Interim report on operations
at 30 September 2012

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Highlights

First nine months of 2012

	30 September 2012 € millions	30 September 2011 € millions	change %	% change at constant exchange rates
Net sales	**931.6**	**889.2**	**4.8**	**2.1**
Contribution margin	381.0	362.0	5.2	2.5
EBITDA before non-recurring items	238.4	232.7	2.5	-0.6
EBITDA	**236.1**	**229.1**	**3.1**	**-0.1**
Result from recurring activities	213.9	209.7	2.0	-1.2
Operating result	**211.6**	**206.2**	**2.6**	**-0.6**
Operating margin (operating result/net sales)	22.7%	23.2%		
Profit before tax	176.1	174.7	0.8	
Group profit before tax	**175.7**	**174.3**	**0.8**	

	30 September 2012 € millions	31 December 2011 € millions
Net debt	608.0	636.6

Third quarter 2012

	Q3 2012 € millions	Q3 2011 € millions	change %	% change at constant exchange rates
Net sales	**313.3**	**300.2**	**4.4**	**0.8**
Contribution margin	121.1	121.3	(0.2)	(2.2)
EBITDA before non-recurring items	75.5	78.5	(3.8)	(5.5)
EBITDA	**76.8**	**77.0**	**(0.3)**	**(2.0)**
Result from recurring activities	66.5	70.7	(5.9)	(7.4)
Operating result	**67.8**	**69.3**	**(2.1)**	**(3.6)**
Operating margin (operating result/net sales)	21.7%	23.1%		
Profit before tax	53.4	59.3	(10.0)	
Group profit before tax	**53.3**	**59.2**	**(10.0)**	

Corporate officers

Board of Directors[(1)]

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

Board of Statutory Auditors[(2)]

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

Independent auditors[(3)]

PricewaterhouseCoopers SpA

[(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.
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 SpA as its independent auditors for the nine-year period 2010-2018.

[(4)(5)] The Internal Audit Committee (formerly the Audit Committee) and the Remuneration and Appointments Committee were appointed for the three year period 2010-2012 by the Board of Directors on 30 April 2010. This was confirmed by the Board of Directors on 27 April 2012.

Interim report on operations

Significant events during the period

Acquisition of Lascelles deMercado

On 3 September 2012, the Group announced that it had signed an agreement with the conglomerate CL Financial Limited (CLF) for the acquisition of its 81.4% stake in Lascelles deMercado & Co. Limited (LdM), established in Kingston, Jamaica. The company is listed on the Jamaica stock exchange.
The acquisition took the form of a tender offer presented to the Board of Directors of LdM and the various shareholders to acquire all the outstanding ordinary and preferred shares, in accordance with the Jamaica stock market code of conduct and applicable legislation. The closing of this transaction is scheduled to take place in the third quarter of 2012.

The total price for 100% of LdM's share capital, which will be paid in cash, is USD 414,754,200 (or approximately € 330 million at the exchange rate on the date of the agreement), on a cash-free/debt-free basis, corresponding to a price per ordinary share of USD 4.32 and per preferred share of USD 0.57.
The Group secured financing for the transaction through a bridging loan underwritten by three banks with which it has close relationships. After the date of this report, the Parent Company issued a bond and consequently cancelled the bridging loan.

At the closing date, the scope of LdM's business activities to be acquired (the Acquired Business) will include the spirits business, the related upstream supply chain, and a local consumer products distribution business.
The spirits business is represented by a portfolio of rum brands, including Appleton Estate (super-premium aged rum to savour on its own), Appleton Special/White, Wray & Nephew and Coruba, the market leader in Jamaica with a worldwide distribution.
The upstream supply chain operations, all located in Jamaica, include sugar-cane fields, two distilleries, one sugar factory and various warehouses.
The Acquired Business also includes a local company (merchandise division), which undertakes the manufacturing, marketing and distribution of a wide range of consumer products for well-known companies.
In August, the Group formed Campari España S.L., based in Madrid, Spain. In November, the subsidiary completed the tender offer to acquire all the ordinary and preferred shares of Lascelles deMercado & Co. Limited.

In 2011 (the tax year ending 30 September), the Acquired Business achieved total pro-forma sales of USD 265.4 million (or € 190.7 million at the average exchange rate for the period) and a pro-forma EBITDA of USD 24.2 million (or € 17.4 million). In the twelve months ending 30 June 2012, the Acquired Business achieved total pro-forma sales of USD 277 million (or € 207.6 million at average exchange rate for the period) and a pro-forma EBITDA of 27.7 million (or € 20.7 million).
The agreed price equates to a historic multiple of 15 times the EBITDA generated in the twelve months ending 30 June 2012, excluding any potential synergies. Campari's net debt/EBITDA ratio (pro-forma figures in the twelve months ending 30 June 2012) stands at 2.7 times, assuming closing of the transaction and payment of USD 414,754,200 on 30 June 2012.

Distribution of Tullamore Dew in Germany

The Group announced a major new distribution agreement under which Campari Deutschland GmbH would distribute the Irish whisky Tullamore Dew, belonging to William Grant & Sons (for which Germany is the core sales market), ,from 1 July 2012 .

Creation of Campari South Africa

In August, the Group formed the subsidiary Campari South Africa to distribute, sell and promote the Group's products in South Africa and other countries on the African continent.
Operations will commence in 2013.

New bottling plants

On 23 February 2012, the Group announced an investment plan for the Wild Turkey production site at Lawrenceburg in Kentucky (USA); the aim is to bring in-house the bottling of major Group brands, such as 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 the USD 2.4 million in financial incentives granted by 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 bottling facility is scheduled to open in autumn 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 bottling line is set to be operational in the second half of 2013, with the investment totalling GBP 4.9 million.

Ordinary shareholders' meeting of the Parent Company

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

Continuation of the process to streamline the Group's structures

As part of the ongoing process to streamline the Group's structure, Cabo Wabo, LLC and Rare Breed Distilling LLC were merged on 1 January 2012 into Skyy Spirits LLC, which changed its trading name to Campari America. On 30 September 2012, Redfire Inc. was incorporated by reverse merger into Campari America.
In addition, the process to merge Camargen SRL into Campari Argentina SA was launched, and Vasco (CIS) OOO changed its name to Campari RUS OOO.

Purchase of own shares

From 1 January to 30 September 2012, the Company sold 2,742,418 own shares and purchased 2,945,000 shares, for an average price per share of € 5.36.
At 30 September 2012, the Parent Company held 3,549,147 own shares, equal to 0.61% of the share capital.

Sales performance in the first nine months of 2012

Overall performance

Consolidated net sales totalled € 931.6 million in the first nine months of 2012, an increase of 4.8% on the previous year.

On a same structure basis and at constant exchange rates, organic growth was 2.2% in the first nine months of 2011. As the following table shows, changes in the scope of consolidation reduced the net figure by 0.1%, while exchange rate variations had a positive effect of 2.6%.

