Interim report
as of 31 March 2010

Contents

Highlights

	31 March 2010 € million	31 March 2009 € million	% change	% change at constant exchange rates
Net sales	**233.6**	**190.1**	**22.9**	**22.7**
Contribution margin	93.7	79.9	17.3	17.9
EBITDA before one-offs	59.1	48.2	22.6	23.7
EBITDA	**58.6**	**47.7**	**22.9**	**23.8**
EBIT before one-offs	52.3	43.1	21.3	22.6
EBIT	**51.8**	**42.6**	**21.5**	**22.7**
EBIT margin (EBIT/net sales)	**22.2%**	**22.4%**		
Group profit before tax	**43.3**	**38.4**	**12.7**	**12.8**

	31 March 2010 € million	31 December 2009 € million
Net debt	593.4	630.8

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]
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]
Karen Guerra	Director

Board of Statutory Auditors [2]

Pellegrino Libroia	Chairman
Carlo Lazzarini	Permanent Auditor
Enrico Colombo	Permanent Auditor
Giovanni Bandera	Deputy Auditor
Graziano Gallo	Deputy Auditor
Emilio Gnech	Deputy 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 by-laws.
On 30 April 2010, the Board of Directors vested Managing Directors Robert Kunze-Concewitz, Paolo Marchesini and Stefano Saccardi with the following powers for three years until approval of the 2012 accounts:

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

[2] The shareholders' meeting of 30 April 2010 also appointed the Board of Statutory Auditors for the three-year period 2010-2012.
[3] At the same meeting the auditing mandate for the nine-year period 2010-2018 was conferred on PricewaterhouseCoopers S.p.A..
[4][5] The Remuneration and Appointments Committee and the Audit Committee were appointed, for the three years 2010, 2011 and 2012, by the Board of Directors on 30 April 2010.

Interim report

Significant events in the period

Distribution of Sagatiba in Brazil

On 1 March 2010, Campari do Brasil Ltda. acquired the rights to distribute Sagatiba *cachaça* in Brazil and another seven markets in South America.

With Sagatiba, which is the market leader in the premium *cachaça* segment, the Group is entering the *cachaça* market, the most important spirits category in Brazil, and thereby completing its premium brand portfolio in South America.

Distribution of Morrison Bowmore Scotch whisky in Italy

Also on 1 March 2010, following the establishment of a new agreement, Campari Italia S.p.A. began the distribution in the Italian market of the Bowmore (Islay) single malt Scotch whisky of Morrison Bowmore Distilleries, subsidiary of the Japanese group Suntory.

This agreement completes the Group's offer of whiskies in Italy, complementing its own brands Glen-Grant (single malt) and Old Smuggler (blended) and the third party brands which it distributes, Jack Daniel's (Tennessee whisky) and Tullamore Dew (Irish whiskey).

Purchase of own shares

Between 1 January and 31 March 2010, 460,000 own shares were acquired for an average unit price of € 8.23, and 807,506 own shares were sold.

At 31 March 2010, the Parent Company held 2,106,614 own shares, equivalent to 0.7% of the share capital.

Sales performance

Overall performance

In the first quarter of 2010, the Campari Group's net sales totalled € 233.6 million, representing an overall increase of 22.9% compared with the same period of 2009.

Organic growth was 14.5%, while changes on the perimeter basis and exchange rate movements had positive impacts of 8.2% and 0.2% respectively, as shown in the table below.

	€ million	% change versus first quarter of 2009
Net sales in the first quarter of 2010	233.6	
Net sales in the first quarter of 2009	190.1	
Total change	**43.5**	**22.9%**
of which		
organic growth	27.5	14.5%
external growth	15.6	8.2%
exchange rate effect	0.4	0,2%
Total change	**43.5**	**22.9%**

The extremely positive performance seen in 2010 is partly the result of a very favourable basis of comparison with the first quarter of 2009, when the intensification of the financial crisis and the consequent running down of distributors' stocks had a negative effect on sales. This effect was especially marked in some of the Group's key markets, such as the United States, Brazil and Russia.

Furthermore, there was an overall upturn in sales and consumption in the Group's main markets in the early months of 2010, particularly for Aperol, which registered strong double-digit growth.

External growth during the quarter, which totalled € 15.6 million, was mainly due to sales relating to the acquisition of Wild Turkey, which alone represented growth of 7.8%, compared with an overall increase due to external growth of 8.2%.

The following table gives a full breakdown of the effects of changes in the basis of consolidation, in terms of both Group and third-party brands, including a negative effect of € 1.3 million due to the end of the distribution agreement with Société des Produits Marnier Lapostolle in Italy and Germany.

