Interim report on operations
at 30 September 2013

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Highlights

First nine months of 2013

	30 September 2013	30 September 2012	change	change at constant exchange rates
	€ million	€ million	%	%
Net sales	**1,052.5**	**931.6**	**13.0**	**16.0**
Contribution margin	392.6	381.0	3.1	5.8
EBITDA before non-recurring items	229.2	238.4	-3.9	-1.4
EBITDA	**224.5**	**236.1**	**-4.9**	**-2.5**
Result from recurring activities	198.6	213.9	-7.1	-4.8
Operating result	**193.9**	**211.6**	**-8.4**	**-6.1**
Operating margin (operating result/net sales)	18.4%	22.7%		
Profit before tax	149.9	176.1	-14.8	
Group profit before tax	**149.5**	**175.7**	**-14.9**	

	30 September 2013	31 December 2012
	€ million	€ million
Net debt	910.7	869.7

Third quarter 2013

	Third quarter 2013	Third quarter 2012	change	change at constant exchange rates
	€ million	€ million	%	%
Net sales	**353.9**	**313.3**	**13.0**	**18.4**
Contribution margin	134.6	121.1	11.2	17.1
EBITDA before non-recurring items	83.6	75.5	10.8	16.7
EBITDA	**83.8**	**76.8**	**9.1**	**15.0**
Result from recurring activities	73.2	66.5	10.1	16.1
Operating result	**73.4**	**67.8**	**8.2**	**14.2**
Operating margin (operating result/net sales)	20.7%	21.7%		
Profit before tax	57.7	53.4	8.2	
Group profit before tax	**57.6**	**53.3**	**8.1**	

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	Chief Executive Officer and General Counsel and Business Development Officer
Eugenio Barcellona	Director and member of the Control and Risks Committee and the Remuneration and Appointments Committee [4][5]
Camilla Cionini-Visani	Director and member of the Control and Risks Committee and the Remuneration and Appointments Committee [4][5]
Karen Guerra	Director
Thomas Ingelfinger	Director and member of the Control and Risks Committee and the Remuneration and Appointments Committee [4][5]
Marco P. Perelli-Cippo	Director

Board of Statutory Auditors[2]

Pellegrino Libroia	Chairman
Enrico Colombo	Statutory Auditor
Chiara Lazzarini	Statutory Auditor
Giovanni Bandera	Alternate Auditor
Graziano Gallo	Alternate Auditor
Piera Tula	Alternate Auditor

Independent auditors[3]

PricewaterhouseCoopers S.p.A.

[1] The nine members of the Board of Directors were appointed on 30 April 2013 by the shareholders' meeting and will remain in office for the three-year period 2013-2015. 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.
At a meeting held on the same date, the Board of Directors gave Managing Directors Robert Kunze-Concewitz, Paolo Marchesini and Stefano Saccardi the following powers for three years until approval of the 2015 financial statements:

- 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 2013 by the shareholders' meeting for the three-year period 2013-2015.

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

[4][5] The Risk Control Committee and the Remuneration and Appointments Committee were appointed by the Board of Directors on 30 April 2013 for the three year period 2013-2015.

Interim report on operations

Significant events during the period

Purchase of distribution rights for Appleton brands in the US

Through the acquisition of Lascelles deMercado&Co. Ltd. (“LdM”), which was completed in 2012, the Group, via Campari America, purchased the distribution and marketing rights of the Appleton rum portfolio in the US, as of 1 March 2013, for USD 20 million.

Exercise of put and call options on the minority interest in Campari Rus OOO

On 28 February 2013, the Group exercised previously agreed options for the purchase of the remaining 20% stake in the controlling company of Campari Rus OOO for a sum of € 2.1 million.

Disposal of Punch Barbieri trademark

On 1 March 2013, the Group completed the sale of the Punch Barbieri brand to Distilleria Moccia for € 4.45 million.

Launch of Campari Orange Passion

Campari Orange Passion is a new cocktail made with Campari, orange juice and cane sugar, launched on the Italian market in March 2013.
This ready-to-serve cocktail was born from the success of Campari Orange Passion, the “crushed” cocktail launched in 2010 as a reinterpretation of the Garibaldi (traditional Campari Orange) to celebrate Campari’s 150th anniversary.

Launch of Bankes London Dry Gin

In April 2013, Gruppo Campari launched Bankes, the new premium London Dry Gin, on the Italian market. This product was created using traditional methods in collaboration with historic UK distillery Langley.

Distribution of William Grant & Sons portfolio in Germany

On 1 July 2013, the Group started to distribute the entire William Grant&Sons portfolio in Germany. The portfolio includes the Glenfiddich, Grant's and Balvenie Scotch whiskies, Sailor Jerry rum and Hendrick's gin, as well as Irish whisky Tullamore DEW, which has been distributed on this market since 2012.

Termination of the distribution of Russian Standard in Germany

Due to a change in its distribution agreements, the Group terminated distribution of Russian Standard in Germany on 1 September 2013.

Acquisition of Copack, the Australian bottling company

On 2 September 2013, Gruppo Campari completed the acquisition, announced in June, of the assets of Copack Beverage LP, a limited partnership ("Copack") and leading Australian bottling company specialising in tin and glass packaging that supplies the Group with packaging for ready-to-drink products.
The acquisition further strengthens the Group’s international supply chain structure, improving the flexibility of the local structure, quality control and capacity for innovation; the transaction is therefore a major opportunity to support the Group's future growth in the Asia-Pacific region.
The consideration paid was AUD 20 million (approximately € 14.1 million at current exchange rates), with no cash or debt, to purchase land, buildings, production assets and working capital.
The payback period is estimated at approximately six years.

New bottling plant in Kentucky

On 10 September 2013, the Group celebrated the inauguration of the bottling plant at the Wild Turkey distillery in Lawrenceburg, Kentucky. The bottling plant (which cost USD 43 million, or approximately € 32 million at current exchange rates), is part of a total investment of USD 100 million over three years aimed at upgrading production structures. As well as creating more than 60 new jobs in the area, the plant provides full bottling and packaging capacity for all Gruppo Campari distillate trademarks in the US, including the Wild Turkey Bourbon line and SKYY Vodka, the Company's biggest US trademark. The immediate and long-term benefits of the new structure include cost efficiency, better customer service, opportunities for more efficient and faster innovation and more production flexibility, as the Company's bottling activity is now performed in-house.

Rationalisation of Group structures

The Group has launched a reorganisation process to improve the efficiency of its organisational structures and to centralise strategic positions at the Sesto San Giovanni headquarters for the development of trade with countries outside Europe.

As of 30 June 2013, the commercial operations of Campari International S.A.M., which has its registered office in Monaco, has been taken over by Campari International S.r.l., a newly incorporated subsidiary of Davide Campari-Milano S.p.A., with registered office at Sesto San Giovanni.
The company's mission of managing the Group's operations in a number of international markets and the geographical scope of the international business unit will remain unchanged.

Again in June 2013, the Parent Company signed an agreement with the trade unions and amalgamated unions to initiate redundancy proceedings involving staff based in Italy, most of whom will receive a bridging pension.

With regard to the acquisition of LdM, the reorganisation process involved the 22 Jamaican companies included within the scope of the operation. On 2 August 2013, these were merged into the existing company, J. Wray&Nephew Ltd.
The new structure, which manages the entire brand portfolio previously distributed by J. Wray&Nephew Ltd and Lascelles Ltd. strengthens the Group’s route to market in Jamaica and improves customer services, with more efficient business organisation.
Rationalisation of the structure also involved the implementation of a staff restructuring programme announced in the second quarter, which, when fully implemented, will lead to a headcount reduction of about 200, mainly in the sales, logistics and finance departments. J. Wray&Nephew Ltd. will provide an appropriate outplacement service for the staff involved.

Purchase of own shares

From 1 January to 30 September 2013, the Group bought 8,264,835 own shares at an average price of € 5.94, and sold 6,576,348 shares after stock option exercises.
At 30 September 2013, the Parent Company held 6,186,605 own shares, equivalent to 1.07% of the share capital.