	€ millions	% change over the first nine months of 2011
Net sales from 1 January-30 September 2012	931.6	
Net sales from 1 January-30 September 2011	889.2	
Total change	42.4	4.8%
of which:		
organic growth	19.5	2.2%
change in scope of consolidation	-0.7	-0.1%
exchange rate effect	23.5	2.6%
Total change	42.3	4.8%

Although organic growth was 2.2% in the first nine months of 2012, it slowed to 0.2% in the third quarter of the year, despite sales growing by 4.4% overall.

More specifically, the third quarter was hit firstly by a macro-economic climate that was particularly unfavourable for sales of spirits and wine, both in Italy and in certain European markets, and secondly by the challenging comparison with the record sales generated in the first nine months of 2011, when organic growth reached double figures (+10.5%).

On the positive side, sales in North America and in the Asia Pacific region continued to be strong, bolstered by the record performance of the Wild Turkey franchise.

The table below compares quarterly organic growth compared with the same period in the previous year, for the current year, as well as for the 2011 and 2010 financial years.

Organic growth - % change	2012/2011	2011/2010	2010/2009
First quarter	+2.8%	+10.5%	+14.5%
Second quarter	+3.6%	+13.6%	+4.3%
Third quarter	+0.2%	+7.3%	+3.7%
First nine months	**+2.2%**	**+10.5%**	**+6.8%**
Fourth quarter		+5.2%	+12.0%
Total for the year		**+8.8%**	**+8.4%**

The changes in the scope of consolidation had a limited effect overall, with a negative net balance of € 0.7 million (0.1%), due entirely to third-party brands.

This figure is the result of lower sales due to the termination of some distribution agreements, largely offset by the not insignificant positive impact of new distribution agreements.

As shown in the table below, the discontinuation of sales of Cutty Sark in the USA was one of the significant agreements terminated, while major new agreements included those for the distribution of still wines in Italy and Tullamore Dew in Germany.

Sales in the first nine months of 2012: breakdown of external growth	**€ millions**
Third-party brands in Russia	0.9
New still wines in Italy	2.4
New *agency brand spirits* (including Tullamore Dew in Germany)	2.5
Termination of distribution of Cutty Sark in the USA	-3.5
Termination of distribution of other agency brands	-3.0
Sub-total - third-party brands	-0.7
Total external growth	-0.7

Changes in average exchange rates had a significant positive effect on sales in the first nine months of 2012 of € 23.5 million (+2.6%). Specifically, this was due to the substantial appreciation against the euro of the US dollar

(+9.7%) and the Australian dollar (+9.3%), as well as of almost all other currencies, albeit with a lesser impact. Despite the euro's general depreciation against other currencies, the Brazilian real proved to be an exception and bucked the trend, depreciating against the euro by 6.6%.
The table below compares the changes in exchange rates of the Group's most important currencies, both as a spot rate at 30 September and as an average figure for the period.

Exchange rates for the period	2012	2011	% change
US$ x € 1 average for the period	1.282	1.406	9.7%
US$ x € 1 exchange rate at 30 September	1.293	1.350	4.4%
BRL x € 1 average for the period	2.456	2.293	-6.6%
BRL x € 1 exchange rate at 30 September	2.623	2.507	-4.4%
CHF x € 1 average for the period	1.204	1.236	2.6%
CHF x € 1 exchange rate at 30 September	1.210	1.217	0.6%
CNY x € 1 average for the period	8.111	9.139	12.7%
CNY x € 1 exchange rate at 30 September	8.126	8.621	6.1%
GBP x € 1 average for the period	0.812	0.871	7.3%
GBP x € 1 exchange rate at 30 September	0.798	0.867	8.6%
ARS x € 1 average for the period	5.718	5.745	0.5%
ARS x € 1 exchange rate at 30 September	6.065	5.675	-6.4%
AUD x € 1 average for the period	1.239	1.354	9.3%
AUD x € 1 exchange rate at 30 September	1.240	1.387	11.9%
MXN x € 1 average for the period	16.946	16.915	-0.2%
MXN x € 1 exchange rate at 30 September	16.609	18.594	12.0%
RUB x € 1 average for the period	39.796	40.480	1.7%
RUB x € 1 exchange rate at 30 September	40.140	43.350	8.0%

Sales by region

Sales growth in the first nine months of the year was the result of the particularly positive results in the Americas and "Rest of the world and duty free" areas, both of which saw double-digit growth, while Italy and the Rest of Europe witnessed a slight contraction in sales in the first nine months.
It should be noted that cumulative sales in the Americas and the Rest of the world - where the Group has recently strengthened its presence, partly through important acquisitions - increased the two areas' share of total Group sales by three percentage points in September 2012, from 42.4% to 45.6%.

	1 January-30 September 2012		1 January-30 September 2011		% change
	€ million	%	€ million	%	2012/2011
Italy	282.8	30.4%	286.6	32.2%	-1.3%
Rest of Europe	223.8	24.0%	225.2	25.3%	-0.7%
Americas	328.2	35.2%	298.1	33.5%	10.1%
Rest of world and duty free	96.8	10.4%	79.3	8.9%	22.1%
Total	**931.6**	**100.0%**	**889.2**	**100.0%**	**4.8%**

In **Italy**, sales in the first nine months of 2012 stood at € 282.8 million, representing an overall contraction of 1.3% compared with last year; excluding the positive contribution from external growth of 0.5%, in organic terms, sales for the first nine months fell by 1.9%.
In light of the significant deterioration of the country's socio-economic situation, characterised by a sharp and unprecedented fall in the consumption of food and beverages, the slight decrease (of less than 2%) in sales recorded in the first nine months of the year indicates the considerable solidity of the Group's brands, in general, and the relatively satisfactory performance, in particular.
The following table shows the sales performance in **Italy**, broken down into business segments and, for each of these, shows both absolute values and percentage changes, separating the effect of organic growth from changes in structure.

Italy	1 January- 30 September 2012 € million	1 January- 30 September 2011 € million	Total change	Organic growth	External growth	Exchange rate effect
Spirits	184.5	187.4	-1.5%	-1.4%	-0.1%	0.0%
Wines	23.0	23.8	-3.1%	-9.9%	6.8%	0.0%
Soft drinks	75.2	75.5	-0.3%	-0.3%	0.0%	0.0%
Total	**282.8**	**286.6**	**-1.3%**	**-1.9%**	**0.5%**	**0.0%**

Sales of spirits fell by 1.5% globally (-1.4% year on year on a same-structure basis); Campari and Aperol performed well and attracted higher sales, while sales of Campari Soda fell, in line with the generalised fall in daytime consumption in bars.
Specifically, the Nielsen data for the last six months signal, on the one hand, a general contraction in sell-out figures in the aperitifs market, primarily attributable to vermouths and, on the other hand, confirm the absolute leadership of the Group's brands in this market as well as a further improvement in their market share.
SKYY Vodka also posted very good results for the first nine months, having benefited from the introduction of the flavoured vodka range on the market, while the GlenGrant, Cynar and Zedda Piras brands were down, with their falling sales appearing to be strongly correlated with the negative consumption trends in the respective categories of whiskies, bitters and sweet liqueurs.
The wine segment witnessed an overall contraction of 3.1% in the first nine months of the year, although this includes a positive external growth component of 6.8% following new distribution agreements: excluding this external growth component, wines in Italy underwent a 9.9% decline in organic terms.
While performance by all of the brands in the wine portfolio was lacklustre, the largest contraction was in the still wines range, which suffered heavily from the drop in consumption in the restaurant channel.
The slowdown in Cinzano sales seems to have been less pronounced however, while the annual results of sparkling wines will be determined by sales in the final and most important quarter of the year.
Lastly, the soft drinks segment recorded a limited decline of 0.3%, with the contraction in Crodino offset by the good performance during the summer of the Lemonsoda drinks range.