Sales in the first quarter of 2010: break down of external growth	€ million
Wild Turkey	14,9
Odessa	1,0
Subtotal Group brands	**15,9**
Termination of distribution of brands of Société des Produits Marnier Lapostolle in Italy and Germany	-1,3
Third-party brands distributed in Italy (Icario), Germany (Licor 43) and Brasil (Sagatiba Cachaça)	0,7
Legui copacking in Argentina	0,3
Subtotale third-party brands	**-0,3**
Total external growth	**15,6**

Exchange rates had a positive but limited effect on sales of 0.2% in the first quarter of the year.
While the US dollar was down 5.9% against the Euro compared with average prices in the first quarter of 2009, the Brazilian real appreciated by 20.9% versus the same period last year.
The table below shows the average and final exchange rates for the currencies of greatest importance for the Group.

Exchange rates for the period	1 january - 31 march 2010	1 january - 31 march 2009	% change
US$ x 1 € average exchange rate for the period	1.384	1.302	-5.9%
US$ x 1 € final exchange rate at 31 March	1.348	1.331	-1.3%
BRC x 1 € average exchange rate for the period	2.495	3.016	20.9%
BRC x 1 € final exchange rate at 31 March	2.404	3.077	28.0%
CHF x 1 € average exchange rate for the period	1.464	1.497	2.3%
CHF x 1 € final exchange rate at 31 March	1.428	1.515	6.1%
CNY x 1 € average exchange rate for the period	9.451	8.904	-5.8%
CNY x 1 € final exchange rate at 31 March	9.201	9.094	-1.2%
GBP x 1 € average exchange rate for the period	0.887	0.908	2.4%
GBP x 1 € final exchange rate at 31 March	0.890	0.931	4.6%
ARS x 1 € average exchange rate for the period	5.312	4.614	-13.1%
ARS x 1 € final exchange rate at 31 March	5.223	4.946	-5.3%
MXN x 1 € average exchange rate for the period	17.685	18.719	5.8%
MXN x 1 € final exchange rate at 31 March	16.657	18.762	12.6%

Sales by region

Sales increased in all regions during the first quarter, with situations varying widely between regions, particularly in terms of growth rates.
In particular, the Wild Turkey acquisition led to an increase in the relative contribution of sales from the Americas and the rest of the world to total Group sales; this contribution grew by about 10 percentage points, from 27.6% in the first three months of 2009 to 36.7% in the first quarter of 2010.
The first table below shows the value of sales for each region, their proportion of the total and the change versus sales in the first quarter of 2009. The second table shows the effects of organic growth, external growth and exchange rates in each region.

	1 January - 31 March 2010		1 January - 31 March 2009		% change
	€ million	%	€ million	%	2010/2009
Italy	104.2	44.6%	100.7	53.0%	3.4%
Europe	43.9	18.8%	36.9	19.4%	18.9%
Americas	72.1	30.9%	43.3	22.8%	66.5%
Rest of the world and duty free	13.5	5.8%	9.1	4.8%	47.3%
Total	**233.6**	**100.0%**	**190.1**	**100.0%**	22.9%

Breakdown of % change	% change			
	total	organic growth	external growth	exchange rate effect
Italy	3.4%	4.0%	-0.6%	0.0%
Europe	18.9%	15.7%	2.9%	0.3%
Americas	66.5%	42.3%	23.5%	0.7%
Resto f the world and duty free	47.3%	-7.6%	55.0%	-0.1%
Total	**22.9%**	**14.5%**	**8.2%**	**0.2%**

In **Italy**, sales in the first quarter of 2010 can be regarded as very satisfactory, with growth of 3.4% in total and of more than 4.0% on an organic basis (net of the negative change due to the discontinued distribution of Société des Produits Marnier Lapostolle brands).
The performance of the three main brands – Aperol, Campari and Campari Soda – was positive, confirming the solidity of the brands and growth in aperitif consumption.
It should also be noted that the first quarter represents a relatively limited proportion of full-year volumes, and that the sales results for individual brands in the first quarter show some volatility in relation to the planning of promotional activities over the year.

The rest of **Europe** registered overall growth of 18.9%, due to robust organic growth (15.7%) in all key markets, particularly Germany, France, Austria and Switzerland.
Sales in this region were also boosted by strong growth in Russia - where, however, the comparison with sales in the first quarter of 2009 is very favourable, due to the sharp contraction in orders that took place in 2009 as a result of the financial crisis.
There was also a positive external growth effect (2.9%) in this region, mainly due to sales of Odessa sparkling wines in Ukraine and a slightly favourable exchange rate effect (0.3%) caused by the revaluation of the Swiss franc.

In the **Americas** region, sales grew by a total of 66.5%, due to strong organic growth (42.3%) as well as high external growth (23.5%).
A separate breakdown of trends in the two main markets, the United States and Brazil, as in the two tables below, provides a better analysis of results in this region.