Sales performance in the first nine months of 2013

Overall performance

Group net sales were € 1,052.5 million in the first nine months of 2013, up 13.0% on the same period a year previously. This overall growth is in line with the figure for the first half and reflects the gradual but clear improvement in the organic sales performance in the third quarter.
Specifically, and partly due to the expected improvement in the Italian market, there was a slight contraction of 0.4% in organic growth in the first nine months of 2013, compared with a decrease of 3.3% in the first half.
By contrast, external growth - almost entirely due to the acquisition of Lascelles deMercado&Co. Ltd. (hereinafter the "LdM acquisition") - was 16.4%, slightly lower than in the first half (+18.1%).
The foreign exchange effect was also sharply negative, reducing sales by 3.0% in the first nine months of 2013. The effect was more pronounced in the third quarter than in the first half, which closed with a small negative effect of 1.8%.

	€ million	% change versus first nine months of 2012
Net sales 1 January 2013 – 30 September 2013	1,052.5	
Net sales 1 January 2013 – 30 September 2010	931.6	
Total change	**120.9**	**13.0%**
of which		
Organic change	-4.0	-0.4%
External change	153.1	16.4%
Exchange rate effect	-28.2	-3.0%
Total change	**120.9**	**13.0%**

In terms of organic sales alone, i.e. excluding external growth and exchange rate effects, growth of 5.2% was recorded in the third quarter, strengthening the positive trend reversal that began in the second quarter.
The following table shows this progression: the overall contraction of 0.4% in the first nine months of 2013 reflected a decrease of 9.0%, an increase of 1.4% and an increase of 5.2% respectively in each of the three quarters.

Organic change - % change	2013/2012	2012/2011
First quarter	-9.0%	+2.8%
Second quarter	+1.4%	+3.6%
First half	**-3.3%**	**+3.2%**
Third quarter	+5.2%	+0.2%
First nine months	**-0.4%**	**+2.2%**
Fourth quarter		+4.1%
Total for the year		**+2.8%**

Changes in business by region and by brand are analysed below.
Note, however, that the overall trend in Group sales in 2013, particularly in the first half, was negatively affected by a one-off circumstance that had a major effect on the Italian market.
In Italy, in March 2013, the Group did not benefit from the usual positive effect on sales caused by promotional activities planned for the spring, based on significant payment deferments for clients in the traditional distribution channel (wholesalers). These activities, which aim to increase Group product penetration in the traditional channel at a sufficiently early point before the summer peak in consumption, are no longer viable as of 2013 due to new legislation (Article 62, Law 27 of 24 March 2012), which imposes restrictions on payment terms.
This regulatory change had an estimated effect of approximately € 25 million on first-quarter sales in Italy, which was partly made up in the second and third quarters of the year.
In addition, we should not forget that in Italy, as in all the southern European countries, the effects of the economic crisis are expected to continue, and that the weather conditions in the second quarter were particularly poor right across the European continent, with very strong repercussions on beverage consumption in open-air premises in central and northern Europe, and on soft drinks in Italy.

As expected, the change in structure in the period had a significant positive impact of 16.4%. This was almost entirely due to the LdM acquisition, which generated sales of € 145.5 million in the first nine months of the year, an increase of 15.6% on the sales generated by the Group in the first nine months of 2012.
As the following table shows, the other component of external growth (0.8%) was due to both sales of new third-party brands distributed (stripping out the contraction for terminated agreements) and new bottling activity for third parties in Australia from early September 2013, following the acquisition of Copack Beverage LP (a limited partnership).

Sales in the first nine months of 2013: breakdown of external change	% change versus first nine months of 2012	€ million
Total LdM acquisition	15.6%	145.5
New third-party brands distributed	1.1%	10.2
New third-party bottling activities in Australia	0.2%	1.8
Discontinued third-party brands	-0.5%	-4.4
Total external change	**16.4%**	**153.1**

The following tables show a breakdown of sales generated by the LdM acquisition, by business. For spirits & wines, further information is provided on sales by region and key brands.

Sales due to LdM acquisition	€ million
Spirits & Wines	90.5
Merchandise and agri-pharma divisions	33.4
Supply chain sales (sugar and bulk rum)	21.6
Total	**145.5**

In supply chain sales, sugar harvesting and sales are heavily concentrated in the first half of the year.
With regard to LdM sales by region, shown in the following table, note that US sales were strongly affected by the transition due to the acquisition of distribution rights to this market on 1 March 2013, which led to a slowdown in shipments to distributors in the first half.

LdM acquisition: spirits & wine sales by region	€ million
Jamaica and Caribbean (excluding local duty-free)	47.1
Canada	11.3
US	7.2
Other American countries	2.6
Subtotal American region	**68.1**
New Zealand	6.3
Other countries in Rest of World and duty-free region	7.9
Subtotal Rest of World and duty-free region	**14.2**
United Kingdom	5.4
Other countries in Rest of Europe region	2.8
Subtotal Rest of Europe region	**8.2**
Total spirits & wines	**90.5**

LdM acquisition: spirits & wines sales by key brand	€ million
Appleton	27.9
W&N White Overproof	22.5
Coruba	5.9
Subtotal international brands	**56.2**
Magnum Tonic wine	12.3
Charley's	4.1
Other Group spirits & wines brands	11.9
Third-party brands distributed	6.0
Subtotal local brands	**34.3**
Total spirits & wines	**90.5**

The main currencies depreciated much more sharply against the euro in the third quarter of 2013, which had a negative effect on quarterly sales of 5.4%, and on total sales in the first nine months of the year of € 28.2 million or 3.0% (compared with a decrease of only 1.8% in the first six months of the year).
Specifically, in the first nine months of this year, there was substantial depreciation in average exchange rates for the Brazilian real (13.6%), Argentine peso (21.6%) and Australian dollar (8.7%) compared with the same period of 2012. However, the effect of other currency exchange rates on Group sales, while more limited, was not insignificant: for example, the US dollar depreciated by 2.8%, the Swiss franc by 2.2% and the rouble by 4.7%.
The following two tables show a comparison of 2013 and 2012 exchange rate trends in the currencies that are most significant for the Group, in terms of average value in the first nine months of the year and spot values at 30 September respectively.

Average exchange rates for the period 1 January - 30 September	**2013**	**2012**	**% change**
US$ x € 1	1.317	1.282	-2.8%
BRL x € 1	2.790	2.456	-13.6%
CHF x € 1	1.231	1.204	-2.2%
CNY x € 1	8.124	8.111	-0.2%
GBP x € 1	0.852	0.812	-4.9%
ARS x € 1	6.953	5.718	-21.6%
AUD x € 1	1.347	1.239	-8.7%
MXN x € 1	16.707	16.946	1.4%
RUB x € 1	41.659	39.796	-4.7%
JMD x € 1	130.059	112.670	-15.4%
Spot exchange rates at 30 September	**2013**	**2012**	**% change**
US$ x € 1	1.351	1.293	-4.4%
BRL x € 1	3.041	2.623	-15.9%
CHF x € 1	1.223	1.210	-1.0%
CNY x € 1	8.265	8.126	-1.7%
GBP x € 1	0.836	0.798	-4.8%
ARS x € 1	7.824	6.065	-29.0%
AUD x € 1	1.449	1.240	-16.9%
MXN x € 1	17.846	16.609	-7.5%
RUB x € 1	43.824	40.140	-9.2%
JMD x € 1	139.261	115.947	-20.1%

Sales by region

In 2013, the LdM acquisition and the simultaneous slowdown of sales in Italy and some other European markets significantly altered the breakdown of the Group's business by region.
As the following table shows, the Americas region represented 42.4% of Group sales in the first nine months of 2013 (35.2% in the first nine months of 2012), with overall growth of 35.9%; this region currently represents approximately 90% of sales relating to the LdM acquisition (as well as Jamaica, other major markets for Appleton and the other LdM brands are Canada, the Caribbean, the United States and Mexico).
By contrast, the remaining three regions decreased in terms of their relative proportion of total sales in the first nine months of 2013, compared with the same period a year previously. This was the case for Italy, which recorded a 5.6% decrease in sales, and for the Rest of Europe and the Rest of the World and duty-free regions, despite posting increases of 4.6% and 8.6% respectively.

