquired by the Group in 2011 also performed well, while Cinzano saw a slight sales contraction (-4.5%).
The quarterly performance in Canada was very positive; this growth was entirely due to the Group's two core brands in this market, SKYY Vodka and Carolans, while growth in Mexico continued to be driven by excellent growth in the SKYY Blue ready-to-drink product.
The slight negative change in external growth in this sub-region (-1.4%) was caused by discontinuation of third-party brand distribution in Argentina, while the negative exchange rate effect (-2.6%) was due to the depreciation of the Argentine peso and the Mexican peso.

Although the **rest of the world and duty free** region remains small in comparison to the other regions, it continued to systematically increase its share of total Group sales: in the first quarter of 2012, it accounted for 10.8% of this total, compared with 8.2% in the first quarter of 2011.
Sales growth in the period totalled 36.6% and, stripping out a strong positive exchange rate effect of 9.4% (due to appreciation of the Australian dollar), organic growth was still strong at 27.2%.
The region had also achieved robust organic growth in double digits in the first quarter of 2011 (+44.9%).
All five key markets in the region (in order: Australia, Japan, the duty free channel, China and South Africa) registered double-digit growth in 2012.
At business area level, only spirits and wines were material in this region, as shown in the following table.

Rest of the world and duty free	First quarter 2012 € million	First quarter 2011 € million	Total change	Organic growth	External growth	Exchange rate effect
Spirits	26.2	18.5	42.0%	32.2%	0.0%	9.8%
Wines	3.8	3.4	10.9%	3.2%	0.0%	7.7%
Soft drinks	0.1	0.0	59.0%	59.0%	0.0%	0.0%
Other sales	0.2	0.2	-19.5%	-24.5%	0.0%	5.0%
Total	30.2	22.1	36.6 %	27.2%	0.0%	9.4%

Sales of **spirits** increased by 42.0%, and by 32.2% excluding the positive exchange rate effect. This strong growth was mainly due to the Australian market (which registered organic growth of 27.4%), and the excellent result achieved by the entire Wild Turkey franchise, and particularly ready-to-drink products. However, Campari, SKYY Vodka, Frangelico and Aperol also made significant contributions.
Growth in **wines** was much lower, at +10.9% at actual exchange rates and +3.2% at constant exchange rates.
The main brand, Riccadonna, closed the quarter broadly in line with the previous year, with strong growth in Australia balanced out by a contraction in New Zealand. Growth in this segment mainly resulted from good sales of Cinzano sparkling wines (in China and in the duty free channel) and of Sella & Mosca wines (again in China and in Japan).

Consolidated sales by business area and by key brand

The Group's positive sales performance of +4.0% in total for the first quarter of 2012 is attributable to growth in spirits (5.3%) and soft drinks (3.9%), while wines saw a contraction of 5.5%. 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 2012		1 January - 31 March 2011		% change
	€ million	%	€ million	%	2012/2011
Spirits	217.4	77.9%	206.5	76.9%	5.3%
Wines	32.4	11.6%	34.3	12.8%	-5.5%
Soft drinks	26.9	9.6%	25.9	9.6%	3.9%
Other sales	2.6	0.9%	1.8	0.7%	44.3%
Total	279.3	100.0%	268.4	100.0%	4.0%

Breakdown of % change	Total	Organic growth	External growth	Exchange rate effect
Spirits	5.3%	4.4%	-1.1%	2.0%
Wines	-5.5%	-8.1%	1.8%	0.8%
Soft drinks	3.9%	3.8%	0.0%	0.1%
Other sales	44.3%	6.9%	36.7%	0.7%
Total	4.0%	2.8%	-0.4%	1.6%

Spirits

Sales of spirits totalled € 217.4 million. The increase of 5.3% was due to organic growth of 4.4% and a positive exchange rate effect of 2.0%, whereas external growth had a negative effect of 1.1% (mainly due to the discontinuation of distribution of Cutty Sark in the US).