	1 January - 31 March 2010		1 January - 31 March 2009		% change
	€ million	%	€ million	%	2010/2009
USA	48.0	66.6%	34.3	79.1%	40.1%
Brasil	17.3	24.1%	3.3	7.6%	428.1%
Other countries	6.7	9.3%	5.8	13.3%	16.8%
Total	**72.1**	**100.0%**	**43.3**	**100.0%**	**66.5%**

Breakdown of % change	% change			
	total	organic growth	external growth	exchange rate
USA	40.1%	18.7%	28.4%	-7.0%
Brasil	428.1%	335.8%	1.3%	91.0%
Other countries	16.8%	15.4%	6.2%	-4.8%
Total	**66.5%**	**42.3%**	**23.5%**	**0.7%**

In the **United States**, sales grew by 40.1% in the first quarter of 2010, due both to the substantial contribution of the Wild Turkey acquisition (28.4%) and to robust organic growth (18.7%).
It should be noted that, in terms of organic growth, the quarterly performance was also boosted by a favourable comparison with the same three months of 2009, when orders from distributors declined steeply as they sought to reduce their stocks tighten working capital.
Furthermore, in the first quarter, consumption of Group spirits overall registered growth, albeit limited, in line with the market trend.
Finally, the depreciating US dollar had a negative impact of 7.0% on Group sales.

In **Brazil**, sales advanced by 428.1% in the first quarter of 2010, on the back of organic growth of 335.8%, a weighted positive exchange rate effect of 91.0% and a modest but positive effect of 1.3% resulting from a change in the basis of consolidation (relating to the launch of distribution of Sagatiba cachaça).
In organic terms, the favourable comparison with the first quarter of 2009 was even more pronounced for Brazil than for other markets (the United States, for example), since in addition to generalised destocking prompted by the credit crunch, there were specific, unfavourable factors at work that weighed heavily on sales in the previous year.
Specifically, sales in the first quarter of 2009 were affected by:
- early ordering by wholesalers in the final quarter of 2008, before the increase in excise duties (IPI) that came into effect on 1 January 2009

- the change in the commercial policy implemented by the Group in early 2009, aiming to reduce its dependence on large, individual distributors, which led to a further squeeze on stocks in the distribution channel.

On top of this, it is worth remembering that the absolute value of sales in the first quarter of the year in Brazil is usually very low, due to seasonal factors, and therefore sizeable percentage changes can correspond to limited changes in absolute value when viewed over a 12-month period.

Sales in other countries in the Americas region grew by 16.8% overall, with organic growth of 15.4%, driven mainly by Mexico and Canada, and with a positive external growth effect deriving from a new co-packing contract in Argentina for the Legui brand.
Exchange rates had a negative impact of 4.8% in total, mainly due to depreciation in the Argentine peso.

The **rest of the world and duty free** region recorded overall growth of 47.3% in the first quarter of 2010, due entirely to the sales of Wild Turkey in Australia, Japan and in the duty free channel.
At constant exchange rates and on a same-structure basis, the region's sales declined by 7.6%.
This was due to a slowdown in sales in the Australian market, so that stocks held by third-party distributors could be run down in anticipation of expiring distribution contracts.
Specifically, third-party distributors active in this market will cease to sell the Group's products and will sell residual stocks to Campari Australia Pty Ltd., from 1 April 2010 in the case of Riccadonna, SKYY Vodka and SKYY Blue, and from 1 July 2010 in the case of the Wild Turkey portfolio.
From then on Campari Australia Pty Ltd. will handle distribution through its newly implemented commercial structure.

Sales by business area

Total growth of 22.9% registered in sales was driven by the excellent performance of spirits and the good result registered by wines, with increases of 33.0% and 7.4% respectively, while the soft drinks and other sales segments declined.
The two tables below show changes in sales by business area and a breakdown of the overall change in each business areas by organic growth, external growth and effect of exchange rate movements.

	1 January - 31 March 2010		1 January - 31 March 2009		% change
	€ million	%	€ million	%	2010/2009
Spirit	178.1	76.2%	133.9	70.5%	33.0%
Wine	25.8	11.1%	24.0	12.6%	7.4%
Soft drink	27.8	11.9%	29.6	15.6%	-6.1%
Other sales	1.9	0.8%	2.5	1.3%	-25.6%
Total	233.6	100.0%	190.1	100.0%	22.9%

Breakdown of % change	% change			
	total	organic growth	external growth	exchange rate
Spirit	33.0%	22.2%	10.6%	0.2%
Wine	7.4%	2.6%	4.6%	0.2%
Soft drink	-6.1%	-6.1%	0.0%	0.0%
Other sales	-25.6%	-40.3%	13.5%	1.2%
Total	22.9%	14.5%	8.2%	0.2%