	1 January – 30 September 2013		1 January – 30 September 2012		% change
	€ million	%	€ million	%	2013/2012
Americas	446.1	42.4%	328.2	35.2%	35.9%
Italy	267.0	25.4%	282.8	30.4%	-5.6%
Rest of Europe	234.1	22.2%	223.8	24.0%	4.6%
Rest of the world and duty-free	105.2	10.0%	96.8	10.4%	8.6%
Total	**1,052.5**	**100.0%**	**931.6**	**100.0%**	**13.0%**

In the **Americas** region, sales totalled € 446.1 million in the first nine months of the year, up 35.9% on the same period in 2012. Of this figure, 37.8% was due to external growth, 4.3% to organic growth and -6.2% to the negative exchange rate effect.
As mentioned above, the strong external growth component in the region was almost entirely due to sales related to the LdM acquisition, mainly in Jamaica but also in Canada, the US, the Caribbean and other countries in the region.
The following table shows a breakdown of growth in the Americas region by the four business areas.

Americas	1 January- 30 September 2013 € million	1 January- 30 September 2012 € million	Total change %	Organic change %	External change %	Exchange rate effect %
Spirits	352.7	306.2	15.2%	3.4%	17.4%	-5.6%
Wines	33.9	18.3	85.5%	4.3%	94.3%	-13.1%
Soft drinks	0.5	0.1	485.6%	-5.9%	494.0%	-2.5%
Other sales	59.0	3.7	1,512.1%	78.8%	1,447.1%	-13.8%
Total	**446.1**	**328.2**	**35.9%**	**4.3%**	**37.8%**	**-6.2%**

Spirits recorded overall growth of 15.2%, which, excluding unfavourable exchange rate effects
(-5.6%), comprised an organic component of 3.4% and an external component of 17.4% (mainly relating to Appleton, W&N White Overproof and Coruba rums).
Wines represented just under 8% of sales in the Americas region in the period under review, but nevertheless grew substantially (+85.5%), reflecting the brands from the LdM acquisition (+94.3%, principally Magnum Tonic Wine and Red Label); organic growth was 4.3%, while exchange rates had a negative effect of 13.1%.
Finally, there was exponential growth in the region in the "other sales" segment, which, due to the LdM acquisition, increased from € 3.7 million in 2012 to € 59.0 million in the first nine months of 2013. As well as the spirits and wines portfolio, the LdM acquisition also includes the sales of the general merchandise, agri-chem, and pharma divisions, sales of sugar (strongly concentrated within the first half of the year), and bulk rum.
For a more detailed breakdown of the sales performance in the region, the two tables below provide a separate analysis of values relating to the United States, Brazil and the minor "other countries" region of the American continent, which, as it includes Jamaica, has become very important in relative terms.

	1 January – 30 September 2013 € million	%	1 January – 30 September 2012 € million	%	% change 2013/2012
US	220.2	49.4%	211.1	64.3%	4.3%
Brazil	54.1	12.1%	61.4	18.7%	-11.9%
Other countries	171.8	38.5%	55.7	17.0%	208.3%
Total Americas	**446.1**	**100.0%**	**328.2**	**100.0%**	**35.9%**

Breakdown of % change	Total	Organic change	External change	Exchange rate effect
US	4.3%	3.7%	3.4%	-2.8%
Brazil	-11.9%	-0.5%	0.5%	-11.9%
Other countries	208.3%	12.3%	208.9%	-12.9%
Total Americas	**35.9%**	**4.3%**	**37.8%**	**-6.2%**

The **United States**, which in the first nine months of 2013 represented 49.4% of sales in the Americas region and 20.9% of the Group total, recorded organic growth of 3.7%, mainly due to the positive performance of the Wild Turkey franchise, which posted double-digit growth in both the core brand and American Honey.
The SKYY franchise, meanwhile, closed the period with sales that were broadly similar to the previous year, due to the postponement of orders from two major customers until October, and an unfavourable basis of comparison with 2012.
Among the Group's other core brands, Campari and Espolón performed well, while sales of Carolans, Frangelico and X-Rated decreased.
External growth was fairly contained in the first nine months of the year (+3.4%), as Campari America did not start distributing the LdM portfolio until 1 March 2013, and sales to US distributors in subsequent months were influenced by high inventory levels on the market.
Depreciation in the US dollar also had a negative exchange rate effect of 2.8%.

In **Brazil**, sales decreased by a total of 11.9%, mainly due to substantial depreciation in the Brazilian real. Organic sales and external growth gave rise to marginal contrary changes of -0.5% and +0.5% respectively.
The trend in Group brands seen in previous months continued, with a positive performance from premium brands Campari, SKYY and Sagatiba, in contrast to the negative performances of local brands Dreher, Old Eight and Drury's.

Sales in **other countries in the American continent** more than tripled compared with the first nine months of 2012, due to the LdM acquisition (already covered extensively), particularly in the Jamaican and Canadian markets. However, even excluding these effects, the positive sales trend in this sub-region continued, with satisfactory organic growth of 12.3%.
In Argentina in particular, sales growth was very positive and the Campari growth trend was again excellent, while in Canada and Mexico the third quarter of the year was less exceptional than the first two.

In **Italy**, sales were € 267.0 million in the first nine months of 2013, decreasing by 5.6% on the previous year.
The excellent result on the domestic market in the third quarter (+25.0%) allowed for recovery of a substantial portion of the decrease accumulated in the first half (-15.7%), which, as mentioned in the introduction, was strongly influenced by the effects of the recent legislative restrictions on payment terms (Article 62 of Law 27 of 24 March 2012).
The table below shows the sales performance by business area in the Italian market in the first nine months of 2013, as well as the breakdown of changes in organic and external growth.

Italy	1 January – 30 September 2013 € million	1 January – 30 September 2012 € million	Total change	Organic change %	External change %	Exchange rate effect %
Spirits	182.9	184.5	-0.9%	-1.0%	0.1%	0.0%
Wines	21.3	23.0	-7.6%	-9.4%	1.8%	0.0%
Soft drinks	62.5	75.2	-16.9%	-16.9%	0.0%	0.0%
Other sales	0.4	0.0				
Total	**267.0**	**282.8**	**-5.6%**	**-5.9%**	**0.3%**	**0.0%**

On a same-structure basis, sales contracted by 5.9%, differing only marginally from the overall change recorded for the area, while external growth was very limited (+0.3%).

Spirits made the strongest recovery in the third quarter, closing the nine months with a small organic decrease of 1.0% (-13.2% at the end of June). This good result, in relative terms, was mainly due to Aperol, Campari Soda and Campari.
Wines, meanwhile, remained in more markedly negative territory, with a decrease in organic sales of 9.4%. Despite a good third quarter for still wines, the Cinzano brand continued to fall behind in both sparkling wines and vermouth. External growth of 1.8% generated by new distribution agreements for still wines reduced the total change in the segment to 7.6%.
In soft drinks, the decrease in sales compared with the first nine months of 2012 was again significant, at 16.9%. As well as the technical factors already mentioned and the decline in consumption in the day bars channel due to the current economic crisis, which mainly affected Crodino, weather conditions were particularly unfavourable during the second quarter of the year, which affected consumption of the Lemonsoda range.

In the **Rest of Europe**, sales in the first nine months of 2013 totalled € 234.1 million, up 4.6% compared with the same period in 2012.
Stripping out a significant external growth component (+5.0%) and a negative exchange rate effect (-1.1%), the sales performance in the first nine months of the year showed limited growth of 0.7%, and mainly reflected a balancing of the results recorded in the two core markets: i.e. the optimum performance in Russia and the slight decrease recorded in the German market.
There were also mixed trends in the first nine months of the year in the Group's other key European markets, between the central-northern region, where the UK and Belgium experienced growth, and the south, where Spain and France recorded a decline.
The table below sets out sales in the whole region, broken down by business area.