In addition to the previous comment on the sales performance of the key brands in each region, the following is a **summary of the trend in consolidated net sales of the key brands** in the first quarter of 2012.

Group spirit brands Q1 sales in 2012 vs. Q1 sales in 2011	Change at constant exchange rates	Change at actual exchange rates
Campari	0.9%	1.4%
SKYY Vodka (including the infusion range)	8.9%	12.9%
Aperol (excluding Aperol Spritz)	7.4%	7.7%
Aperol Spritz	32.4%	32.4%
Campari Soda	-6.3%	-6.3%
Wild Turkey franchise	24.0%	32.7%
of which Wild Turkey core brand	8.4%	15.2%
of which Wild Turkey ready-to-drink	41.2%	54.6%
of which American Honey	49.0%	57.2%
Brazilian brands (Old Eight, Drury's and Dreher)	-37.5%	-38.4%
Former C&C brands	4.1%	8.0%
of which Carolans	23.9%	28.6%
of which Frangelico	-10.1%	-6.7%
GlenGrant	1.3%	2.3%
Old Smuggler	40.0%	38.7%
Ouzo12	0.1%	0.5%
Cynar	-14.1%	-13.5%
Cabo Wabo	-6.6%	-2.7%
Espolon	56.2%	62.4%
X-Rated Fusion Liqueur	17.9%	22.7%

Meanwhile, the third-party spirit brands distributed by the Group registered total organic growth of 8.7% at constant exchange rates and on a same-structure basis compared to the year before, and 9.3% at actual exchange rates and on a same-structure basis. In absolute terms, growth was only 1.2% in this segment, due to the negative impact of discontinued distribution agreements, mainly for Cutty Sark.

The main brands registered the following trends (organic changes at constant exchange rates):

Third-party spirit brands Q1 sales in 2012 vs. Q1 sales in 2011	Change at constant exchange rates	Change at actual exchange rates
Jack Daniel's	7.7%	7.5%
Jägermeister	3.4%	3.4%
Bowmore	-17.5%	-15.0%
Suntory brand	23.5%	27.9%
Licor 43	38.0%	38.2%
Russian Standard	7.1%	7.6%

Wines

In the first quarter of 2012, sales of wines were € 32.4 million, down 5.5% compared with the first quarter of last year. On a same-structure basis and at constant exchange rates compared with the previous year, the sales contraction was more pronounced (-8.1%), since exchange rates had a positive effect in the quarter (+0.8%), as did external growth (+1.8%); the latter result was due to new third-party still wine distribution agreements in the Italian market and to the portfolio of third-party wines distributed in Russia.
The following is a **summary** of the **consolidated sales performance of the key brands**:

Group wine brands Q1 sales in 2012 vs. Q1 sales in 2011	Change at constant exchange rates	Change at actual exchange rates
Cinzano sparkling wines	3.2%	3.8%
Cinzano vermouth	-24.0%	-24.0%
Riccadonna	7.7%	13.9%
Mondoro	-31.3%	-30.5%
Sella & Mosca	8.5%	8.9%
Odessa	8.8%	12.2%

In wines, the agency brands, which still account for only 4.7% of total sales in the segment, registered organic growth of 3.2% in the first quarter. The strategy of growth, including by expanding the portfolio to include new third-party brands for distribution, also led to the conclusion of major new contracts for 2012: external growth in third-party wines was 71.6% in the reporting period.

Soft drinks

In the first quarter of 2012, sales of soft drinks totalled € 26.9 million, up 3.9% compared with the first quarter of 2011 (3.8% stripping out a marginally positive exchange rate effect).
The following is a summary of the key brand trends.

Group soft drink brands Q1 sales in 2012 vs. Q1 sales in 2011	Change at constant exchange rates	Change at actual exchange rates
Crodino	1.2%	1.3%
Lemonsoda drinks range	12.4%	12.6%
Mineral waters and other drinks	-20.3%	-20.3%

Other sales

The other sales segment, which is marginal since it represents less than 1.0% of total Group sales, grew by 44.3% in the first quarter of 2012.
From March 2011, following the acquisition of Vasco (CIS) OOO (now Campari Rus LLC) in Russia, 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 product categories that represent the Group's core business (spirits, wines and soft drinks). The growth in this segment in the first quarter of 2012 was due to strong external growth in January and February 2012.