Spirit

Sales of spirits totalled € 178.1 million, a rise of 33.0% compared with the first quarter of last year.
The Wild Turkey acquisition increased spirits sales as a proportion of the Group total, from 70.5% to 76.2% (73.3% in December 2009).
External growth contributed 10.6% of the total 33.0% growth for the quarter. Wild Turkey's contribution (11.1%) was partly offset by negative effects resulting from the discontinued distribution of the Société des Produits Marnier Lapostolle brands in Italy and Germany.
The exchange rate effect on the sales of spirits was positive but minimal, at 0.2%.
The substantial increase in sales registered by the spirits segment during the quarter was undoubtedly due for the most part to organic growth in the business, which was a robust 22.2%.

In terms of the Group's key brands, **Campari**'s sales rose by 18.2% at constant exchange rates (+20.8% at actual exchange rates).
The brand put in a strong performance in many major markets in western Europe, in Japan, in the duty free channel and in Brazil, where it represented half the total growth registered in the quarter (see Sales by region – Brazil above).

The **SKYY** brand, which includes the SKYY Infusions range, closed the first quarter with growth of 17.9% at constant exchange rates (up 12.4% at actual exchange rates due to the depreciation of the US dollar).
The SKYY brand recorded double-digit growth overall in the US, generally due to the favourable comparison base with 2009, when orders were hit by the substantial destocking executed by distributors, and particularly due to the good performance put in by the SKYY Infusions range.

However, US consumption of SKYY Vodka (Core) slowed temporarily in the period under review, due to aggressive commercial strategies launched by major competitors.
Outside the US, the sales performance was extremely strong, with double-digit growth in key markets such as Canada, Brazil and Italy.

In the first quarter of 2010, **Aperol** confirmed the trend seen in recent years, registering growth of 36.4% (36.3% at actual exchange rates).
In Italy, its biggest market, the brand recorded vigorous double-digit growth, and also made outstanding progress in Germany and Austria, which together now account for 20% of sales.

Sales of **Campari Soda**, which are almost entirely concentrated in the Italian market, fell by 0.1% in the first quarter.

Sales of the **Brazilian brands** Old Eight, Drury's and Dreher grew very strongly in the quarter, partly helped by the favourable comparison with the first quarter of 2009 already mentioned.
Growth came in at 534.7% in local currency and 666.4% at actual exchange rates.

Sales of **Glen-Grant** and **Old Smuggler** grew by 22.9% overall at constant exchange rates and by 21.0% at actual exchange rates.
Glen-Grant performed particularly well due to strong sales in France and Italy, its two key markets. Old Smuggler, meanwhile, saw a slight decline in sales caused by a slowdown on eastern European markets.

Sales of **Ouzo 12** declined 8.2% in the quarter at constant exchange rates (down 8.6% at actual exchange rates). In the brand's two key markets, the solid growth rate seen in Germany was not enough to offset the sharp contraction on the Greek market, affected by an acute crisis.

Sales of **Cynar** rose 3.5% at constant exchange rates (7.5% at actual exchange rates), on the back of the brand's strong performance in the Italian market.

X-Rated Fusion Liqueur sales, which are almost entirely concentrated in the US market, declined by 18.8% in local currency (or by 23.4% at actual exchange rates), due to destocking by distributors.
However, the trend in brand consumption remains positive on a sliding year basis.

Cabo Wabo performed very well in the first three months of the year, with sales growth of 130.5% (117.8% at actual exchange rates).
In early 2009, the brand's sales in the US were hit hard by a series of negative factors, including the generalised running down of stocks by distributors, the heavy skew to the on trade channel, which was most seriously affected by the crisis, as well as the ultra premium price positioning.

Of the Group's other spirits brands, **Zedda Piras** (Mirto di Sardegna) and **Aperol Soda** registered growth of 15.7% and 4.8% respectively.

First-quarter sales of the main **third-party brands** were as follows:
- sales of Jägermeister, which is distributed on the Italian market, rose by 10.3%;

- sales of Jack Daniel's, which is also distributed on the Italian market, grew by 17.9%;
- sales of Scotch whiskies, which are distributed in the United States, grew by 56.1% at constant exchange rates (+48.2% at actual exchange rates), largely attributable to the positive trend of Cutty Sark, and to a lesser extent, the trend in Morrison Bowmore whiskies;
- sales of C&C group brands rose by 11.3% (+5.9% at actual exchange rates);
- sales of Suntory brands advanced by 48.4% (41.0%% at actual exchange rates);
- sales of Russian Standard vodka, recorded mainly in Germany, Switzerland and Austria, grew by 7.7%.