Rest of Europe	1 January – 30 September 2013 € million	1 January – 30 September 2012 € million	Total change %	Organic change %	External change %	Exchange rate effect %
Spirits	158.8	154.7	2.7%	-3.9%	7.1%	-0.5%
Wines	63.6	57.6	10.4%	13.0%	-0.1%	-2.5%
Soft drinks	5.2	4.7	10.5%	11.6%	0.0%	-1.1%
Other sales	6.5	6.8	-4.4%	-6.0%	4.8%	-3.2%
Total	**234.1**	**223.8**	**4.6%**	**0.7%**	**5.0%**	**-1.1%**

Sales of spirits grew by 2.7%, but declined again in organic terms (3.9%) compared with the first nine months of 2012. This negative result was strongly affected by Aperol's sharp slowdown in Germany, which, in terms of value, outstripped the good performance recorded by spirits in the region as a whole: all of the Group's brands in the German market, including Campari, SKYY Vodka, Ouzo 12 and Glen Grant, generated excellent sales, while Aperol's sales continued to develop extremely well on the other markets.
External growth in this area (+7.1%) was due in part to brands from the LdM acquisition, whose sales are for the time being concentrated almost exclusively in the UK, and in part to the launch of distribution of new third-party brands (WGS portfolio in Germany).
Total wine sales grew by 10.4%, due to double-digit organic growth (+13.0%), a performance mainly attributable to the Russian market and to sales of Cinzano (both sparkling and vermouth), especially Mondoro. The European wines segment, meanwhile, recorded a decrease in Odessa sparkling wines in the Ukraine and a general decline in sales of still wines.
The negative exchange rate effect (-2.5%) was mainly due to depreciation of the rouble.
The soft drinks segment, which is marginal in this region, nevertheless boosted sales by 11.6% (at constant exchange rates), on the back of growth by the Lemonsoda range in Switzerland and Austria. The "other sales" segment, also marginal, recorded a decline of 4.4% due to a range of concurrent factors.

In the **Rest of the World and duty-free** region, sales in the first nine months of 2013 came in at € 105.2 million, representing an increase of 8.6% on the same period in 2012. This was mainly due to external growth (+17.5%), reflecting sales of Appleton, Coruba and other LdM acquisition brands, mainly in New Zealand, and through the duty-free channel.
Organic sales in the region decreased by 3.2%, due to a negative sales performance by the two major markets of Australia and Japan. By contrast, sales in other high-potential markets in the region, such as China, South Africa and New Zealand, were extremely positive. Lastly, the duty-free channel was broadly flat in organic terms, but recorded strong external growth due to sales generated in Jamaica.
The exchange rate effect was negative (-5.7%) due to the depreciation of the Australian dollar and the Japanese yen, the two main currencies in the region.
The table below shows the sales performance by business area in the Rest of the world and duty-free region as a whole.

Rest of the world and duty-free	1 January – 30 September 2013 € million	1 January – 30 September 2012 € million	Total change %	Organic change %	External change %	Exchange rate effect %
Spirits	91.0	84.0	8.5%	-2.1%	16.3%	-5.7%
Wines	11.0	12.1	-9.1%	-12.8%	7.7%	-4.0%
Soft drinks	0.1	0.1	-14.0%	-14.3%	0.3%	0.0%
Other sales	3.0	0.6	408.9%	38.8%	380.6%	-10.5%
Total	**105.2**	**96.8**	**8.6%**	**-3.2%**	**17.5%**	**-5.7%**

Spirits, representing approximately 86% of total sales in this region, recorded growth of 8.5%, due to the LdM acquisition, which contributed 16.3%. Unfavourable exchange rates and organic contraction had a negative impact of 5.7% and 2.1% respectively.
As already seen in the first half, and despite the improvement in the third quarter of 2013, the cause of this organic sales decrease was the slowing sales of the entire Wild Turkey franchise in Australia. This market has seen the launch of a large number of new products in 2013, particularly in the ready-to-drink segment, where the Group launched American Honey in September 2012 to great success. In the Australian market, the first half was marked by further aggressive promotional campaigns by established players in competition with the core Wild Turkey product.

Wines, which represent approximately 10% of sales in the region, recorded a negative performance with a total change of -9.1%. In this segment, not only was the external growth effect of LdM much smaller (+7.7%) than in the spirits component, but the decline in organic sales, mainly due to Riccadonna in Australia, was also more pronounced (12.8%).
Finally, the "other sales" segment, which is marginal but growing strongly, was also affected by fees for the new third-party bottling activity launched in Australia in September 2013, following the acquisition of Copack Beverage LP (a limited partnership).

Consolidated sales by business area and by key brand

The two tables below show changes in sales by business area at Group level and a breakdown of the overall change in each business area by organic growth, external growth and the effect of exchange rate movements.
As in the case of the regions, the LdM acquisition also substantially changed the sales breakdown in terms of business area, particularly in the "other sales" segment. Due to the consolidation of the general merchandise, agri-chem and pharma divisions, sugar sales to third parties and sales of bulk rum, at Group level this minor segment increased its contribution from 1.2% in the first nine months of 2012 to 6.5% currently.

	1 January – 30 September 2013		1 January – 30 September 2012		% change
	€ million	%	€ million	%	2013/2012
Spirits	785.5	74.7%	729.4	78.3%	7.7%
Wines	129.8	12.3%	111.0	11.9%	16.9%
Soft drinks	68.3	6.5%	80.2	8.6%	-14.8%
Other sales	68.9	6.5%	11.0	1.2%	526.1%
Total	**1,052.5**	**100.0%**	**931.6**	**100.0%**	**13.0%**

Breakdown of % change	Total	Organic change	External change	Exchange rate effect
Spirits	7.7%	0.1%	10.7%	-3.1%
Wines	16.9%	4.1%	16.7%	-3.9%
Soft drinks	-14.8%	-15.2%	0.5%	-0.1%
Other sales	526.1%	24.7%	508.5%	-7.1%
Total	**13.0%**	**-0.4%**	**16.4%**	**-3.0%**

Spirits

Group sales of spirits, amounting to € 785.5 million, increased by 7.7% overall, due to a significant external growth contribution (+10.7%) from Appleton, W&N Overproof Rum and Coruba, the key brands from the LdM acquisition.
On a same-structure basis and at constant exchange rates compared with the previous year, i.e. also stripping out the negative exchange rate effect of 3.1%, sales in the first nine months of 2013 were broadly in line with the same period of 2012 (+0.1%).
In addition to the information provided above on the sales performance of the main brands in individual regions, a summary of the overall results of the Group's main brands in the spirits segment is provided below.

Main spirits brands of the Group sales in the first nine months of 2013 compared with the first nine months of 2012:

	Organic change at constant exchange rates	Change at actual exchange rates
Campari	7.1%	3.5%
SKYY Vodka (including the infusion range)	1.8%	-1.3%
Aperol	-2.5%	-2.8%
Campari Soda	-6.2%	-6.2%
Wild Turkey franchise	4.7%	-0.6%
of which Wild Turkey core brand	*8.0%*	*3.5%*
of which Wild Turkey ready-to-drink	*-5.1%*	*-12.6%*
of which American Honey	*8.5%*	*4.5%*
Brazilian brands (Old Eight, Drury's and Dreher)	-7.0%	-18.1%
Former C&C brands	-13.7%	-16.2%
of which Carolans	*-16.1%*	*-18.3%*
of which Frangelico	*-10.9%*	*-13.9%*
Glen Grant	0.4%	-0.8%
Old Smuggler	-0.6%	-12.0%
Ouzo12	2.5%	2.2%
Cynar	-0.5%	-4.9%
Tequila (Cabo Wabo and Espolón)	7.5%	4.5%

In the first nine months of 2013, third-party spirits distributed by the Group (which represent approximately 12% of sales in this segment) recorded overall growth of 11.2%, but on a same-structure basis and at constant exchange rates, sales increased by 1.4%.

Wines

Sales of wines in the first nine months of 2013 totalled € 129.8 million, up 16.9% compared with the same period of last year.

The effects of the LdM acquisition were also significant in this segment, mainly due to the acquired brands (Magnum Tonic Wine and Red Label), but also to third-party brands distributed; overall external growth in the wines segment was therefore 16.7%.

Stripping out the negative exchange rate effect (-3.9%), the segment still achieved a positive performance, with organic growth 4.1% higher than in the first nine months of 2012.

The following table summarises the consolidated sales performance of the key brands.

Group wine brands sales in the first nine months of 2013 compared with the first nine	Change at constant exchange rates	Change at actual exchange rates
Cinzano sparkling wines	-0.1%	-1.3%
Cinzano vermouth	3.6%	-4.4%
Other sparkling wines (Riccadonna, Mondoro and Odessa)	26.2%	20.0%
Sella&Mosca	-2.4%	-2.4%

In wines, the agency brands accounted for a lower proportion of total sales than spirits, representing only 5%. Stripping out both the negative exchange rate effect and the positive external component of new third-party distributed wines (mainly in Jamaica, but also in Italy), agency brand wines recorded a decrease of 3.9%.