Income statement

The Group's operating performance improved in the first quarter of 2012 in terms of both sales and all profit indicators. This growth was, however, relatively small but in line with forecasts, which were aimed at correctly valuing the particularly challenging comparison with the 2011 quarter and the difficult macroeconomic context in some key regions.
Year on year, the operating result grew by 2.7% in total. Organic growth, excluding changes in structure (-3.1%) and exchange rates (+3.3%), was 2.4%.

	31 March 2012		31 March 2011		Change
	€ million	%	€ million	%	%
Net sales	279.3	100.0	268.4	100.0	4.0
Cost of goods sold after distribution costs	(117.6)	-42.1	(112.3)	-41.8	4.7
Gross profit after distribution costs	161.7	57.9	156.1	58.2	3.6
Advertising and promotional costs	(44.8)	-16.0	(46.9)	-17.5	-4.6
Contribution margin	117.0	41.9	109.2	40.7	7.1
Overheads	(53.2)	-19.1	(47.6)	-17.7	11.9
Result from recurring activities	63.8	22.8	61.6	23.0	3.4
Non-recurring income (charges)	(1.3)	-0.5	(0.8)	-0.3	-
Operating result	62.4	22.4	60.8	22.6	2.7
Net financial income (charges)	(9.5)	-3.4	(10.3)	-3.8	-7.9
Non-recurring financial income (charges)	(0.1)	0.0	-	0.0	-
Profit (loss) of companies valued at equity	-	0.0	0.1	0.0	-
Put option income (charges)	(0.0)	0.0	-	0.0	-
Profit before tax and minority interests	52.8	18.9	50.6	18.8	4.5
Minority interests	(0.1)	0.0	(0.1)	0.0	-
Group profit before tax	52.8	18.9	50.4	18.8	4.6
			-		
Total depreciation and amortisation	(7.7)	-2.7	(7.8)	-2.9	-1.2
EBITDA before non-recurring income and charges	71.4	25.6	69.4	25.9	2.9
EBITDA	70.1	25.1	68.6	25.5	2.2

Net sales for the quarter were € 279.3 million, up 4.0% due to organic growth of 2.8% and a positive exchange rate effect of 1.6%, and partially offset by a negative external growth effect of 0.4%.
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** increased slightly as a percentage of sales, rising by 30 basis points from 41.8% in 2011 to 42.1% in 2012.
This increase is entirely attributable to a disproportional increase in distribution costs, which were affected by both a general rise in unit transport costs and the Group's expansion into new markets, entailing higher logistics costs (particularly in Russia). The impact of this phenomenon on the margin was 80 basis points.
By contrast, production expenses and materials costs, taken overall, were down 50 basis points as a percentage of sales due to a favourable sales mix.
More specifically, stripping out this mix, production expenses and materials costs, taken overall, were unchanged as a percentage of turnover, since the sharp rise in the price of some raw materials (sugar above all) was counterbalanced by containment of fixed industrial costs.

Gross profit was € 161.7 million, up 3.6% on the first quarter of 2011. As a proportion of sales, it was 57.9%, down slightly on the previous year (58.2%), due to the disproportional increase in the cost of goods sold, mentioned above.

In the first quarter of the year, **advertising and promotional costs as a percentage of sales** are normally lower than the annual average, since the first quarter is seasonally the least active. In the first quarter of 2012, however, the pressure was particularly low due to a change in investment planning compared to the previous year. The percentage of sales was therefore 16.0% (17.5% in the first quarter of 2011).

The **contribution margin** was € 117.0 million, up 7.1% in total and comprising organic growth of 4.6% and a favourable exchange rate effect of 2.5%. However, no material impact was seen in relation to external growth, which had a minimal effect of 0.4% on net sales.