In the **rest of Europe**, sales in the first nine months of 2012 stood at € 223.8 million, down 0.7% compared with the same period of 2011; stripping out a positive exchange rate effect (+0.8%) and the external growth component (+0.2%), organic sales were down by 1.7%. This decrease was due to very divergent performances in the Group's core markets: positive in Russia, Austria, Switzerland and Ukraine and negative in Germany, Spain, France and Greece.

Rest of Europe	1 January-30 September 2012 € million	1 January-30 September 2011 € million	Total change	Organic growth	External growth	Exchange rate effect
Spirits	154.7	156.4	-1.1%	-1.4%	-0.2%	0.5%
Wines	57.6	58.3	-1.2%	-2.8%	0.4%	1.3%
Soft drinks	4.7	3.5	35.7%	34.2%	0.0%	1.5%
Other sales	6.8	7.0	-3.5%	-15.4%	9.4%	2.5%
Total	**223.8**	**225.2**	**-0.7%**	**-1.7%**	**0.2%**	**0.8%**

Germany and Russia are by far the two key markets in this region. As outlined below, specific factors led to the contrasting sales trends in these two important markets in the first nine months of 2012.
Specifically, sales were down in Germany as a result of the continuation, beyond expectations, of the commercial dispute with a major client, which severely affected sales of Aperol and Campari during its traditionally strongest period.
In Russia, where the Group's new commercial structure is now in place, sales in the third quarter exhibited clear signs of growth; however, the results for the first nine months include the effects of the reabsorption of excess products placed on the market by the previous distributors, thus giving rise to better-than-expected results.
In general, at the business area level, the spirits and wines segments, which together account for approximately 95% of sales in the rest of Europe, fell slightly in organic terms of 1.4% and 2.8%, respectively.
As regards spirits, the overall result (-1.4%) was due to the contraction in sales of Campari and Aperol (entirely attributable to the German market), which more than offset the good performance of SKYY Vodka, Cynar and Ouzo.

Globally, wines registered organic growth of 2.8%; growth in sales of Cinzano vermouth and Odessa sparkling wines was more than offset by the contraction in sales of Cinzano and Mondoro sparkling wines, related to changes in distribution in the Russian market mentioned above.

Sales on the **American** continent totalled € 328.2 million, representing overall growth of 10.1% compared with the first nine months of 2011. 6.0% of this increase was attributable to organic business growth and 5.0% to a positive exchange rate effect, while external growth had a slightly negative impact of 0.9%.

Americas	1 January-30 September 2012 € million	1 January-30 September 2011 € million	Total change	Organic growth	External growth	Exchange rate effect
Spirits	306.2	278.4	10.0%	5.7%	-1.1%	5.3%
Wines	18.3	16.5	11.0%	9.2%	2.1%	-0.3%
Soft drinks	0.1	0.0	98.4%	80.8%	0.0%	17.6%
Other sales	3.7	3.2	15.8%	14.6%	0.0%	1.2%
Total	**328.2**	**298.1**	**10.1%**	**6.0%**	**-0.9%**	**5.0%**

In the Americas, where spirits account for approximately 93% of total sales, sales recorded organic growth of 6.0% (with the main segment growing by 5.7%).
To provide a more detailed analysis of the region, including by business segment, the figures for the two main markets (US and Brazil) and the other countries segment within the Americas are broken down separately in the following two tables.

	1 January-30 September 2012		1 January-30 September 2011		% change
	€ million	%	€ million	%	2012/2011
US	211.1	64.3%	177.8	59.6%	18.7%
Brazil	61.4	18.7%	71.9	24.1%	-14.7%
Other countries	55.7	17.0%	48.4	16.2%	15.3%
Total Americas	**328.2**	**100.0%**	**298.1**	**100.0%**	**10.1%**

Breakdown of % change	Total	Organic growth	External growth	Exchange rate effect
US	18.7%	10.0%	-1.7%	10.4%
Brazil	-14.7%	-8.6%	0.0%	-6.1%
Other countries	15.3%	13.3%	0.5%	1.5%
Total Americas	**10.1%**	**6.0%**	**-0.9%**	**5.0%**

The **US**, which accounted for 64.3% of total sales in the Americas region and 22.7% of the Group total in the first nine months, recorded total growth of 18.7%, including organic growth of 10.0%.
This excellent result was due to a good performance across the board by almost all of the spirits and in particular by the Wild Turkey franchise. This brand, which was bought by the Group in 2009, again recorded solid double-digit organic growth, thanks primarily to sales of American Honey, which has proven a great success.
Sales in the first nine months of 2012 were also extremely positive for other important brands for the region, such as SKYY Vodka, Carolans, Espolón and Cabo Wabo, but also for Campari.
The wine segment as a whole, which is extremely marginal in this market, saw a general decline in sales across all of the brands.
US sales in the first nine months were also negatively affected by the termination in June 2011 of the distribution of Cutty Sark (-1.7%), but benefited from a substantial positive exchange rate effect (+10.4%) attributable to the US dollar’s appreciation against the euro.

By contrast, in **Brazil**, sales fell by 14.7% in the first nine months of 2012 due to negative organic growth of 8.6% combined with a negative exchange rate effect of 6.0% resulting from the depreciation of the Brazilian real.
In the third quarter of the year, there was a gradual improvement in the sales of Campari, one of the core brands, which finished the nine months in positive territory; in addition, SKYY Vodka continued to perform extremely well, having also benefited from the launch of the Infusions range.
Nevertheless, the Group's general business situation in this market continues to be difficult, with local brands Old Eight and Drury's whiskies and Dreher still performing negatively.