Soft drinks

Sales of soft drinks in the first nine months of 2013 were € 68.3 million, down by 14.8% compared with the same period in 2012 (-15.2% excluding marginal structure and exchange rate effects).

The sales performance of this segment, while increasing slightly in the third quarter, was still strongly affected by the negative events that impacted sales in the Italian market in the first half of the year, as well as the very poor weather conditions in the second quarter.

The following is a summary of the key brand trends at consolidated level.

Soft drink brands of the Group sales in the first nine months of 2013 compared with the first nine	Change at constant exchange rates	Change at actual exchange rates
Crodino	-21.3%	-21.3%
Lemonsoda drinks range	-5.7%	-5.8%
Crodo mineral waters and other drinks	-7.6%	-7.6%

Other sales

Other sales totalled € 68.9 million and, as mentioned above, now account for a greater proportion of the Group's business following the LdM acquisition (these sales totalled only € 11.0 million in the first nine months of 2012).

Items in this segment now include:

- sales of finished products that are not included in the three segments that represent the Group's core business (spirits, wines and soft drinks), totalling € 52.0 million;
- sales to third parties of raw materials and semi-finished goods, mainly new-production and aged liquid, totalling € 12.8 million;
- revenue from bottling activities carried out on behalf of third parties, totalling € 4.1 million.

Sales performance in the third quarter of 2013

Net sales in the third quarter of 2013 totalled € 353.9 million, representing an increase of 13.0% compared with 2012.

As the following table shows, and as mentioned in the previous comment on sales in the nine months under review, a return to strong organic growth took place in the third quarter (5.2%), continuing the trend reversal that began in the second quarter, although organic growth in these three months was small, at 1.4%.

The third quarter benefited from a strong external growth contribution of 13.2%, although this was less than the figure recorded in the first half of the year. With regard to the LdM acquisition, which comprised most of the external growth, it should be borne in mind that the sugar production business is highly seasonal, with sales concentrated in the first quarter of the year.

By contrast, there was a strong negative effect of 5.4% in the third quarter of 2013 due to depreciation in average exchange rates in the period (much greater than the cumulative figure of -1.8% recorded in June).

	€ million	% change compared with the third quarter of 2012
- Net sales in the third quarter of 2013	353.9	
- Net sales in the third quarter of 2012	313.3	
Total change	**40.7**	**13.0%**
of which		
Organic change	16.4	5.2%
External growth	41.2	13,2%
Exchange rate effect	-16.9	-5,4%
Total change	**40.7**	**13.0%**

The following table shows the improvement in the Group's organic growth in the third quarter of 2013 compared with the first half in more detail: i.e. it shows how, while total growth was the same (+13.0%), the two periods had significantly different components.

% change in 2013 versus 2012	Third quarter	First half
Organic change	5.2%	-3.3%
External change	13.2%	18.1%
Exchange rate effect	-5.4%	-1.8%
Total change	+13.0%	+13.0%

Sales by region

Sales in the third quarter of 2013 grew across all the regions, but the breakdown by effect, set out in the second of the following tables clearly shows that the Group's organic growth was driven by Italy.

	Third quarter 2013		Third quarter 2012		% change
	€ million	%	€ million	%	2013/2012
Americas	135.4	38.3%	120.0	38.3%	12.8%
Italy	87.8	24.8%	70.2	22.4%	25.0%
Rest of Europe	90.3	25.5%	86.3	27.5%	4.6%
Rest of the world and duty-free	40.4	11.4%	36.8	11.8%	10.1%
Total	**353.9**	**100.0%**	**313.3**	**100.0%**	**13.0%**

Breakdown of % change	Total	Organic change	External change	Exchange rate effect
Americas	12.8%	-1.2%	23.4%	-9.4%
Italy	25.0%	24.5%	0.5%	0.0%
Rest of Europe	4.6%	1.9%	4.6%	-1.9%
Rest of the world and duty-free	10.1%	-2.7%	24.0%	-11.2%
Total	**13.0%**	**5.2%**	**13.2%**	**-5.4%**

In the American continent, total sales grew in double digits (12.8%). This performance was boosted by the LdM acquisition (+23.4%) and impacted by particularly negative exchange rates (-9.4%), as well as a slight decrease in organic sales (-1.2%).
On a same-structure basis and at constant exchange rates compared with the third quarter of 2012, sales increased in Brazil and Argentina, due, in both cases, to Campari's positive performance.
In the United States, despite the excellent performance of the Wild Turkey franchise and Campari, SKYY Vodka declined slightly, due to both the postponement until October of orders from major customers and an unfavourable basis of comparison with the previous year.

Italy recorded extremely strong organic growth of 24.5% in the third quarter of 2013. While this result was for the most part expected, it was nevertheless very positive and highly satisfactory. It demonstrates that sound progress has been made in recouping the sales lost in the first part of the year due to the effects of legislative restrictions on payment terms (Article 62 of Law 27 of 24 March 2012), which prevented the running of a recurring, major promotion centring on payment deferment.
Over the first nine months of 2013, the Italian market recorded another decrease in sales (5.9%). However, this can be attributed to a general decline in consumption - the obvious effects of the current economic crisis - and decreased soft drinks consumption due to the poor weather in the second quarter. This was only partly recouped in the third quarter.

Sales grew by 4.6% in the rest of Europe, breaking down into organic growth of 1.9%, external growth of 4.6% and a negative exchange effect of 1.9%.
Organic growth in the quarter also reflects the medium-term trend of robust organic sales in the Russian market, which was offset by a slight decline in the German market, which accounts for a much greater proportion.
External growth benefited from the LdM acquisition, mainly in the UK, but also from the distribution agreement signed in Germany.

The Rest of the World and duty-free region recorded overall growth of 10.1% in the third quarter, driven exclusively by a strong external component (+24.0%), due to the sales generated by the brands from the LdM acquisition in New Zealand and the duty-free channel. Exchange rates had a very negative effect (-11.2%), mainly due to the depreciation in the Australian dollar.
On a same-structure basis and at constant exchange rates compared with the third quarter of 2012, sales in the region were down by 2.7% due to a less-than-positive performance in the Australian market. Despite the improvement achieved by the Wild Turkey franchise, it compared very unfavourably in the third quarter of 2013 with the ready-to-drink American Honey, which was launched in August of the previous year.

Sales by business area

In terms of sales by business area, both spirits and wines recorded a positive performance in the third quarter of 2013: both posted double-digit growth (+10.5% and 11.2% respectively) and robust organic growth (+6.7% and +5.8%). Soft drinks, meanwhile, were broadly stable (+0.4%), and the exponential growth in the "other sales" segment was wholly due to the LdM acquisition.

	Third quarter 2013		Third quarter 2012		% change
	€ million	%	€ million	%	2013/2012
Spirits	266.4	75.3%	241.1	77.0%	10.5%
Wines	47.2	13.3%	42.4	13.5%	11.2%
Soft drinks	24.9	7.0%	24.8	7.9%	0.4%
Other sales	15.4	4.4%	4.9	1.6%	213.4%
Total	**353.9**	**100.0%**	**313.3**	**100.0%**	**13.0%**

Breakdown of % change	Total	Organic change	External change	Exchange rate effect
Spirits	10.5%	6.7%	9.6%	-5.8%
Wines	11.2%	5.8%	11.8%	-6.4%
Soft drinks	0.4%	0.2%	0.3%	-0.1%
Other sales	213.4%	-45.8%	266.2%	-7.0%
Total	**13.0%**	**5.2%**	**13.2%**	**-5.4%**

The organic growth of 6.7% recorded by **spirits** was due to the excellent performance by Campari, Aperol and Campari Soda, which all posted double-digit growth, as did Espolon tequila, and to the robust growth of the Wild Turkey franchise. However, the SKYY franchise slowed slightly compared with the third quarter of 2012, and there was a more significant decrease in sales of Carolans and Frangelico.

In the third quarter, exchange rates had a particularly negative impact (-5.8%) since spirits are sold across all the markets that recorded a sharp decrease in their local currency, while external growth was 9.6%.

A summary of the sales results for the Group's key brands in the spirits segment in the third quarter of 2013 is shown below.