Wines

Sales of wines in the first quarter of 2010 totalled € 25.8 million, a rise of 7.4% compared with the same period of 2009.
The segment benefited from external growth of 4.6%, mainly relating to sales of Odessa sparkling wines in Ukraine and a slightly positive exchange rate effect of 0.2%; stripping out these effects, organic growth was up 2.6%.

This positive performance was mainly driven by Cinzano sparkling wines, which registered growth of 17.5% (at both constant and actual exchange rates), due to excellent sales in Italy and Germany.
It is also worth highlighting in Italy, where sparkling wine consumption is more seasonally skewed than in countries such as Germany, March sales were boosted by the sell in for Easter, which this year fell in the first few days of April and therefore earlier than in 2009.

Cinzano vermouth registered a 3.2% increase in sales (4.2% at actual exchange rates), with mixed performances in its various markets. In western Europe, sales were influenced by the controlled stock management due to the introduction of new packaging, while on the positive side quarterly sales were boosted by a good recovery in orders from Russia, which had lost its position as the brand's leading market in 2009 owing to the acute financial crisis.

Riccadonna, whose sales are strongly concentrated in Australia, registered a sharp contraction of 51.1% in the period (50.0% at actual exchange rates).
This drop was entirely attributable to the termination of the relationship with the local third-party distributor on 31 March 2010, which influenced orders in the first three months of 2010.
Since 1 April 2010, the Group has been distributing its own products in Australia via a Group sales structure.

Mondoro, meanwhile, whose sales are mainly concentrated in Russia, saw steep sales growth of 72.8% (70.6% at actual exchange rates), affected by the recovery in the Russian market already mentioned.

In still wines, **Sella & Mosca** sales were completely unchanged in the first quarter of 2010, while **Terruzzi & Puthod** wines recorded strong growth (73.0%) due to positive trends in the key foreign markets of the US and Germany. **Cantina Serafino** registered a decline in sales of 12.7%.

Soft drinks

In the first quarter of 2010 sales of soft drinks totalled € 27.8 million, a drop of 6.1% on the same period of 2009.
Due to the strong organic and external growth seen in spirits, soft drink sales as a percentage of total Group sales fell from 15.6% to 11.9%.

Crodino closed the first quarter with a decline in sales of 4.8% which can be attributed to different phasing of promotional activites.

Particularly cold weather conditions affected sales of traditional soft drinks in the first quarter of the year, which in any case is a fairly insignificant period for sales in this segment.
Lemonsoda and the soft drinks range (**Oransoda** and **Pelmosoda**) saw sales decline by 8.6%, while **Crodo mineral waters** recorded a drop of 16.2% compared with the first quarter of 2009.

Other sales

This minor segment includes revenues from co-packing and sales to third parties of raw materials and semi-finished goods. It represents less than 2% of the Group's total sales.

Sales for this segment dropped sharply in the first quarter of 2010 compared with the same period last year (by 40.3% at constant exchange rates and by 25.6% at actual exchange rates). This was due to fewer sales of malt distillate produced and sold in Scotland by Glen Grant Distillery Company Ltd..

Income statement

The Group's income statement for the first quarter of 2010 is extremely positive, showing sound growth in all profitability indicators.
However, as we have mentioned more than once in the comments on sales, these results were influenced to some extent by a particularly favourable basis for comparison with the first quarter of 2009, as the financial crisis which erupted in late 2008 had a relevant impact.
Moreover, the 2010 income statement is also benefiting from the effect of the purchase of Wild Turkey, which was first consolidated when it was acquired on 1 June 2009.

	First quarter 2010		First quarter 2009		Change
	€ million	%	€ million	%	%
Net sales	**233.6**	**100.0**	**190.1**	**100.0**	**22.9**
Cost of goods sold, including distribution costs	(100.0)	-42.8	(85.6)	-45.1	16.7
Gross profit	**133.6**	**57.2**	**104.5**	**54.9**	**27.9**
Advertising and promotional costs	(39.9)	-17.1	(24.6)	-12.9	62.3
Contribution margin	**93.7**	**40.1**	**79.9**	**42.0**	**17.3**
Structure costs	(41.5)	-17.8	(36.8)	-19.4	12.7
EBIT before one-offs	**52.3**	**22.4**	**43.1**	**22.7**	**21.3**
One-offs: income and charges	(0.5)	-0.2	(0.5)	-0.3	-
EBIT	**51.8**	**22.2**	**42.6**	**22.4**	**21.5**
Net financial income (charges)	(8.3)	-3.6	(3.9)	-2.0	115.3
Proft (loss) of companies valued at equity	(0.0)	0.0	(0.3)	-0.1	-
Put option charges	(0.1)	0.0	0.0	0.0	-
Profit before tax and minority interest	**43.4**	**18.6**	**38.5**	**20.3**	**12.6**
Minority interests	(0.1)	0.0	(0.1)	0.0	-
Group profit before tax	**43.3**	**18.5**	**38.4**	**20.2**	**12.7**
Total depreciation and amortisation	(6.8)	-2.9	(5.0)	-2.7	34.4
EBITDA before one-offs	**59.1**	**25.3**	**48.2**	**25.3**	**22.6**
EBITDA	**58.6**	**25.1**	**47.7**	**25.1**	**22.9**

