2007 First Quarter Results

Conference call

8 May 2007

Results highlights and sales review

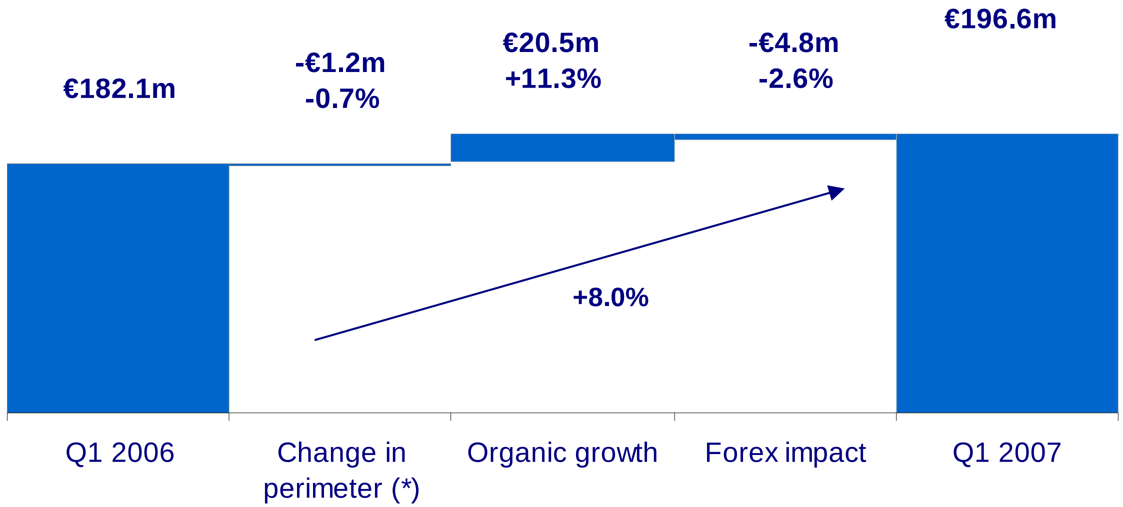
Bob Kunze-Concewitz, CEO

First quarter ended 31 March 2007

	Q1 2007 € million	*% change at actual forex*	*% change at constant forex*
Net sales	196.6	+8.0%	+10.6%
Trading profit	57.7	+6.3%	+8.4%
EBITDA before one-off's	46.4	+6.8%	+9.0%
EBITDA	46.5	+7.7%	+9.9%
EBIT before one-off's	41.7	+7.0%	+9.3%
Operating profit = EBIT	41.7	+7.9%	+10.3%
Group's pretax profit	37.5	+8.5%	+10.6%

- Results in the first three months of 2007 were very positive in a small quarter, thanks to solid performance of existing business
- Achieved solid growth in sales and all profit indicators notwithstanding negative FX effects

2007 First quarter net sales - Growth drivers



(*) Breakdown of change in perimeter

	€ m
Acquisitions (1)	**4**
Agency brands (2)	**-5.2**
Total external growth	**-1.2**

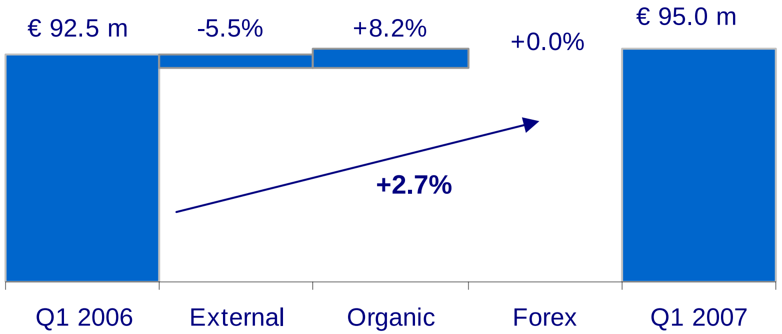
(1) Glen Grant and Old Smuggler (1 Jan - 15 March 2006)