Sales in **other countries on the American continent**, however, continued to follow a positive trend overall, with organic growth in the first nine months of 13.3% and total growth, after exchange rate and external growth effects, of 15.3%.
This growth was largely attributable to the three core markets of Argentina, Canada and Mexico, but Peru and Chile, for which the outlook is becoming extremely attractive in terms of both growth and business size, also contributed.
In Argentina, the Group's three core brands - Cinzano, Campari and Old Smuggler - recorded positive results, while in Canada, growth in the first nine months continued to be largely attributable to SKYY Vodka and, to a lesser extent, Campari. Lastly, Mexican growth continues to be driven by sales of the SKYY Blue ready-to-drink range, which is the main brand in this market, but other brands, including SKYY Vodka and Espolón, are also showing attractive positive developments.
In the **rest of the world and duty free** region, sales in the first nine months of 2012 came in at € 96.8 million and, thanks to year-on-year growth of 22.1%, accounted for more than 10% of the Group’s total sales; at constant exchange rates, growth stood at 13.4%, while there was a positive exchange rate effect of 8.7%.
Sales growth was evenly distributed in geographical terms, with all five key markets in this region - Australia, Japan, China, South Africa and Nigeria - recording double-digit organic growth; the duty free channel, on the other hand, saw a slight decline.
The table below shows sales growth by business area.

Rest of the world and duty free	1 January-30 September 2012 € million	1 January-30 September 2011 € million	Total change	Organic growth	External growth	Exchange rate effect
Spirits	84.0	68.1	23.4%	14.6%	0.0%	8.8%
Wines	12.1	10.7	13.6%	5.6%	0.0%	7.9%
Soft drinks	0.1	0.1	3.5%	3.5%	0.0%	0.0%
Other sales	0.6	0.5	30.9%	23.3%	0.0%	7.6%
Total	**96.8**	**79.3**	**22.1%**	**13.4%**	**0.0%**	**8.7%**

Spirits, which account for 86.7% of total sales in this region, saw growth of 23.4% at actual exchange rates (14.6% at constant exchange rates).
The most significant contribution came from the Australian market, where strong growth was driven by the entire Wild Turkey franchise, with the ready-to-drink range and American Honey recording double-digit growth.
In other markets, Wild Turkey in Japan, SKYY Vodka in China and South Africa and Campari in Nigeria performed well.
The **wine** segment also increased sales in the first nine months of 2012, reporting growth of 5.6% at constant exchange rates (+13.6% at actual exchange rates); specifically, the Chinese market performed extremely well, where Cinzano sparkling wines and the Group's still wines both recorded growth.
Meanwhile, sales of Riccadonna, the main brand in the wine segment in this region, declined slightly, despite the growth reported in Australia, the Group's biggest global market for this product.

Consolidated sales by business area and by key brand

The first of the two tables below shows sales growth by business area, while the second breaks down the overall change in each segment by organic growth, external growth and exchange rate effects.
The growth of 4.8% registered at Group level was mainly due to spirits (+5.7%), although the other three segments also reported positive growth.

	1 January-30 September 2012		1 January-30 September 2011		% change
	€ million	%	€ million	%	2012/2011
Spirits	729.4	78.3%	690.2	77.6%	5.7%
Wines	111.0	11.9%	109.2	12.3%	1.7%
Soft drinks	80.2	8.6%	79.2	8.9%	1.3%
Other sales	11.0	1.2%	10.6	1.2%	3.7%
Total	**931.6**	**100.0%**	**889.2**	**100.0%**	**4.8%**

Breakdown of % change	Total	Organic growth	External growth	Exchange rate effect
Spirits	5.7%	3.0%	-0.5%	3.1%
Wines	1.7%	-1.7%	2.0%	1.4%
Soft drinks	1.3%	1.2%	0.0%	0.1%

Other sales	3.7%	-4.8%	6.2%	2.3%
Total	**4.8%**	**2.2%**	**-0.1%**	**2.6%**

Spirits

Sales of spirits totalled € 729.4 million, representing an increase of 5.7% in the first nine months. This was due to organic growth of 3.0% and a positive exchange rate effect of 3.1%, whereas external growth had a negative effect of 0.5%, mainly due to the termination of distribution of Cutty Sark in the US.

To supplement the above comments on the sales performance of the key brands in each region, the table below provides a summary of the total sales results of the Group's key brands.

The Group's core spirit brands Sales in first nine months of 2012 compared with the first nine months of 2011	Change at constant exchange rates	Change at actual exchange rates
Campari	-0.9%	-0.8%
SKYY Vodka (including the Infusions range)	9.4%	18.2%
Aperol	-0.6%	-0.3%
Campari Soda	-4.8%	-4.8%
Wild Turkey franchise	20.2%	31.5%
of which Wild Turkey core brand	9.0%	19.3%
of which Wild Turkey ready-to-drink	25.7%	37.3%
of which American Honey	43.7%	57.3%
Brazilian brands (Old Eight, Drury's and Dreher)	-13.7%	-19.4%
Former C&C brands	-1.7%	5.9%
of which Carolans	6.8%	16.1%
of which Frangelico	-9.6%	-3.4%
GlenGrant	-3.8%	-2.4%
Old Smuggler	19.0%	20.5%
Ouzo 12	5.0%	5.8%
Cynar	-2.6%	-3.9%
Tequila (Cabo Wabo, Espolón)	26.4%	38.1%

Meanwhile, third-party spirit brands distributed by the Group registered growth of 4.3%, excluding the negative external growth effect and the positive exchange rate effect.

Wines

Sales of wines in the first nine months of 2012 totalled € 111.0 million, an increase of 1.7% compared with the same period of 2011. The overall result was boosted by sales of third-party still wines due to new distribution agreements, mainly in the Italian market, as well as a positive exchange rate effect; excluding these components, in organic terms, growth was down by 1.7%.

The following is a summary of the consolidated sales performance of the key brands.

The Group's wine brands Sales in first nine months of 2012 compared with the first nine months of 2011	Change at constant exchange rates	Change at actual exchange rates
Cinzano sparkling wines	-3.9%	-3.1%
Cinzano vermouth	3.2%	4.8%
Other sparkling wines (Riccadonna, Mondoro, Odessa)	1.4%	4.9%
Sella&Mosca	-6.7%	-6.4%

In wines, the agency brands accounted for a lower proportion of total sales than in spirits.

The growth strategy, including the expansion of the portfolio to include the distribution of new third-party brands, also resulted in the completion of major new agreements in 2012, including the agreement for Fazi-Battaglia wines.

Soft drinks

In the first nine months of 2012, sales of soft drinks totalled € 80.2 million, up 1.3% compared with the first nine months of 2011 (1.2% stripping out a marginally positive exchange rate effect).

The following is a summary of the consolidated sales performance of the key brands.

The Group's soft drink brands Sales in first nine months of 2012 compared with the first nine months of 2011	Change at constant exchange rates	Change at actual exchange rates
Crodino	-4.1%	-4.0%
Lemonsoda drinks range	12.3%	12.4%
Crodo mineral waters and other drinks	-7.4%	-7.4%

Other sales

The other sales segment, which is marginal since it represents less than 1.2% of total Group sales, grew by 3.7% in the first nine months of 2012.
From March 2011, following the acquisition of Vasco (CIS) OOO (now Campari RUS OOO) 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).
Growth in other sales in the first nine months of 2012 was due to external growth and the exchange rate effect arising mainly from the sale of these other finished products on the Russian market.