Main spirits brands of the Group Sales for third quarter 2013 compared with third quarter 2012	Change at constant exchange rates	Change at actual exchange rates
Campari	18.7%	12.8%
SKYY Vodka (including the infusion range)	-3.7%	-9.5%
Aperol	13.4%	12.8%
Campari Soda	77.0%	77.0%
Wild Turkey franchise	7.1%	-3.5%
of which Wild Turkey core brand	15.0%	5.6%
of which Wild Turkey ready-to-drink	10.1%	-5.9%
of which American Honey	5.3%	-2.5%
Brazilian brands (Old Eight, Drury’s and Dreher)	-1.9%	-17.5%
Former C&C brands	-22.4%	-26.7%
of which Carolans	-30.7%	-34.0%
of which Frangelico	-10.3%	-16.0%
GlenGrant	-1.4%	-3.9%
Old Smuggler	0.4%	-13.7%
Ouzo12	1.8%	1.1%
Cynar	4.1%	-2.7%
Tequila (Cabo Wabo and Espolón)	-1.9%	-8.4%

The organic growth of 5.8% in **wines** was due to the robust growth of Mondoro in Russia, the positive performance by Cinzano vermouth, mainly in Russia, and exports of Sella & Mosca still wines. Among the key brands, Cinzano sparkling wines decreased compared with the third quarter of 2012, as a positive performance in the Russian market was counteracted by lower sales in Germany and Italy. As in the case of spirits, wines recorded external growth of 11.8% and a negative exchange rate effect (-6.4%).

Group wine brands Sales for third quarter 2013 compared with third quarter 2012	Change at constant exchange rates	Change at actual exchange rates
Cinzano sparkling wines	-9.3%	-11.6%
Cinzano vermouth	7.4%	-4.0%
Other sparkling wines (Riccadonna, Mondoro and Odessa)	23.4%	13.9%
Sella&Mosca	22.0%	21.9%

In the third quarter of 2013, **soft drinks** generated sales broadly in line with the previous year, recording total growth of 0.4% and organic growth of 0.2%: both of the key brands - Crodino and the Lemonsoda range - recorded slight growth compared with the third quarter of 2012, while mineral water and other drinks were down.

Soft drink brands of the Group Sales for third quarter 2013 compared with third quarter 2012	Change at constant exchange rates	Change at actual exchange rates
Crodino	0.6%	0.6%
Lemonsoda drinks range	0.8%	0.7%
Crodo mineral waters and other drinks	-14.4%	-14.4%

The changes in the "**other sales**" segment show exponential growth, due exclusively to the external component, which was affected in the third quarter of 2013 by both sales generated by the LdM acquisition (relating to bulk rum and finished products in the general merchandise, agri-chem and pharma divisions), and revenue from the third-party bottling activity in Australia, after the recent acquisition of Copack's industrial assets.

Income statement for the first nine months of 2013

The Group recorded total sales growth of 13.0% in the first nine months of 2013, although this was offset by a decline in the result of recurring activities, both in absolute terms (-7.1%) and in terms of sales margins (which fell from 23.0% to 18.9% in the two periods under comparison).
This significant dilution was mainly caused by the strong external growth component and, in particular, the LdM acquisition. With regard to the organic component, the dilution noted in the first half of the year gradually improved in the third quarter.

	30 September 2013		30 September 2012		Total
	€ million	%	€ million	%	%
Net sales	1,052.5	100.0	931.6	100.0	13.0
Cost of goods sold after distribution costs	(485.2)	-46.1	(384.7)	-41.3	26.1
Gross profit after distribution costs	567.3	53.9	546.8	58.7	3.7
Advertising and promotional costs	(174.6)	-16.6	(165.9)	-17.8	5.3
Contribution margin	**392.6**	**37.3**	**381.0**	**40.9**	**3.1**
Overheads	(194.0)	-18.4	(167.1)	-17.9	16.1
Result from recurring activities	**198.6**	**18.9**	**213.9**	**23.0**	**-7.1**
Non-recurring income (charges)	(4.7)	-0.4	(2.3)	-0.2	-
Operating result	**193.9**	**18.4**	**211.6**	**22.7**	**-8.4**
Net financial income (charges)	(43.9)	-4.2	(33.2)	-3.6	32.2
Non-recurring financial income (charges)	(0.1)	0.0	(2.2)	-0.2	-
Put option income (charges)	(0.0)	0.0	(0.1)	0.0	-
Profit before tax and minority interests	**149.9**	**14.2**	**176.1**	**18.9**	**-14.8**
Minority interests	(0.5)	0.0	(0.4)	0.0	-
Group profit before tax	**149.5**	**14.2**	**175.7**	**18.9**	**-14.9**
			-		
Total depreciation and amortisation	(30.6)	-2.9	(24.5)	-2.6	24.8
EBITDA before non-recurring income and charges	**229.2**	**21.8**	**238.4**	**25.6**	**-3.9**
EBITDA	**224.5**	**21.3**	**236.1**	**25.3**	**-4.9**

Net sales for the period totalled € 1,052.5 million, an increase of 13.0%, thanks to strong external growth of 16.4%; stripping out the negative exchange rate effect of 3.0%, in organic terms sales decreased slightly by 0.4%.
For more details on these effects and on sales by region and business area, please refer to the section above.

The Group's margins in the first nine months of 2013 were affected by the sharp increase in the **cost of goods sold** as a percentage of sales (+480 bps), from 41.3% in 2012 to 46.1% in 2013.
Most of this increase is attributable to the external component (primarily the LdM acquisition), which alone accounted for an increase of 290 bps in the period. The organic component accounted for an increase of 190 bps.
This not-insignificant increase in the cost of goods sold as a percentage of sales, in organic terms, is due to a combination of factors:

- an unfavourable sales mix of high-margin products, with Aperol, Campari Soda, Frangelico and Crodino declining compared with 2012;
- an unfavourable geographical sales mix;
- start-up costs for the Group's new bottling plant in Kentucky.

In the third quarter of the year, the increase in the cost of goods sold as a percentage of sales, i.e. its dilutive effect on the gross margin, fell markedly compared with the figure for the first half, as shown in the table below.

Basis points increase in the cost of goods sold as a percentage of net sales: 2013 and 2012

	Group total	External change	Organic change
First quarter	700	450	250
First half	530	320	210
January - September	480	290	190
Third quarter	**380**	**250**	**130**

It can be seen that the total cost of goods sold in 2013, though higher, fell from 530 basis points in the first half to 380 basis points in the third quarter, with a significant reduction in both components.
The external component, which mainly comprised the LdM acquisition, saw its dilutive effect reduced to 250 basis points (from 320 in the first half), partly because low-margin sugar sales in Jamaica are concentrated in the first half of the year.
Organic growth was proportionally even stronger, as the cost of goods sold, though higher, fell from 210 points in the first half to 130 points in the third quarter of the year, broadly due to the good sales mix, especially in Italy.

Gross profit was € 567.3 million, an increase of 3.7% compared with the first nine months of 2012, but, as a direct result of the dilutive effects described above, the margin decreased by 480 bps, from 58.7% to its current 53.9%.

Advertising and promotional costs as a proportion of sales were less than in the previous year, decreasing from 17.8% to 16.6%.
However, excluding the effect of the LdM acquisition, the organic component alone accounted for 17.9% and was therefore broadly in line with the first nine months of 2012.
Note that, with regard to the LdM acquisition, promotional and advertising investments as a proportion of sales (8.3% in the nine months of 2013) are much smaller than the proportion recorded by the Group partly because, for a substantial portion of the business (not relating to spirits and wines), investments are extremely marginal.

The **contribution margin** for the first nine months of 2013 was € 392.6 million, up 3.1% compared with the previous year, as a result of external growth of 10.9%, a negative exchange rate effect of 2.7% and a 5.1% decline in organic sales.

Overheads, which include the cost of the sales organisations, and general and administrative costs, increased by 16.1% in total.
This marked increase was mainly due to the external growth effect of the LdM acquisition, which alone caused overheads to rise by 16.3%, compared with the first nine months of 2012. The devaluation of the euro, however, depressed overheads by about 3.2%. Stripping out these two components, organic growth in overheads was 3.1% in the first nine months of the year.

The **result from recurring activities** was € 198.6 million, representing a decrease of 7.1% compared with the same period of 2012.
Stripping out the positive external changes (+6.6%) and negative exchange rate effects (-2.3%), the result from recurring activities decreased by 11.5%.