(2) Lipton Ice Tea

- **Organic growth** was driven by a **solid performance on most brands**
- Negative change in perimeter related to termination of Lipton Ice Tea, in part offset by positive contribution of Glen Grant and Old Smuggler (1 Jan – 15 March 2006)
- Negative foreign exchange impact was attributable to US Dollar (-8.3% QoQ) and Brazilian Real (-4.4% QoQ)

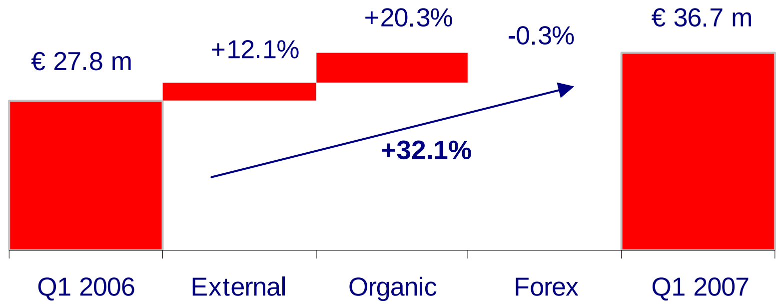
Net sales analysis by region

Italy



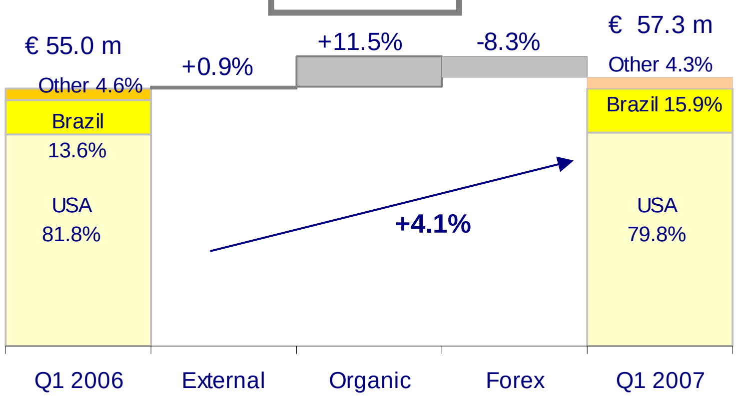
- Solid organic growth driven by most brands
- Negative change in perimeter due to Lipton Ice Tea, in part offset by Glen Grant

Europe



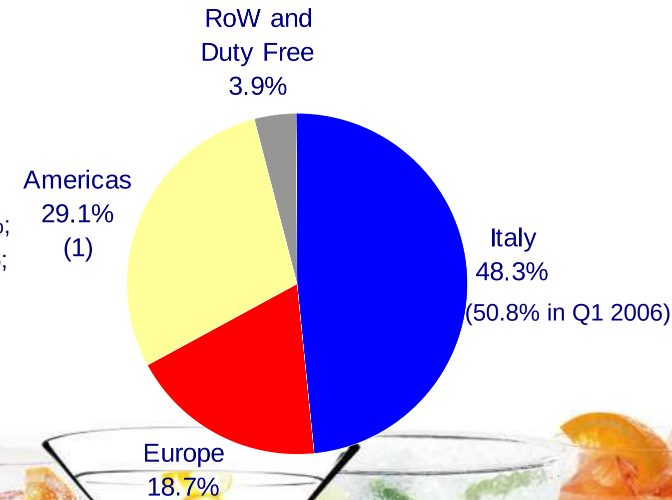
- Existing business driven by positive results of main brands in major markets
- External growth mainly related to Glen Grant

Americas



- Solid organic growth driven by both **US (+9.4%)** thanks to solid performance on most brands, and **Brazil (+27.6%)** although in the smallest quarter of the year
- External growth related to Old Smuggler in US