Sales performance in the third quarter of 2012

Sales in the third quarter of 2012 totalled € 313.3 million, an increase of 4.4% compared with 2011.
As shown in the table below, sales in the quarter benefited from the considerable positive impact (+3.6%) resulting from the revaluation of average exchange rates during the period, as well as, albeit to a lesser extent, a positive external growth effect (+0.6%). On a same-structure basis and at constant exchange rates compared with 2011, organic growth was thus only 0.2%.

	€ million	% change on third quarter 2011
- net sales in the third quarter of 2012	313.3	
- net sales in the third quarter of 2011	300.1	
Total change	**13.1**	**4.4%**
of which		
organic growth	0.6	0.2%
external growth	1.8	0.6%
exchange rate effect	10.7	3.6%
Total change	**13.1**	**4.4%**

The third quarter saw a slowdown in organic growth, which was 2.8% and 3.6% in the first and second quarter, respectively. Nevertheless, as the tables below show, the lacklustre result was largely due to the Italian market and the country's difficult economic situation.

Sales by region

	Third quarter 2012		Third quarter 2011		% change
	€ million	%	€ million	%	2012/2011
Italy	70.2	22.4%	77.1	25.7%	-8.9%
Rest of Europe	86.3	27.5%	84.7	28.2%	1.8%
Americas	120.0	38.3%	108.1	36.0%	11.0%
Rest of the world and duty free	36.8	11.8%	30.2	10.1%	21.5%
Total	**313.3**	**100.0%**	**300.1**	**100.0%**	**4.4%**

Breakdown of % change	% change			
	Total	Organic growth	External growth	Exchange rate effect
Italy	-8.9%	-9.8%	0.9%	0.0%
Rest of Europe	1.8%	0.8%	0.2%	0.8%
Americas	11.0%	3.9%	0.8%	6.3%
Rest of the world and duty free	21.5%	10.9%	0.0%	10.6%
Total	**4.4%**	**0.2%**	**0.6%**	**3.6%**

In Italy, the third quarter saw an 8.9% decline in sales, or 9.8% excluding a small positive external growth component. The contraction was felt by all of the main brands, indicating that there is a problem in general consumption rather than issues relating to one or more specific products.

In fact, during the quarter, and especially in September, the contraction in consumption was particularly acute due, in part, to an effective reduction in households' disposable income, but mainly to a further deterioration in confidence resulting from concerns about Italy's ability to deal with its public debt and the further sacrifices that a solution to the debt problem will entail in the medium term. In this context, the upcoming election, the results of which are hard to predict, has had an negative impact on current levels of trust and will presumably be a factor that will continue to have an impact on confidence levels over the months to come and ultimately on consumption in general.

Moreover, the recent introduction of restrictive regulations on lending to companies operating in the food and beverages sector (article 62 of Law 24 dated March 2012, no. 27) will lead to a significant contraction in stock levels in the distribution channels, which – even though it is only the result of a temporary imbalance that will even out in the long term - will have a substantial impact on the Group's sales to its customers in the near future.

In the rest of Europe however, the third quarter saw a slight trend reversal (compared with the first half of 2012) with growth both in overall terms (+1.8%) and in organic terms (+0.8%); the Swiss and Russian markets were the most dynamic, and there was a slight improvement in Germany although the result remained negative.

On the American continent, sales saw double-digit growth of 11.0%, with a positive exchange rate effect of 6.3% and an external growth component of 0.8%.

Organic growth was thus 3.9% and was due to a positive result in the US and, to a lesser extent, in Brazil, which returned to growth again during the quarter.

In the rest of the world and duty free, the third quarter of the year saw total growth of 21.5%, driven in almost equal proportions by solid double-digit organic growth (+10.9%) and the exchange rate effect (10.6%).

Organic growth was mainly attributable to the Australian market, but all of the main markets in this region performed well.

Sales by business area

Sales were rather similar across business areas in the third quarter: looking solely at organic growth, total sales were broadly stable compared with the third quarter of 2011 (+0.2%), attributable to growth of 0.2% in spirits, 0.6% in wines and 0.1% in soft drinks.

	Third quarter 2012		Third quarter 2011		% change
	€ million	%	€ million	%	2012/2011
Spirits	241.1	77.0%	229.9	76.6%	4.8%
Wines	42.4	13.5%	40.6	13.5%	4.4%
Soft drinks	24.8	7.9%	24.8	8.3%	0.1%
Other sales	4.9	1.6%	4.8	1.6%	3.0%
Total	**313.3**	**100.0%**	**300.1**	**100.0%**	**4.4%**

Breakdown of % change	% change			
	Total	Organic growth	External growth	Exchange rate effect
Spirits	4.8%	0.2%	0.5%	4.2%
Wines	4.4%	0.6%	1.8%	2.0%
Soft drinks	0.1%	0.1%	0.0%	0.0%
Other sales	3.0%	-1.4%	0.0%	4.4%
Total	**4.4%**	**0.2%**	**0.6%**	**3.6%**

Within each of the three segments, however, sales of the various brands diverged considerably. For example, as regards **spirits,** which recorded organic growth of 0.2%, it is necessary to once again highlight the Wild Turkey franchise , as well as mention the good quarter experienced by the SKYY Vodka, Glen Grant, Espolón and Carolans franchises. On the other hand, sales of Campari Soda in particular, but also of Aperol and the Brazilian brands were lower in the third quarter of 2012 than in the previous year. Finally, sales of Campari were largely in line with last year, as the contraction in Italy and, to a lesser extent, Germany, was offset by the positive results in Brazil and many other markets considered to be important for this brand.
Overall growth in the spirits segment was 4.8% thanks to a favourable exchange rate effect (+4.2%) and, in part, to external growth (+0.5).

The performance of the wine segment was very similar to that of the **spirits** segment, recording total growth of 4.4% in the third quarter of 2012. This was largely due to external growth and exchange rate effects, and positive, albeit modest, organic growth of 0.6%.
Results were also extremely different across the main brands in this segment, with Cinzano vermouth, Riccadonna and Odessa growing substantially, an encouraging quarter for the Group's still wines and a marked decline in sales of Cinzano sparkling wines and Mondoro.

Sales of **soft drinks** in the third quarter were exactly in line with the previous year (+0.1%), with the good performance of the Lemonsoda range offsetting the decline in sales of Crodino.

Quarterly changes in the **other sales** segment are immaterial in terms of value.

Income statement for the first nine months of 2012

The Group's results for the first nine months of 2012 show overall growth in sales and all profitability indicators. This growth may be considered satisfactory given the difficult macroeconomic environment in key regions and a challenging comparison with a particularly positive first nine months of 2011.
The operating result grew by 2.6% overall compared with 2011, and after stripping out the positive impact of external growth and the exchange rate effect, organic growth was 1.2%, further details on which are provided below.