Overheads, which include the cost of the sales organisations and general and administrative costs, increased by 11.9% in total during the quarter. This substantial increase was due to both a sizeable external growth effect of 4.0% relating to the launch of commercial operations in Russia, and an exchange rate effect of 1.5%. Stripping out these items, organic growth in overheads in the quarter was 6.4% and included a major strengthening of the Group's central structures.

The result from recurring activities was € 63.8 million, an increase of 3.4% compared with the same period of last year. Stripping out the negative effects of external growth (-3.1%) and positive exchange rate effects (+3.3%), the result from recurring activities grew by 3.2%. The negative external growth effect seen in the reporting period was due to the launch of direct distribution in the Russian market, which entailed substantial investments to strengthen the commercial organisation of Campari Rus LLC, with a negative impact of 4.0% on total Group overheads.
However, sales in Russia got off to a slow start in the first quarter of 2012, as was expected and as is often the case when third-party distribution agreements are discontinued in markets.

Non-recurring income and charges showed a net negative balance of € 1.3 million, mainly caused by restructuring costs (EUR € -0.8 million in the first quarter of 2011).

The **operating result** was € 62.4 million in the first quarter of 2012, representing a total increase of 2.7% compared with the first quarter of last year. Stripping out the effects of external growth (-3.1%) and exchange rates (+3.3%), organic growth was 2.4%.
ROS (return on sales, i.e. operating result as a percentage of net sales) was 22.4%, compared with 22.6% in the previous year.

Depreciation and amortisation in the period totalled € 7.7 million, in line with the first quarter of 2011.

EBITDA before non-recurring income and charges increased by 2.9% (+2.6% on a same-structure basis and at constant exchange rates) to € 71.4 million, while **EBITDA** rose by 2.2% (+1.9% on a same-structure basis and at constant exchange rates) to € 70.1 million.

Net financial charges totalled € 9.5 million in the first quarter of 2012, lower than the € 10.3 million registered in the same period of 2011.
This improvement was due to a decline in average Group debt in the quarter, from € 647.9 million in 2011 to € 613.1 million in 2012.

Minority interests for the period were low, at € 0.1 million, and the same as in the first quarter of 2011.

Group profit before tax was € 52.8 million, up 4.6% year on year (+0.1% at constant exchange rates).

Financial situation

Breakdown of net debt

	31 March 2012	31 December 2011	Change
	€ million	€ million	
Cash and cash equivalents	453.8	414.2	39.6
Payables to banks	(145.2)	(144.9)	(0.3)
Real estate lease payables	(0.3)	(3.0)	2.7
Short-term portion of private placement	(81.5)	(83.7)	2.2
Other financial receivables and payables	(13.6)	(10.7)	(2.8)
Short-term net cash position	213.2	171.8	41.4
Payables to banks	(0.1)	(0.1)	-
Real estate lease payables	(1.4)	(1.4)	0.0
Private placement and bond	(793.2)	(798.5)	5.4
Other financial receivables and payables	(0.4)	(0.5)	0.2
Medium-/long-term net debt	(795.0)	(800.6)	5.6
Debt relating to operating activities	(581.8)	(628.8)	47.0
Payables for the exercise of put options and potential earn-out payments	(7.7)	(7.8)	0.0
Net debt	(589.5)	(636.6)	47.0

The Group's net debt at 31 March 2012 was € 589.5 million, € 47.0 million lower than the figure of € 636.6 million reported at 31 December 2011.
The improvement of € 47.0 million is the combined result of an increase of € 41.4 million in the short-term net cash position due to the cash generated during the period and a € 5.6 million reduction in medium-/long-term net debt, largely due to the positive effect of the devaluation of the US dollar on the debt component denominated in that currency.
Group net debt includes a financial payable relating to the potential future exercise of a put option by the minority shareholders of Vasco (CIS) OOO (now Campari Rus LLC) and to the potential recognition of earn-outs mainly connected to the acquisition of Sagatiba S.A. and Cabo Wabo.
At 31 March 2012, this payable stood at € 7.7 million, largely unchanged compared with 31 December 2011.