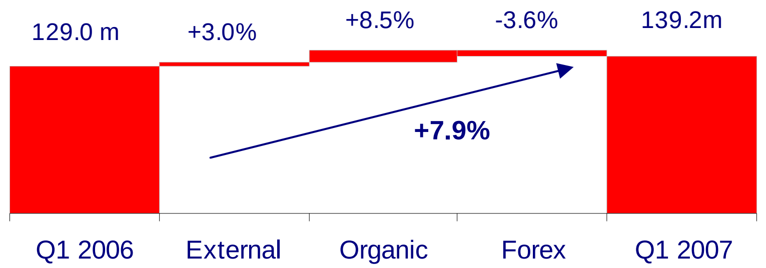
Breakdown by region



(1) Include:
USA 23.3%;
Brazil 4.6%;
other 1.3%

Net sales analysis by segment

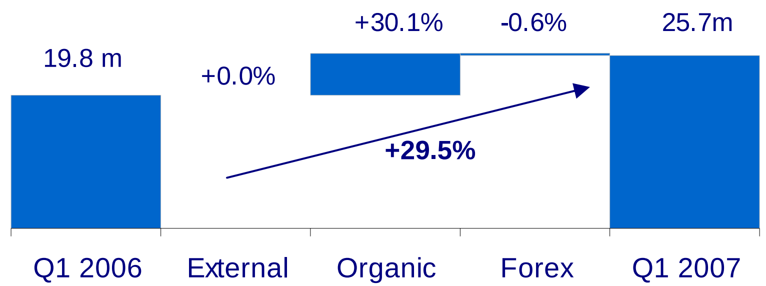
Spirits



> Solid organic growth driven by good growth in most brands (**Campari, SKYY** and **Aperol)**

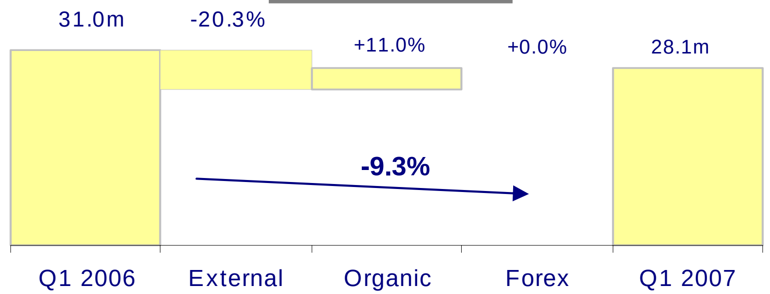
> External growth related to **Glen Grant**

Wines



> Excellent performance of all brands

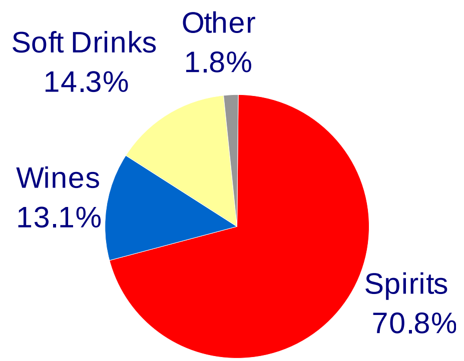
Soft drinks



> Positive performance driven by strong **Crodino**

> Negative change in perimeter related to Lipton Ice Tea

Breakdown by segment



Review of main brands

% change in value Q1 2007 / Q1 2006	*at constant forex*	*at actual forex*	
Spirits			
Campari	*+10.7%*	*+9.4%*	> Good progression in Italy, Brazil and major European countries
SKYY	*+21.5%*	*+12.4%*	> Continued strong growth in the US, where depletions show consistent double digit growth. Strong growth in sales also outside US. International sales account for c.20% of overall volume
CampariSoda	*-14.8%*	*-14.8%*	> Tough comparison quarter on quarter (+28.6% in Q1 2006). Different phasing of promotional activities
Aperol	*+10.8%*	*+10.7%*	> Excellent performance on key Italian market (90% of total sales). Good progression in the international markets
Brazilian brands	*+38.4%*	*+32.3%*	> Solid growth driven by all brands in a small quarter highly influenced by Holiday season
Cynar	*+18.8%*	*+17.2%*	> Good progression in Brazil
Ouzo 12	*+4.2%*	*+3.7%*	> Good growth driven mainly by German market.
tequila 1800	*+1.7%*	*-9.2%*	> Momentary slow down in sales following strong Q4 2006. Importantly, depletion maintain strong trend
Jägermeister	*+8.9%*	*+8.9%*	> Mainly concentrated in the Italian market.
Jack Daniel's	*+15.4%*	*+15.4%*	> Strong performance concentrated in the Italian market