Non-recurring income and charges showed a net negative balance in 2013 of € 4.7 million, compared with a negative balance of € 2.3 million in 2012.
The biggest charges contributing to this item in 2013 were restructuring costs (€ 6.0 million) relating to the Parent Company and to the companies included in the LdM acquisition, as well as – to a lesser extent – other Group companies. In addition, assets relating to CJSC 'Odessa Sparkling Wine Company" were written down by € 3.7 million.
The income component, on the other hand, included the capital gain realised by the Parent Company following the sale of the Punch Barbieri brand (€ 4.4 million).

Operating profit for the period was € 193.9 million, representing a total decrease of 8.4% compared with the first nine months of 2012. Stripping out positive external changes (+6.1%) and negative exchange rate effects (-2.3%), there was an organic decline in operating profit of 12.2%. This therefore represents an improvement on the first half, when the decline was 22.1%.

ROS (return on sales, i.e. operating result as a percentage of net sales), was 18.4%, compared with 22.7% in the previous year.

Total **depreciation and amortisation** in the period was € 30.6 million, up € 6.1 million on the first nine months of 2012; of this amount, € 5.2 million was attributable to the LdM acquisition.

EBITDA before non-recurring income and charges decreased by 3.9% (-9.6% on a same-structure basis and at constant exchange rates) to € 229.2 million.
EBITDA decreased by 4.9% (-10.2% on a same-structure basis and at constant exchange rates) to € 224.5 million.

Net financial charges stood at € 44.0 million, representing an increase of € 8.6 million compared with the € 35.4 million recorded in the same period of 2012.
The increase in financial charges reflects higher average debt in the period due to the LdM acquisition in December 2012. The average cost of debt in the first nine months was 6.4%, and was adversely affected by substantial negative carry on cash and cash equivalents.

Profit before tax decreased by 14.9% (-12.3% at constant exchange rates) in the first nine months of 2013, to € 149.5 million.

Income statement for the third quarter of 2013

The income statement for the third quarter of 2013 showed a positive trend in sales and all profitability indicators but, most importantly, represents an important – albeit expected – trend reversal on the first two quarters of the year. The quarter showed a return to organic growth, not only for sales, but also for the result from recurring activities (+11.3%) and the operating result (+8.8%).

	Third quarter 2013		Third quarter 2012		Total
	€ million	%	€ million	%	%
Net sales	353.9	100.0	313.3	100.0	13.0
Cost of goods sold after distribution costs	(160.0)	-45.2	(129.7)	-41.4	23.4
Gross profit after distribution costs	193.9	54.8	183.6	58.6	5.6
Advertising and promotional costs	(59.2)	-16.7	(62.5)	-20.0	-5.3
Contribution margin	**134.6**	**38.0**	**121.1**	**38.6**	**11.2**
Overheads	(61.4)	-17.3	(54.5)	-17.4	12.6
Result from recurring activities	**73.2**	**20.7**	**66.5**	**21.2**	**10.1**
Non-recurring income (charges)	0.2	0.0	1.3	0.4	-
Operating result	**73.4**	**20.7**	**67.8**	**21.7**	**8.2**
Net financial income (charges)	(15.6)	-4.4	(12.3)	-3.9	26.5
Non-recurring financial income (charges)	(0.0)	0.0	(2.1)	-0.7	-
Profit before tax and minority interests	**57.7**	**16.3**	**53.4**	**17.0**	**8.2**
Minority interests	(0.2)	0.0	(0.1)	0.0	-
Group profit before tax	**57.6**	**16.3**	**53.3**	**17.0**	**8.1**
Total depreciation and amortisation	(10.3)	-2.9	(8.9)	-2.9	15.9
EBITDA before non-recurring income and charges	**83.6**	**23.6**	**75.5**	**24.1**	**10.8**
EBITDA	**83.8**	**23.7**	**76.8**	**24.5**	**9.1**

Sales increased by 13.0% in the third quarter of the year, comprising organic growth of 5.2%, external growth of 13.2% and a negative exchange rate effect of 5.4%. For a more detailed analysis of sales, please see the previous paragraph "Sales performance in the third quarter".

The **gross margin** rose by 5.6% in absolute terms, but shows a dilution of 380 basis points compared with the third quarter of 2012, decreasing from 58.6% in 2012 to 54.8% in the third quarter of 2013. Of this dilution, 250 points relate to the external component, and mainly to the lower profitability of the LdM acquisition, and 130 points relate to the organic business. For more details on the increase in the cost of goods sold and growth in the gross

margin in the third quarter compared with the first half, please see the previous comment on the Income statement for the first nine months of 2013.

Spending on **advertising and promotions** fell as a percentage of sales in the quarter, from 20.0% in 2012, to 16.7%. Stripping out the dilutive effect of the LdM acquisition, the organic component on its own accounted for 17.3%, although this was 270 bps lower than in the same period a year previously. Note also that investments in advertising and promotions aimed at the organic business over the nine-month period in 2013 are fully in line with those made last year; furthermore, the reduction in the third quarter must be correlated with the higher spending in the first half, as a result of the plans to invest at different times of the year.

The **contribution margin** in the quarter, equal to € 134.6 million, increased by 11.2%, reflecting 8.8% organic growth, 8.3% external growth and a strong negative exchange rate effect (-5.8%).

Overheads for the quarter increased by 12.6% in total, and were broadly the same as a percentage of sales as in the third quarter of 2012 (17.3% in 2013 compared with 17.4% in 2012). Stripping out exchange rate and external growth effects, organic growth was modest at 5.7%; the LdM acquisition significantly affected the overall increase in overhead costs, which totalled 12.6%, while the exchange rate effect in the quarter caused a contraction of 5.6%.

As a result of all the changes in costs mentioned above, the **result from recurring activities**, totalling € 73.2 million, grew by 10.1% compared with the third quarter of 2012; stripping out the negative exchange rate effect (-6.0%) and the positive external growth (+4.8%), the Group posted double-digit organic growth of 11.3%.

After net non-recurring income of € 0.2 million, the **operating result** for the third quarter was € 73.4 million, with total growth of 8.2%, or 8.8% for the organic component alone. However, it must be borne in mind that the non-recurring income and charges item, which affects the operating result, suffered from an unfavourable comparison base with the third quarter of 2012. In last year's third quarter, this item had a net balance of € 1.3 million as the capital gains on asset sales were greater than the various charges for the period.

EBITDA before non-recurring items increased by 10.8% (+16.7% at constant exchange rates) to € 83.6 million.
EBITDA was up 9.1% (15.0% at constant exchange rates) compared with the third quarter of 2012, at € 83.8 million.

Net financial charges for the period, totalling € 15.6 million, increased by € 1.2 million compared with the third quarter of 2012 (€ 14.4 million) as a result of the increase in the Group’s financial debt, associated with the LdM acquisition in December 2012.

Group profit before tax was € 57.6 million, up 8.1% (+15.4% at constant exchange rates) compared with the third quarter of 2012.

Financial situation

Breakdown of net debt

At 30 September 2013, net debt stood at € 910.7 million or € 41.0 million higher than the € 869.7 million at 31 December 2012.

The table below shows how the debt structure changed between the beginning and end of the period.

	30 September 2013	31 December 2012	Change
	€ million	€ million	£ million
Cash and cash equivalents	441.0	442.5	(1.5)
Payables to banks	(125.0)	(121.0)	(4.1)
Real estate lease payables	(0.0)	(0.0)	(0.0)
Short-term portion of private placement	(29.6)	(0.0)	(29.6)
Other financial receivables and payables	(34.7)	15.0	(49.7)
Short-term net cash position	**251.6**	**336.5**	**(84.9)**
Payables to banks	(0.2)	(1.1)	0.9
Real estate lease payables	(1.3)	(1.4)	0.1
Private placements and bond	(1.169.8)	(1.206.9)	37.2
Other financial receivables and payables	14.5	13.3	1.2
Medium-/long-term net debt	**(1.156.8)**	**(1.196.1)**	**39.4**
Debt relating to operating activities	**(905.2)**	**(859.7)**	**(45.5)**
Payables for the exercise of put options and potential earn-out payments	(5.5)	(10.0)	4.6
Net debt	**(910.7)**	**(869.7)**	**(41.0)**

In terms of structure, the net financial position at 30 September 2013 confirms a positive split between the Group's short- and medium-/long-term debt.
The short-term net cash position was € 251.6 million at 30 September 2013, consisting of cash and cash equivalents of € 441.0 million, offset by payables to banks totalling € 125.0 million.
At 30 September 2013, the first tranche of the private placement issued by Campari America in 2009 and maturing in 2014 (USD 40 million) was reclassified as short-term debt. The change in other short-term financial payables relates to the maturity of term deposits totalling € 35.0 million.