Operating working capital

The table below compares the figures at 31 March 2012, 31 December 2011 and 31 March 2011; operating working capital is also shown, for each period, as a proportion of sales over the previous 12 months.

	31 March 2012	31 December 2011	Change	31 March 2011	Change
	€ million	€ million	€ million	€ million	€ million
Receivables from customers	247.2	278.0	(30.8)	237.1	10.1
Inventories	357.6	331.3	26.3	305.8	51.8
Trade payables	(160.7)	(166.8)	6.1	(178.6)	17.9
Operating working capital	**444.1**	**442.5**	**1.6**	**364.3**	**79.8**
Sales in the previous 12 months	1,285.1	1,274.2	10.9	1,197.9	87.3
Working capital as % of sales in the previous 12 months	34.6	34.7		30.4	

Operating working capital at 31 March 2012 was € 444.1 million, an increase of € 1.6 million compared with 31 December 2011.
Stripping out the exchange rate effect relating to the depreciation of the US dollar and Brazilian real, which reduced working capital by € 5.5 million, working capital increased by € 7.1 million in the quarter.
Seasonal effects between the two dates under comparison caused a drop in the value of trade receivables in the first quarter (which are historically higher at 31 December in absolute terms compared with other periods of the year), offset by an increase in inventories of finished products in view of the seasonal peak in the second quarter.

At 31 March 2012, operating working capital amounted to 34.6% of net sales in the previous 12 months, in line with the 34.7% registered at 31 December 2011.

Operating working capital was € 79.8 million higher at 31 March 2012 than in the same period a year previously, representing an increase as a percentage of sales from 30.4% in March 2011 to 34.6% in March 2012. This change was mainly the result of strong growth in inventories, due to both the entry into full operations of the trading activities of Campari Rus LLC and the steady increase in stocks of liquid undergoing the aging process at the Group's distilleries in Scotland and Kentucky, aimed at sustaining expected sales growth in the Glen Grant and Wild Turkey brands.

Events taking place after the end of the period

Ordinary shareholders' meeting of the Parent Company

On 27 April 2012, the ordinary shareholders' meeting of Davide Campari-Milano S.p.A. approved the financial statements for financial year 2011 and agreed the payment of a dividend of € 0.07 per share outstanding, up 16.7% on the dividend paid out for financial year 2010.
The total dividend, calculated on the shares outstanding and excluding own shares (2,163,020 shares) was € 40,504,589.

Distribution of Tullamore DEW in Germany

The Group announced a major new distribution agreement under which the Irish whiskey, Tullamore DEW, is to be distributed by Campari Deutschland GmbH from 1 July 2012. The agreement relates to the acquisition of Cooley Irish whiskies by Beam Global in January 2012, which entailed the renegotiation of distribution contracts by William Grant & Sons. Germany is the core sales market for the Tullamore Dew brand.

Outlook

The Group’s operating performance in the first quarter of 2012, which was fully in line with forecasts, is satisfactory in view of the fact that, despite the unfavourable basis of comparison with a particularly positive first quarter 2011 and the difficult macroeconomic environment, growth was achieved in both sales and all profit indicators.
The Italian market performed particularly well, closing the quarter in positive territory despite actions taken in relation to commercial policies to increase credit risk management, which is increasingly vital in view of the credit crunch.
In addition, the excellent performance seen in Australia, Argentina and Mexico validates the investment choices made in previous years to strengthen the Group's distribution structure.
The aperitifs portfolio remains healthy and, despite the fact that the commercial dispute with a major customer in the German market had a negative effect on the performance of Aperol and Campari, closed the quarter in growth due to strong sales to other customers.
Another positive point is that the process of transition of Cinzano and Mondoro from third-party distributors to Group in-house distribution in the important Russian market is going well and on schedule.
In view of the above, we are confirming the forecasts given in March in the Annual Financial Report to 31 December 2011, which are cautiously optimistic.

Sesto San Giovanni (MI), Monday 15 May 2012

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