Review of main brands (cont'd)

% change in value Q1 2007 / Q1 2006	*at constant forex*	*at actual forex*	
Wines			
Cinzano sparkling wines	*+35.8%*	*+35.2%*	> Excellent performance mainly driven by innovation in major markets (Germany and Italy)
Cinzano vermouths	*+70.0%*	*+68.6%*	> Excellent result achieved in major markets (in particular Russia). Favourable comparison base quarter on quarter
Sella & Mosca	*+7.8%*	*+7.8%*	> Positive performance mainly driven by international markets
Soft drinks			
Crodino	*+16.7%*	*+16.6%*	> Positive trend sustained by strong brand awareness and leadership in its core market, reinforced by anticipation of promotional activities
Carbonated drinks	*+8.2%*	*+8.2%*	> Positive performance driven by good weather conditions in a small quarter

Q1 2007 consolidated results

Paolo Marchesini, CFO

Consolidated trading profit

(€ million)	Q1 2007		Q1 2006		Change at actual forex	Change at constant forex
Net sales	**196.6**	***100.0%***	**182.1**	***100.0%***	***8.0%***	***+10.6%***
COGS	(81.7)	*-41.6%*	(78.4)	*-43.1%*	*4.3%*	
Gross margin	**114.8**	***58.4%***	**103.7**	***56.9%***	***10.8%***	
Advertising and promotion	(31.8)	*-16.2%*	(25.4)	*-14.0%*	*25.0%*	
Selling and distribution expenses	(25.3)	*-12.9%*	(24.0)	*-13.2%*	*5.7%*	
Trading profit	**57.7**	***29.4%***	**54.3**	***29.8%***	***6.3%***	***+8.4%***

> Decrease in **COGS** by 150bp on net sales due to:

- decrease in cost of materials due to favourable sales mix and termination of Lipton Ice Tea agency brand (120bp)

- cost of production as % of sales broadly in line with last year following completion of industrial restructuring

> **A&P** increase of 220bp on net sales due to:

- different phasing of advertising initiatives quarter on quarter

- change in perimeter due to Lipton Ice Tea (50bp)

> Decrease in **selling and distribution expenses** by 30bp due to strong growth in sales (operational gearing)

Consolidated EBIT

(€ million)	Q1 2007		Q1 2006		Change at actual forex	Change at constant forex
Trading profit	**57.7**	***29.4%***	**54.3**	***29.8%***	***6.3%***	***+8.4%***
G&A and other operating income/expenses	(16.0)	*-8.2%*	(15.3)	*-8.4%*	*4.6%*	
EBIT before one-off's	**41.7**	***21.2%***	**38.9**	***21.4%***	***7.0%***	***+9.3%***
One-off's[1]	0.0	*0.0%*	(0.3)	*-0.2%*	*-115.0%*	
Operating profit = EBIT	**41.7**	***21.2%***	**38.6**	***21.2%***	***7.9%***	***+10.3%***
Other information:						
Depreciation	(4.8)	*-2.4%*	(4.5)	*-2.5%*	*5.3%*	
EBITDA before one-off's	46.4	*23.6%*	43.5	*23.9%*	*6.8%*	***+9.0%***
EBITDA	**46.5**	**23.6%**	**43.2**	**23.7%**	**7.7%**	***+9.9%***