Net sales for the quarter came in at € 233.6 million, an increase of 22.9%, due to consistent organic growth of 14.5%, external growth of 8.2% and a slight positive exchange rate effect of 0.2%.
For more details on these effects and on sales by region and business area, please refer to the sales performance section above.

In the two quarters under comparison, the **cost of goods sold** showed a very positive trend, falling as a percentage of sales by 2.3%, from 45.1% last year to 42.8% in 2010.
This performance is due to objective factors, such as containment of increases in raw materials prices and the efficient industrial management of production.
However, it cannot be denied that, looking at the figures for a single quarter, in which sales rose by 22.9%, the cost of goods sold has also benefited from the positive effect of greater absorption of fixed costs, as well as a more favourable sales mix in the period. By comparison with the first quarter of last year, in fact, the most profitable segment - spirits - grew by 33.0%, while the remaining Group segments (wines, soft drinks, etc.) saw an overall decline in sales of 1.2%.

Gross profit, which came in at € 133.6 million, grew by 27.9%, rising more than sales (+ 22.9%) due to the containment of the cost of goods sold.

Advertising and promotional spending stood at € 39.9 million, substantially higher than in the first quarter of last year, both in absolute terms (+ 62.3%) and as a proportion of sales, rising from 12.9% to 17.1%.

Once again we have to point to the particularly unsettled picture in early 2009 and the huge uncertainty over short-term forecasts, which also influenced some advertising investment decisions in the period in question.
The steady return to normal levels of investment, which are in fact higher than the sector average, is testimony to the Group's commitment to ensuring sustainable growth in the medium-to-long term.

The **contribution margin** came to € 93.7 million, representing an overall advance of 17.3% on the previous year, broken down as follows:
- organic growth of 11.5%;
- external growth of 6.3%;
- unfavourable exchange rate effects of 0.5%.

Structure costs, which include sales and general and administrative expenses, increased by 12.7% overall, but reduced as a proportion of sales from 19.4% in the first quarter of last year to 17.8% in the first quarter of 2010.
However, the substantial increase in the absolute value of structure costs (12.7%) includes a sizeable external growth effect of 9.5%, relating to new operating subsidiaries in the United States, Belgium, Ukraine and particularly Australia.
Campari Australia Pty Ltd., which was created in 2009 to manage distribution on the Australian market directly, had a workforce of 56 at 31 March 2010. The company's structure is expected to grow slightly in the second quarter of the year and reach full operating strength at the end of June.
Campari Australia Pty Ltd. began its own sales and distribution activity on 1 April 2010, managing all the Group’s key products in this market (particularly Riccadonna, SKYY and SKYY Blue). Its product line will be complete with the integration of Wild Turkey from 1 July 2010.
On a same structure basis and net of a slight exchange rate effect (+0.4%), growth in structure costs in the first quarter of 2010 was limited to 2.8%.

EBIT before one-offs was € 52.3 million, a rise of 21.3% compared with last year. Net of changes in the basis of consolidation (+3.6%) and exchange rate effects (-1.3%), this profitability indicator grew by 19.0%.

The **non-recurring income and expenses** item shows as a net balance of € 0.5 million in expenses, the same as in the first quarter of 2009.
In 2010 the balance mainly comprises restructuring expenses and the payment of one-off fines.

EBIT came in at € 51.8 million in the first quarter of 2010, an increase of 21.5% compared with the same quarter of 2009. Stripping out perimeter effects (+3.6%) and exchange rates (-1.2%), Group EBIT grew by 19.1%.
The EBIT margin (EBIT as a percentage of sales), came in at 22.2%, a very slight fall on the 22.4% registered in 2009.
In summary, the change in the margin in the first quarter of 2010 shows substantial containment of cost of goods sold and structure costs, sufficient to increase advertising and promotional investment by 4.2 percentage points with no change to the EBIT margin.

Total **amortisation and depreciation** for the period was € 6.8 million, higher than the € 5.1 million registered in the first quarter of 2009, partly due to the new industrial assets acquired from April 2009 onward.