	30 September 2012		30 September 2011		Change
	€ million	%	€ million	%	%
Net sales	931.6	100.0	889.2	100.0	4.8
Cost of goods sold after distribution costs	(384.7)	-41.3	(368.1)	-41.4	4.5
Gross profit after distribution costs	546.8	58.7	521.1	58.6	4.9
Advertising and promotional costs	(165.9)	-17.8	(159.1)	-17.9	4.2
Contribution margin	38.,0	40.9	362.0	40.7	5.2
Overheads	(167.1)	-17.9	(152.3)	-17.1	9.7
Result from recurring activities	213.9	23.0	209.7	23.6	2.0
Non-recurring income (charges)	(2.3)	-0.2	(3.6)	-0.4	-
Operating result	211.6	22.7	206.2	23.2	2.6
Net financial income (charges)	(33.2)	-3.6	(31.5)	-3.5	5.3
Non-recurring financial income (charges)	(2.2)	-0.2	-	0.0	-
Profit (loss) of companies valued at equity	-	0.0	0.1	0.0	-
Put option income (charges)	(0.1)	0.0	-	0.0	-
Profit before tax and minority interests	176.1	18.9	174.7	19.6	0.8
Minority interests	(0.4)	0.0	(0.4)	0.0	-
Group net profit	175.7	18.9	174.3	19.6	0.8
			-		
Total depreciation and amortisation	(24.5)	-2.6	(22.9)	-2.6	6.8
EBITDA before non-recurring income and charges	238.4	25.6	232.7	26.2	2.5
EBITDA	236.1	25.3	229.1	25.8	3.1

Net sales for the period were € 931.6 million, up 4.8% thanks to organic growth of 2.2% and a positive exchange rate effect of 2.6%, slightly offset by a negative external growth effect of 0.1%.
For more details on these effects and on sales by region and business area, please refer to the section above.

The **cost of goods** sold accounted for 41.3% of sales, broadly in line with last year (41.4%).
Contrasting performances underlie this stable figure, shown in the various cost components. On the one hand, distribution costs rose due to the general increase in the unit costs of transport and the Group's expansion in new markets, entailing higher logistics costs (particularly in Russia).
On the other, there was an almost equal decrease in the production cost: in this case, the sales mix and the success in curbing some industrial fixed costs more than offset the price increase of certain materials (particularly sugar).

Gross profit was € 546.8 million, up 4.9% on the first nine months of 2011. As a proportion of sales, it was 58.7%, in line with the previous year (58.6%), due to the substantial stability in the cost of goods sold, mentioned above.

Advertising and promotional costs amounted to 17.8% of sales, in line with 2011 (17.9%). The increase in investment in the third quarter, announced previously, reflects the planning of activities that are mainly concentrated in the second half of the year.

The **contribution margin** for the first nine months was € 381.0 million, with total growth of 5.2%, comprising organic growth (2.6%), a favourable exchange rate (2.7%) and a small negative external growth effect of 0.1%.

Overheads, which include the cost of the sales structures and general and administrative costs**,** increased by 9.7% in total.

This strong growth was due to both an exchange rate effect of 2.2% and an external growth effect of 2.0%, the latter being entirely attributable to the launch of direct distribution on the Russian market, which entailed substantial investment to strengthen the entire structure of Vasco (CIS) OOO, acquired in March 2011 (and subsequently renamed Campari RUS OOO).
Stripping out these items, organic growth in overheads during the period was 5.5% and was attributable to a major strengthening of the Group's central and sales structures in some particularly dynamic markets.

The **result from recurring activities** was € 213.9 million, an increase of 2.0% compared with the same period of last year.
Stripping out the negative effects of external growth (1.7%) and positive exchange rate effects (3.1%), the result from recurring activities grew by 0.5%.
While the negative external growth effect on the Group's income statement was marginal (-0.1%) in terms of the Group's net sales and contribution margin, it was more substantial as regards the result from recurring activities (and therefore also for the operating result), at -1.7%, due to the above-mentioned external overheads component.

Non-recurring income and charges showed a net negative balance of € 2.3 million in 2012, compared with € 3.6 million in 2011. In 2012, this negative balance included legal expenses and consultancy fees relating to the acquisition of Lascelles deMercado (€2.1 million), restructuring costs (€ 2.4 million), capital gains from the sale of assets (€ 4.1 million) and other non-recurring charges (€ 1.9 million).

The **operating result** for the period was € 211.6 million, a total increase of 2.6% compared with the same period of 2011. Stripping out the effects of external growth (-1.7%) and exchange rates (3.2%), organic growth was 1.2%.
ROS (return on sales, i.e. operating result as a percentage of net sales) was 22.7%, compared with 23.2% in the previous year.

Depreciation and amortisation in the period totalled € 24.5 million, up 6.8% on 2011.

EBITDA before non-recurring income and charges increased by 2.5% (0.9% at constant exchange rates and on a same-structure basis) to € 238.4 million, while **EBITDA** rose by 3.1% (1.5% at constant exchange rates and on a same-structure basis) to € 236.1 million.

Net financial charges totalled € 33.2 million, higher than the € 31.5 million recorded in the same period in 2011.
The average cost of debt (7.1%) was higher than the previous year (6.3%), largely due to greater negative carry on the cash held (the difference between the interest rates on short-term deposits and the cost of debt in the medium to long term). The increase in the difference in borrowing and lending rates was due, on the one hand, to the drop in short-term rates and, on the other, to reduced exposure to variable rates on medium and long-term loans, pursued in view of the imminent acquisition and in order to take advantage of the favourable window in the market.
Non-recurring financial charges totalled € 2.2 million, €2.1 million of which related to the structuring of the bridging loan obtained by the Group to cover the financial requirement for the acquisition of Lascelles deMercado. In October, the Parent Company completed a bond issue and, as a result, cancelled the above-mentioned credit lines.

Group profit before tax was € 175.7 million in the first nine months of 2012, up 0.8% year on year.

Income statement for the third quarter of 2012

The income statement for the third quarter of 2012 set out in the table below shows growth in sales, while the operating result fell by 2.1% due to increased advertising expenditure in the two periods under comparison.