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

> Increase in **trading profit** of 6.3% was composed of:
 - organic growth: +6.7%
 - forex impact: -2.1%
 - change in perimeter: +1.7% (contribution of Glen Grant more than offset profit lost from termination of low margin Lipton Ice Tea)

> G&A and other operating income/expenses increased by 4.6% overall. Like-for-like change in G&A was +3.3%

Consolidated Group’s pretax profit

(€ million)	Q1 2007		Q1 2006		Change at actual forex	Change at constant forex
Operating profit = EBIT	**41.7**	**21.2%**	**38.6**	**21.2%**	**7.9%**	***+10.3%***
Net financial income (expenses)	(4.2)	*-2.1%*	(3.0)	*-1.6%*	*41.5%*	
Income from associates	0.0	*0.0%*	(0.2)	*-0.1%*	*-121.1%*	
Pretax profit	**37.6**	**19.1%**	**35.5**	**19.5%**	**5.9%**	
Minority interests	(0.0)	*0.0%*	(0.9)	*-0.5%*	*-95.7%*	
Group's pretax profit	**37.5**	**19.1%**	**34.6**	**19.0%**	**8.5%**	***10.6%***

> Increase in **Net financial expenses** due to combined effect of:

- higher net debt following the payment of acquisitions of Glen Grant and Skyy minority stake
- increase in floating rates (Group’s exposure to floating rates of 100%)
- positive FX effects on interest charges on US dollar denominated debt

> Decrease in **minority interests** following the acquisition of the remaining stake in Skyy Spirits

Analysis of net debt

€ million	31 March 2007	31 December 2006
Cash at bank and marketable securities	380.2	240.3
Borrowings from banks	(282.0)	(209.3)
Real estate leases (current portion)	(3.1)	(3.1)
Private placement and bonds (current portion)	(13.2)	(17.7)
Other assets or liabilities	0.4	0.3
Total short-term cash/(debt)	**82.3**	**10.4**
Borrowings from banks	(1.2)	(1.2)
Real estate leases	(15.2)	(16.0)
Private placement and bonds	(367.6)	(370.6)
Other financial liabilities	(2.1)	(2.2)
Total medium to long-term cash/(debt)	**(386.0)**	**(390.0)**
Total net cash/(debt)	**(303.9)**	**(379.5)**

> Decrease in **Net financial debt** of € 75.6 m from year end 2006, thanks to strong generation of cash flow in the first quarter 2007

Net Working Capital

€ million	31 Mar 2007	31 Dec 2006	Change	31 Mar 2006
Trade receivables	186.0	257.1	(71.1)	194.0
Inventories	179.2	169.9	9.4	187.0
Trade payables	(127.6)	(161.9)	34.3	(137.2)
Net Working Capital	**237.6**	**265.1**	**(27.5)**	**243.8**
Last 12 months sales as of 31 Mar 2007	946.9	932.4	14.5	904.9 (1)
NWC / LTM sales (%)	**25.1%**	**28.4%**		**26.9%**

(1) Pro-forma

> Decrease in **net working capital** in Q1 2007, thanks to strong decrease in trade receivables after seasonal peak at year end, in part offset by increase in inventories ahead of second and big quarter

Outlook

Bob Kunze-Concewitz, CEO

Outlook

- **Outlook for 2007 remains cautiously optimistic**
  - confirmed confidence in Italian and major European markets
  - US business expected to continue to perform positively thanks to strong brand portfolio
  - Brazilian business expected to maintain positive trend
  - Expected negative impact of FX effects (US dollar decline vs. Euro)