As a direct consequence of the increase in depreciation and amortisation, EBITDA increased slightly more than EBIT in the two periods under comparison.
In particular, **EBITDA before one-offs** increased by 22.6% (+23.7% at constant exchange rates) to € 59.1 million, while **EBITDA** rose by 22.9% (+23.8% at constant exchange rates) to € 58.6 million.

Net financial income and charges stood at € 8.3 million in the first quarter of 2010, substantially higher than the € 3.9 million registered in the same period of 2009.
Average first-quarter debt was € 612.1 million in 2010 and € 314.3 million in 2009.
The increase is due to greater Group net debt, which grew in the second half of 2009, mainly as a result of the Wild Turkey acquisition.
The average cost of debt was also slightly higher than in 2009, due to an increase in the proportion of fixed-rate debt as well as negative carry (the difference between the cost of debt and the return on short-term liquid investments), which was high since cash reserves were significant.

The Group's portion of **profits or losses of companies valued at equity** showed a totally insignificant balance, compared with a negative balance of € 0.2 million in the previous year.
The companies accounted for by the equity method are trading joint ventures that distribute products made by the Group and its partners in the Netherlands and India. Whereas in the first quarter of 2009 the Belgian company MCS S.c.a.r.l. was considered a joint venture and therefore consolidated at equity, since April 2009 it has been consolidated on a line-by–line basis after the Group took full control.

Charges for put options were € 0.1 million in the first quarter of 2010, compared with no charges in the previous year.
This item relates solely to the portion of profit attributable to minority shareholders, that is the 20% realised by Cabo Wabo, LLC, the company that owns the Cabo Wabo brand.

Minority interests for the period were low, at € 0.1 million, and the same as in the first quarter of 2009.

Group profit before tax rose by 12.7% year-on-year in the first quarter of 2010, to € 43.3 million (+12.8% at constant exchange rates).

Financial situation

Breakdown of net debt

	31 March 2010 € million	31 December 2009 € million
Cash and cash equivalents	185.6	129.6
Payables to banks	(10.2)	(17.3)
Real estate lease payables	(3.3)	(3.3)
Private placement	(6.2)	(5.8)
Other financial receivables and payables	141.7	(6.9)
Short-term debt	**307.6**	**96.4**
Payables to banks	(0.7)	(0.9)
Real estate lease payables	(5.5)	(6.3)
Private placement and bonds	(880.6)	(861.8)
Other financial receivables and payables	4.0	158.7
Medium/long-term debt	**(882.9)**	**(710.3)**
Debt relating to operating activities	**(575.2)**	**(613.9)**
Liabilities for put option and earn-out payments	(18.2)	(16.9)
Net debt	**(593.4)**	**(630.8)**

At 31 March 2010, consolidated net debt stood at € 593.4 million, or € 37.4 million less than the € 630.8 million registered at 31 December 2009.
In terms of the structure of the net financial position, at the end of the quarter, there was an improvement of € 211.2 million in the short-term active financial position and an increase of € 172.6 million in medium- to long-term net debt. This change in the breakdown of net debt in temporal terms is mainly due to the reclassification of existing term deposits maturing in March 2011 amounting to € 155.0 million, from medium/long-term financial receivables to short-term financial receivables.
In addition, the Group's net financial position shows financial debt relating to the possible future exercise of a put option by the minority shareholders of Cabo Wabo and the possible recognition of earn outs mainly connected to the acquisition of the X-Rated brand.
At 31 March 2010, this debt amounted to € 18.2 million, an increase of € 1.2 million compared with 31 December 2009, due solely to the strengthening of the US dollar in this period.
The € 37.4 million reduction in total debt at 31 March 2010 resulted from good levels of cash generation in the quarter and the related reduction in working capital.
This cash generation also includes the negative effects of the strengthening of the US dollar between 31 December 2009 and 31 March 2010, which resulted in an increase in debt denominated in this currency of € 17.9 million.

Operating working capital

The table below shows figures at 31 March 2010, 31 December 2009 and 31 March 2009; operating working capital is shown, for each period, as a proportion of sales over the previous 12 months.

	31 March 2010 € million	31 December 2009 € million	change € million	31 March 2009 € million
Receivables from customers	192.5	236.2	(43.7)	201.5
Inventories	289.2	271.4	17.8	180.5
Payables to suppliers	(175.9)	(179.1)	3.2	(126.3)
Operating working capital	**305.9**	**328.5**	**(22.6)**	**255.7**
Sales - previous 12 months	1,051.9	1,008.4	43.5	941.5
Operating working capital as % of sales in the previous 12 months	29.1	32.6		27.2