	Third quarter 2012		Third quarter 2011		Change
	€ million	%	€ million	%	%
Net sales	313.3	100.0	300.2	100.0	4.4
Cost of goods sold after distribution costs	(129.7)	-41.4	(125.5)	-41.8	3.3
Gross profit after distribution costs	183.6	58.6	174.6	58.2	5.1
Advertising and promotional costs	(62.5)	-20.0	(53.3)	-17.8	17.3
Contribution margin	121.1	38.6	121.3	40.4	-0.2
Overheads	(54.5)	-17.4	(50.6)	-16.9	7.8
Result from recurring activities	66.5	21.2	70.7	23.6	-5.9
Non-recurring income (charges)	1.3	0.4	(1.4)	-0.5	-
Operating result	67.8	21.7	69.3	23.1	-2.1
Net financial income (charges)	(12.3)	-3.9	(10.0)	-3.3	23.7
Non-recurring financial income (charges)	(2.1)	-0.7	0.0	0.0	-
Profit (loss) of companies valued at equity	0.0	0.0	0.0	0.0	-
Put option income (charges)	(0.0)	0.0	0.0	0.0	-
Profit before tax and minority interests	53.4	17.0	59.3	19.8	-10.0
Minority interests	(0.1)	0.0	(0.1)	0.0	-
Group net profit	53.3	17.0	59.2	19.7	-10.0
Total depreciation and amortisation	(8.9)	-2.9	(7.7)	-2.6	15.6
EBITDA before non-recurring income and charges	75.5	24.1	78.5	26.1	-3.8
EBITDA	76.8	24.5	77.0	25.7	-0.3

Sales increased by 4.4% in the third quarter of the year, comprising organic growth of 0.2%, external growth of 0.6% and an exchange rate effect of 3.6%; for more detailed comments please refer to the “Sales performance in the third quarter” section above.

The **contribution margin** for the quarter was € 121.1 million, a decline of 0.2% resulting from substantial advertising and promotional spending during the quarter, which was only slightly offset by a lower cost of goods sold.

The cost of goods sold fell as a percentage of sales by 40 basis points (from 41.8% in 2011 to 41.4 in 2012): in addition to the positive and negative effects described in the "Income statement for the first nine months of 2012" section above, there was also a further positive exchange rate effect. During a period of only three months, the significant average depreciation of currencies other than the euro had a greater impact on sales (positive effect) than on production costs (negative effect), given that more than 60% of the Group's total production costs are generated and denominated in euro.

Spending on advertising and promotions grew by 17.3% in absolute terms in the quarter, and by 220 basis points as a percentage of sales, from 17.8% to 20.0%. This was due to a change in the scheduling of some advertising and promotional expenses, which in 2012 were largely concentrated in the second part of the year.
Stripping out the positive exchange rate and external growth effects of 2.0% and 0.2% respectively, the contribution margin at the organic level fell by 2.4%.

Overheads grew by 7.8% overall during the quarter, increasing from 16.9% in 2011 to 17.4% in 2012 as a proportion of sales. Excluding exchange rate and external growth effects, which had a significant impact on this increase, organic growth stood at 4.1%, higher than the organic growth in sales resulting from the strengthening of the distribution structure in the Russian market in 2012.

Consequently, the **operating result** was € 67.8 million, 2.1% down on 2011; on account of the effects mentioned above, excluding a positive exchange rate effect of 1.5% and a slightly negative external growth effect of 0.3%, organic growth fell by 3.3%.

EBITDA before non-recurring income and charges fell by 3.8% (-5.5% at constant exchange rates) to € 75.5 million.
EBITDA was down by 0.3% (-2.0% at constant exchange rates) compared with the third quarter of 2011 at € 76.8 million.

Net financial charges for the period totalled € 12.3, an increase of € 2.3 million compared with € 10.0 million in the third quarter of 2011. The increase between the two periods was due, on the one hand, to an increase in the average cost of debt, due to a significant negative carry, and, on the other, to the Group's increased exposure to fixed rates on medium to long-term loans.
In addition, **non-recurring financial charges** stood at € 2.1 million in the quarter, related to the structuring of the financing for the acquisition of Lascelles deMercado.

Group profit before tax was € 53.3 million in the third quarter of 2012, a decrease of 10.0 % (-10.9% at constant exchange rates) compared with the third quarter of 2011.

Financial situation

Breakdown of net debt

At 30 September 2012, consolidated net debt stood at € 608.0 million, down € 28.6 million from the € 636.6 million recorded at 31 December 2011.
The table below shows how the debt structure changed between the beginning and end of the period.

	30 September 2012	31 December 2011	Change
	€ million	€ million	
Cash and cash equivalents	363.6	414.2	(50.5)
Payables to banks	(146.7)	(144.9)	(1.8)
Real estate lease payables	(0.0)	(3.0)	3.0
Short-term portion of private placement	(0.0)	(83.7)	83.7
Other financial receivables and payables	(14.0)	(10.7)	(3.3)
Short-term net cash position	202.8	171.8	31.1
Payables to banks	(0.0)	(0.1)	0.1
Real estate lease payables	(1.4)	(1.4)	0.0
Private placement and bond	(816.0)	(798.5)	(17.5)
Other financial receivables and payables	13.0	(0.5)	13.5
Medium-/long-term net debt	(804.4)	(800.6)	(3.8)
Debt relating to operating activities	(601.6)	(628.8)	27.2
Payables for the exercise of put options and potential earn-out payments	(6.4)	(7.8)	1.4
Net debt	(608.0)	(636.6)	28.6

In terms of structure, the **medium- to long-term component**, almost exclusively made up of bonds in issue, showed a debt position of € 804.4 million, € 3.8 million more than at 31 December 2010. In the third quarter, the Parent Company decided to carry over part of the medium- to long-term debt with fixed rates and therefore cancelled some hedging agreements. The asset deriving from this, which is included under other financial receivables, will be received over the rest of the term of the underlying loan and can be divided into a short-term component (€ 11.1 million) and a long-term component (€ 13.4 million).

The **short-term cash position** came in at € 202.8 million, up € 31.1 million on the figure of € 171.8 million recorded at 31 December 2011.
In July, the Group repaid the portion falling due of the private placement of 2002 (US$ 108.3 million).
In other current financial payables and receivables, net liabilities at 30 September 2012 (€ 14.0 million) include accrued interest on long-term bonds in issue (€ 24.1 million) and other financial liabilities (€ 1.0 million), net of assets for the elimination of the payable mentioned above.

Operating working capital

The balance sheet at 30 September 2012 shows operating working capital of € 483.3 million, an increase in absolute terms compared with both the end of the previous year and the same period of 2011.
The table below compares the figures for the three periods; operating working capital is shown, for each period, as a proportion of sales over the previous 12 months.