- **Our medium term organic growth target remains unchanged**

Supplementary schedules

Schedule - 1 Analysis of net sales growth by segment and region

Schedule - 2 Consolidated income statement

Schedule - 3 Average exchange rates

Supplementary schedule - 1

Net sales analysis by segment and region

Consolidated net sales by segment

	Q1 2007		Q1 2006		Change	*of which:*		
	€ m	%	€ m	%	%	***external***	***organic***	***currency***
Spirits	139.2	70.8%	129.0	70.9%	**7.9%**	*3.0%*	*8.5%*	*-3.6%*
Wines	25.7	13.1%	19.8	10.9%	**29.5%**	*0.0%*	*30.1%*	*-0.6%*
Soft drinks	28.1	14.3%	31.0	17.0%	**-9.3%**	*-20.3%*	*11.0%*	*0.0%*
Other revenues	3.6	1.8%	2.2	1.2%	**61.6%**	*52.1%*	*9.7%*	*-0.2%*
Total	**196.6**	**100.0%**	**182.1**	**100.0%**	**8.0%**	***-0.7%***	***11.3%***	***-2.6%***

Consolidated net sales by region

	Q1 2007		Q1 2006		Change	*of which:*		
	€ m	%	€ m	%	%	***external***	***organic***	***currency***
Italy	95.0	48.3%	92.5	50.8%	**2.7%**	*-5.5%*	*8.2%*	*0.0%*
Europe	36.7	18.7%	27.8	15.2%	**32.1%**	*12.1%*	*20.3%*	*-0.3%*
Americas (1)	57.3	29.1%	55.0	30.2%	**4.1%**	*0.9%*	*11.5%*	*-8.3%*
RoW & Duty Free	7.6	3.9%	6.8	3.7%	**12.9%**	*0.9%*	*14.9%*	*-3.0%*
Total	**196.6**	**100.0%**	**182.1**	**100.0%**	**8.0%**	***-0.7%***	***11.3%***	***-2.6%***

(1) Breakdown of Americas

	Q1 2007		Q1 2006		Change	*of which:*		
	€ m	%	€ m	%	%	***external***	***organic***	***currency***
USA	45.7	79.8%	45.0	81.8%	**1.5%**	*1.1%*	*9.4%*	*-9.0%*
Brazil	9.1	15.9%	7.5	13.6%	**21.7%**	*-0.2%*	*27.6%*	*-5.7%*
Other countries	2.5	4.3%	2.5	4.6%	**-1.8%**	*0.0%*	*0.7%*	*-2.5%*
Total	**57.3**	**100.0%**	**55.0**	**100.0%**	**4.1%**	**0.9%**	**11.5%**	**-8.3%**

Supplementary schedule - 2

Consolidated income statement

	Q1 2007		Q1 2006		Change
	€ m	%	€ m	%	%
Net sales (1)	**196.6**	**100.0%**	**182.1**	**100.0%**	**8.0%**
COGS	(81.7)	-41.6%	(78.4)	-43.1%	4.3%
Gross margin	**114.8**	**58.4%**	**103.7**	**56.9%**	**10.8%**
Advertising and promotion	(31.8)	-16.2%	(25.4)	-14.0%	25.0%
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One-off's	0.0	0.0%	(0.3)	-0.2%	-115.0%
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Income from associates	0.0	0.0%	(0.2)	-0.1%	-121.1%
Pretax profit	**37.6**	**19.1%**	**35.5**	**19.5%**	**5.9%**
Minority interests	(0.0)	0.0%	(0.9)	-0.5%	-95.7%
Group's pretax profit	**37.5**	**19.1%**	**34.6**	**19.0%**	**8.5%**
Other information:					
Depreciation	(4.8)	-2.4%	(4.5)	-2.5%	5.3%
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EBITDA	**46.5**	**23.6%**	**43.2**	**23.7%**	**7.7%**

Notes:
(1) Net of discounts and excise duties

Supplementary schedule - 3

Average exchange rates

	Q1 2007	Q1 2006	% change
Brazilian Real : 1 Euro	2.763	2.640	
Euro : 1 Brazilian Real	0.3620	0.3788	-4.4%
US dollar : 1 Euro	1.310	1.202	
Euro : 1 US dollar	0.7631	0.8319	-8.3%

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