Operating working capital at 31 March 2010 was € 305.9 million, a decrease of € 22.6 million compared with 31 December 2009.
Stripping out the exchange rate effect of € 11.9 million attributable to the strengthening of the US dollar and the Brazilian real, the organic decline in operating working capital in the quarter was € 34.5 million.
This organic decrease was due *inter alia* to seasonal factors that led to a reduction in trade receivables between the two dates under comparison, which was partly offset by an increase in stocks, and to a lesser extent, to a reduction in payables to suppliers.
At 31 March 2010, operating working capital amounted to 29.1% of net sales in the previous 12 months, versus 32.6% at 31 December 2009.
Note that the recent acquisitions have partially distorted this indicator.
In particular, since the Wild Turkey acquisition took place in June 2009, sales over the last 12 months (on which the Wild Turkey acquisition has an effect only over the 10 months to 31 March 2010 and for the 7 months to 31 December 2009) are taken as a percentage of working capital on the two dates which include all the effects of the acquisition.
In comparison with the same period of 2009, operating working capital showed an increase of € 50.2 million at 31 March 2010, and represented a slightly higher proportion of sales (27.2% at 31 March 2009).
However, this is an inconsistent comparison, since at 31 March 2010 it includes a structurally higher level of working capital due to the consolidation of Wild Turkey and the other acquisitions made in 2009 (Odessa and MCS).

Events taking place after the end of the period

Extraordinary shareholders' meeting of the Parent Company

On 30 April 2010, the extraordinary shareholders' meeting of Davide Campari-Milano S.p.A. approved a bonus share issue via the issue of 290,400,000 new shares with a nominal value of € 0.10 per share and the same characteristics as ordinary shares outstanding.
The new shares will be issued free of charge to shareholders in the ratio of one new share for each share held, through the use of retained earnings.
Following the bonus issue, the fully paid-up share capital will total € 58,080,000, comprising 580,800,000 ordinary shares with a nominal value of € 0.10.

Ordinary shareholders' meeting of the Parent Company

On 30 April 2010 the ordinary shareholders' meeting of Davide Campari-Milano S.p.A. approved the financial statements for the full-year 2009 and agreed the payment of a dividend of € 0.06 per share outstanding following the bonus share issue approved by the extraordinary shareholders' meeting.
The dividend is 9.1% (€ 0.055 per share) higher than that paid out for 2008 (before the bonus share issue, the dividend would have amounted to € 0.12 per share, compared with € 0.11 per share for 2008).
The total dividend, calculated on shares outstanding and excluding own shares (2,122,624 shares) is € 34,593,285.

The shareholders' meeting also:

- appointed the new Board of Directors for the three-year period 2010-2012, which comprises Eugenio Barcellona, Enrico Corradi, Luca Garavoglia, Karen Guerra, Thomas Ingelfinger, Robert Kunze-Concewitz, Paolo Marchesini, Marco P. Perelli-Cippo and Stefano Saccardi;
- renewed Luca Garavoglia’s mandate as Chairman for the three-year period 2010-2012;
- appointed the Board of Statutory Auditors, also for the three-year period 2010-2012, comprising Pellegrino Libroia as Chairman, and Enrico Colombo and Carlo Lazzarini as Permanent Auditors;
- approved the proposed conferral of the auditing mandate for the nine-year period 2010-2018 to PricewaterhouseCoopers S.p.A., following expiry of the previous mandate held by Reconta Ernst & Young S.p.A..

Outlook

The Group undoubtedly achieved very positive results in the first quarter of the year.
However, it seems right to take a cautiously optimistic view for the remainder of the year, given certain contingent factors influencing these results, as well as the fact that the first quarter represents a relatively limited proportion of the overall annual objective.
Whilst the effects of the financial crisis were expected to wither gradually, new problems – notably the sustainability of public debt in certain EU countries - have reignited tensions.
Moreover, high unemployment in many western countries, as well as the likely implementation of austerity measures by the governments of highly indebted countries, is a clear threat to consumption growth in the sector.
It could also be predicted that the recovery of normal sales flows to distributors will take place in alternating phases of acceleration and deceleration.
Looking at the Group in more specific terms, Wild Turkey will be fully consolidated in 2010, which will undoubtedly have a further positive impact on operating profit.
Moreover, the launch of distribution of Wild Turkey and other Group products on the Australian market via a Group sales structure from the second quarter of this year will create sales synergies for the Group, boosting the contribution margin, although structure costs will clearly be higher.
In terms of exchange rates, while it is generally difficult to make forecasts and even harder when markets are so turbulent and nervous, the US dollar – always a refuge currency in times of crisis – recently began to show signs of substantial recovery against the euro.
This represents an opportunity for growth in the Group’s results in the current year, given the scale of its business in the US and in countries whose currencies are pegged to the US dollar.
In any case, we believe that the strength of the Group's brands and the continuing focus on cost and working capital controls will again lead to an improvement in operating and financial results on a full year basis.

Sesto San Giovanni (MI). 13 May 2010

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