	30 September 2012	31 December 2011	Change	30 September 2011	Change
	€ million	€ million	€ million	€ million	€ million
Receivables from customers	259.3	278.0	(18.7)	197.9	61.3
Inventories	413.6	331.3	82.3	350.3	63.2
Trade payables	(189.5)	(166.8)	(22.8)	(162.3)	(27.2)
Operating working capital	**483.3**	**442.5**	**40.8**	**386.0**	**97.3**
Sales in the previous 12 months	1.316.6	1.274.2	42.3	1.257.3	59.2
Working capital as % of sales in the previous 12 months	36.7	34.7		30.7	

Working capital increased by € 40.8 million overall compared with 31 December 2011. This growth is justified, first of all, by the trend in working capital between quarters, which historically, at the end of September, gives rise to a slightly lower value for trade receivables and a significantly higher value for inventories compared with at 31 December of the previous year.
Secondly, the exchange rate effect pushed up the figure between the two periods, albeit only by € 2.0 million.
Working capital as a proportion of sales in the previous 12 months was 36.7% at 30 September 2012, 200 basis points higher than the level reached at 31 December 2011 (34.7%). Two factors led to this increase: first, growth in business in markets where it is more difficult to obtain supplies, such as Russia and Australia, required an increase in stocks in local warehouses. Compared with 31 December 2011, the increase in stocks attributable to the Group's subsidiaries in Russia and Australia totalled € 14.9 million. Second, there was an increase in stocks of liquid undergoing the ageing process at the distilleries in Kentucky and Scotland of € 7.7 million and € 6.3 million respectively: this component of working capital, necessary to guarantee the availability of whisky in future years, does not have a direct correlation with sales over the last 12 months.
Working capital increased significantly by € 97.3 million overall compared with 30 September 2011. Given that € 14.9 million of the increase between the two periods was due to exchange rate effects alone, the factors mentioned above have had an even greater impact on the increase since 30 September 2011. In particular, growth in the new markets of Russia and Australia led to a € 18.4 million increase overall in stocks, while the increase relating to liquid in the ageing process at the two distilleries in Kentucky and Scotland amounted to € 16.6 million and € 9.1 million respectively.

Events taking place after the end of the period

Bond issue on the Euromarket

On 18 October 2012, in order to finance the acquisition of Lascelles deMercado, Davide Campari-Milan S.p.A. completed an unrated € 400 million bond issue on the Euro capital markets, with a maturity of seven years.
The bond pays a fixed annual coupon of 4.5% and the issue price was 99.068% of par, corresponding to a gross yield to maturity of 4.659%. Payment of the bonds took place on 25 October 2012 and the loan expires on 25 October 2019.

Following the bond issue, the bridging loan negotiated for financing the acquisition of Lascelles deMercado was cancelled and the related credit lines were not used.

Banca IMI, Bank of America Merrill Lynch and Deutsche Bank acted as joint lead managers and bookrunners for the issue.

The offer was targeted at institutional investors only, and in geographical terms, attracted significant interest from a very diverse range of high-calibre European investment professionals. Most of the bonds were allocated to investors in the UK, Italy, Germany and France.
A request was submitted for the bonds to be admitted to trading on the relevant regulated market of the Luxembourg Stock Exchange.

The bonds were offered and sold outside the US only, to investors not defined as US persons under Regulation S, and were not registered under the 1933 US Securities Act, as amended (the Securities Act), or under other relevant laws.
The bonds cannot be offered or sold in the US unless they are registered or in cases where they are exempt from such registration.

Tender offer for shares of Lascelles deMercado & Co. Limited

On 9 November 2012, Davide Campari-Milano S.p.A. announced the launch of a tender offer for all the ordinary and preferred shares issued by Lascelles deMercado & Co. Limited, to be paid for in cash, as envisaged in the announcement on 3 September 2012.

The offer, which will be made through Campari España S.L., a wholly-owned subsidiary of Davide Campari-Milano S.p.A., in accordance with the code of conduct of the Jamaica Stock Exchange and other applicable laws, started on 9 November 2012 and will be completed at 4.30 p.m. (Jamaican time) on 30 November 2012, or thereafter if the offer is extended. The sum offered is USD 4.32 per ordinary share and USD 0.57 per preferred share of the share capital of Lascelles deMercado & Co. Limited. The total value of the offer for 100% of Lascelles deMercado & Co. Limited's capital is USD 414,754,200 (or approximately € 330 million at the exchange rate on the day the transaction was announced), on a cash-free/debt-free basis.

As announced on 3 September 2012, the offerer has signed an agreement with some shareholders of the conglomerate CL Financial Limited to acquire their holdings of 81.4% of the ordinary shares and 97% of the preferred shares making up the capital of Lascelles deMercado & Co. The offerer has subsequently signed agreements with other shareholders of the same company who hold a total of around 9.3% of the ordinary shares. Under these agreements, the shareholders agreed to accept the offer.
If the offer is accepted by at least 90% of the capital in each class of shares of Lascelles deMercado & Co. Limited, the offerer has the right and the intention to acquire all remaining shares in the company, including those held by shareholders who do not accept the offer.
The offerer intends to remove the shares in Lascelles deMercado & Co. Limited from trading on the Jamaica Stock Exchange once the offer is complete or once the process of acquiring those shares that were not part of the offer, as described above, is complete.

Outlook

The third quarter of the year was marked by a deepening of the economic recession and thus greater problems for consumers in Italy and in some key European markets such as Spain and France, and the failure to fully resolve the potentially highly uncertain situation in Germany.
Moreover, looking at Italy from a short-term perspective, business was also affected by the worsening climate of trust (not likely to improve in the pre-election period) and the effects of new legal provisions.
In particular, the recent introduction of restrictive regulations governing the granting of credit to companies operating in the food and beverages sector (article 62 of Law 24, dated 24 March 2012, no. 27) led to a significant reduction of stocks in the distribution channels, which – even though it is only the result of a temporary imbalance that will even out in the long term – will have a substantial effect on the Group's sales to its customers in the near future.

Notwithstanding this, the results for the last few months have shown some positive signs, including:

- confirmation of the soundness of the Group's business in key markets such as the US and Australia where the Group's sales structures are shaping the solid growth of the Wild Turkey franchise;
- a trend reversal in Brazil, centred on the Group's international brands;
- the strength of brands such as Aperol and Campari, which generally speaking, increased or firmly maintained their market share, even where the unfavourable economic environment slowed consumption in this category;
- a desire to continue to invest in the Group's brands, even in contexts of stunted economic growth, while still paying a great deal of attention to keeping advertising and promotional costs to a minimum and optimising advertising expenditure.

Despite the slowdown in the third quarter and a few specific events mentioned above, 2012 as a whole will see satisfactory sales growth.

Information on the figures presented

For ease of reference, all figures in this interim report on operations are expressed in million euro to one decimal place, whereas the original data is recorded and consolidated by the Group in thousand euro.
Similarly, all percentages that relate to changes between two periods, rather than figures shown as a percentage of sales or other indicators, are always calculated on the basis of the original data in thousand euro.
The use of values expressed in million euro may thus result in apparent discrepancies between absolute values and percentage changes.

Other information

In accordance with article 70, paragraph 8 and article 71, paragraph 1-*bis* of Consob Regulation 11971 dated 14 May 1999, the Board of Directors has voted to exercise the option to waive the requirements to publicly disclose the prescribed information documents during significant transactions relating to mergers, de-mergers, capital increases through the transfer of assets in kind, acquisitions and sales.

Sesto San Giovanni, 12 November 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 interim report accurately represents the figures contained in the Group's accounting records.

Chief Financial Officer
Paolo Marchesini