Medium-to-long-term debt, almost exclusively comprising existing bond loans, decreased by € 39.4 million, due mainly to the reclassification described above, with a remaining balance of € 1,156.8 million.

Overall, currency fluctuations between the two dates under comparison resulted in an increase in debt of € 3.4 million.

Furthermore, on a separate note, the Group's net financial position showed the recording of a financial debt of € 5.5 million relating to the future payment of put options and earn-outs.
The reduction in debt compared with 31 December 2012 (€ 4.6 million) was due to the exercise of the put option of Campari Rus OOO, some earn-out payments and the purchase of minority shares of LdM.

Operating working capital

As already explained in the report at 30 June 2013, some of the figures shown in the 2012 annual report were reclassified, as shown below, due to the - still provisional - allocation of values deriving from the LdM acquisition.

	31 December 2012		
	Published figures	Reclassification	Post-reclassification figures
	€ million	€ million	€ million
Receivables from customers	312.4	(1.3)	311.1
Inventories	451.4	(12.8)	438.6
Payables to suppliers	(201.4)	(9.9)	(211.2)
Operating working capital	**562.5**	**(24.0)**	**538.5**

The following tables show working capital figures at 30 September 2013 by comparison with 31 December 2012 (post-reclassification) and 30 September 2012; for each reporting date, operating working capital as a percentage of sales is shown over the previous 12 months. The change in 2013 is analysed in organic growth, external growth and exchange rate terms.

	30 September 2013	31 December 2012	Total change	of which			30 September 2012	Total change
				organic growth	external growth	exchange rate effect		
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Receivables from customers	274.7	311.1	(36.4)	(24.6)	2.7	(14.4)	259.3	15.5
Inventories	489.2	438.6	50.6	69.8	1.4	(20.6)	413.6	75.6
Payables to suppliers	(202.5)	(211.2)	8.7	7.0	(2.8)	4.6	(189.5)	(12.9)
Operating working capital	**561.4**	**538.5**	**22.9**	**52.5**	**1.2**	**(30.5)**	**483.3**	**78.1**
Sales in the previous 12 months	1,461.7	1,340.8	120.9				1.316,6	145,1
Working capital as % of sales in the previous 12 months	38.4	40.2					36.7	
Working capital as % of sales (%) % adjusted for external change and opening values	36.4	33.7					36.7	

Operating working capital at 30 September 2013 was € 561.4 million, an increase of € 22.9 million on 31 December 2012.

Stripping out the exchange rate effect, which generated a reduction of € 30.5 million, and the external growth effect due to the acquisition of the Copack business by Campari Australia, of € 1.2 million, the organic increase in working capital over the nine months was € 52.5 million. This was almost entirely due to an increase in the value of inventories of € 69.8 million. This increase reflects both the seasonal nature of the business, which recorded a very high inventory value at the end of September, and the launch of the Campari America and GlenGrant bottling lines, which required the creation of safety stocks before the contract with external bottlers was terminated.
In addition, the Group's expansion in Russia led to a proportional increase in stocks, also in readiness for the seasonal peak in the fourth quarter.
Seasonal effects caused a sharp decrease in trade receivables in the first nine months of the year. In December, trade receivables are traditionally higher in absolute terms than in the remaining periods of the year.

Working capital increased by € 78.1 million compared with 30 September 2012, partly due to external growth effects of € 83.1 million.
The exchange rate effect led to a reduction of € 29.3 million in working capital, while the organic component increased by € 24.3 million.

At 30 September 2013, operating working capital amounted to 38.4% of net sales in the previous 12 months, down on the 40.2% calculated on the reclassified figures at 31 December 2012. At 30 September 2012, the percentage was 36.7%.

Since the LdM acquisition took place in December 2012, the statement of financial position data at 30 September 2013 and at 31 December 2012 include the working capital of the acquired companies, while the sales reported for the previous 12 months include sales from the brands acquired for the first nine months of 2013 only.
Stripping out both the sales and operating working capital of LdM from the total figures at 30 September 2013 and at 31 December 2012, on a same-structure basis (compared with 30 September 2012), the percentages would have been 36.4% at 30 September 2013 and 33.7% at 31 December 2012.

Events taking place after the end of the period

Launch of proprietary distribution in the Spanish market

In line with its overall strategy of stabilising and strengthening its presence in key markets where it has reached considerable critical mass, the Group has decided to launch proprietary distribution in the Spanish market. This activity will begin in April 2014 through subsidiary Campari España, which will be responsible for sales and marketing of the products sold by the Group in Spain, as well as exports to Portugal and Andorra.
Until 31 March 2014, the Group's trademarks will continue to be distributed in Spain by its current partners, including Zadibe, the Spanish marketing company of the Diego Zamora group.

Purchase of distribution rights to the Bulldog Gin brand and call option for purchase of the trademark

Gruppo Campari has purchased the distribution rights for the period 2014-2020 to Bulldog Gin, the independent trademark and leader in the premium gin segment, currently available in more than 25 countries and heavily concentrated in Europe. In the US, the brand is mainly present in the north-eastern states, particularly in New York City.
Distribution will cover duty-free markets worldwide and most of the other markets in which Campari has its own sales and marketing platforms, including the US.
In other markets, the trademark will continue to be distributed by the current brand owners.
An agreement was also signed to enable the Group to exercise an option to purchase assets relating to the brand, namely the trademark, inventories and existing production and distribution agreements. The option can be exercised from 2020, at a price established according to the achievement in 2019 by Bulldog Gin of fixed targets previously negotiated by the parties.
If these targets are met, but Gruppo Campari decides not to exercise the call option by September 2019, a contractual termination fee of USD 5 million will be payable to Bulldog Gin's owner.
However, if the above-mentioned targets are reached and Gruppo Campari decides to exercise the call option in the period to September 2019, the current agreement sets out a future price based on an expected CAAP (contribution after advertising and promotion) multiple of 7.2x the total CAAP achieved by the Bulldog Gin brand in 2019, i.e. achieved either in the markets directly managed by Gruppo Campari or in markets managed by third parties. In January 2014, Campari will also pay Bulldog Gin USD 2.5 million as an advance on the trademark purchase price or the termination fee.
For Gruppo Campari, both the distribution agreement and the potential trademark acquisition represent a major opportunity to expand in the super premium gin segment, broadening and adding to its existing offering in terms of both premium products in the segment, which currently only comprises Bankes premium gin, and an increased focus on the on-premise channel, particularly in the United States.

Outlook

Against a backdrop of macroeconomic challenges in a number of key markets, volatile sales mix trends and a worsening forex outlook, the overall business environment remains tough. However, having successfully completed the announced restructurings, plant start-ups and the integration of significant new acquisitions in the first nine months of 2013, we expect our performance to stabilise in the fourth – and key – quarter of the year. On the back of this transitionary year, the Group is set to start reaping the benefits of the new set-up, and we expect our long-term growth to be driven by sustained brand building in our key product/market combinations and further penetration by our brand portfolio in new geographical regions.

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 thousands of euro.
The use of values expressed in million euro may result in apparent discrepancies as far as absolute values and percentage changes.

Alternative performance indicators

This interim report on operations presents and comments upon certain financial indicators and reclassified financial statements (in relation to the statement of financial position and statement of cash flows) that are not defined by the IFRS.
These indicators, which are defined as they were in the 2012 annual report, are used to analyse the Group's performance in the "Highlights" and "Interim report on operations" sections.

Other information

In accordance with article 70, paragraph 8, and article 71, paragraph 1-*bis*, of Consob regulation 11971 of 14 May 1999, the Board of Directors has decided to take advantage of the option to derogate from the obligations to make available to the public the information documents prescribed in relation to significant mergers, spin-offs, capital increases through contributions in kind, acquisitions and disposals.

Sesto San Giovanni, 14 November 2013

Chairman of the Board of Directors
Luca Garavoglia

Paolo Marchesini, the director responsible for preparing the company's accounting statements, hereby declares 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