Interim report on operations
at 30 September 2011

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Highlights

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 in this report may result in apparent discrepancies between absolute values and percentage changes.
In the first case, there may be a difference between the sum of the individual figures and the total, amounting to no more than € 0.1 million; in the second case, the discrepancy may appear even larger, since a percentage change calculated using two figures in million euro could differ – in some cases significantly – from the actual figure calculated using the original data in thousand euro.

First nine months of 2011

	30 September 2011 € million	30 September 2010 € million	% change	% change at constant exchange rates
Net sales	**889.2**	**794.9**	**11.9**	**12.7**
Contribution margin	362.0	324.6	11.5	12.2
EBITDA before non-recurring items	232.7	205.3	13.3	14.1
EBITDA	**229.1**	**202.2**	**13.3**	**14.1**
Result from recurring activities	209.7	186.4	12.5	13.2
Operating result	**206.2**	**183.3**	**12.5**	**13.1**
Operating margin (operating result/net sales)	**23.2%**	**23.1%**		
Group profit before tax	**174.3**	**156.3**	**11.5**	**12.3**

	30 September 2011 € million	31 December 2010 € million
Net debt	659.1	677.0

Third quarter of 2011

	Third quarter of 2011 € million	Third quarter of 2010 € million	% change	% change at constant exchange rates
Net sales	**300.2**	**279.2**	**7.5**	**9.4**
Contribution margin	121.3	115.1	5.4	7.0
EBITDA before non-recurring items	78.4	76.7	2.3	3.9
EBITDA	**77.0**	**75.2**	**2.4**	**4.0**
Result from recurring activities	70.7	70.4	0.5	1.8
Operating result	**69.3**	**68.9**	**0.6**	**2.0**
Operating margin (operating result/net sales)	23.1%	24.7%		
Group profit before tax	**59.2**	**58.8**	**0.6**	**3.3**

Corporate officers

Board of Directors [1]

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

Board of Statutory Auditors [2]

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

Independent auditors[3]

PricewaterhouseCoopers S.p.A.

[1] The nine members of the Board of Directors were appointed on 30 April 2010 by the shareholders' meeting and will remain in office for the three-year period 2010-2012. At the same shareholders' meeting, Luca Garavoglia was appointed Chairman and granted powers in accordance with the law and the Company's articles of association for the three-year period 2010-2012.

The Board of Directors, at a meeting held on the same date, gave Managing Directors Robert Kunze-Concewitz, Paolo Marchesini and Stefano Saccardi the following powers for three years until approval of the 2012 accounts:

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

[2] The Board of Statutory Auditors was appointed on 30 April 2010 by the shareholders' meeting for the three-year period 2010-2012.

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

[4][5] The Remuneration and Appointments Committee and the Audit Committee were appointed, for the three year period 2010-2012, by the Board of Directors on 30 April 2010.

Interim report on operations

Significant events during the period

Launch of Aperol Spritz

In February 2011, the Group launched Aperol Spritz, a new product in which the ingredients of the famous aperitif – Aperol, Prosecco DOC and soda water – are offered to consumers already mixed and ready-to-drink in an innovatively packaged 17.5 cl bottle with an easy-open top.
The new product has, for the time being, been launched in Italy and Austria, and is intended to increase domestic consumption of the now well-known aperitif, Aperol Spritz, which is enjoyed throughout Europe.

Acquisition of Vasco (CIS) OOO in Russia

On 1 March 2011, the Group acquired an 80% stake in Vasco (CIS) OOO, a wines and spirits import and distribution company based in Moscow.
The deal was worth € 6.4 million, of which € 0.4 million relates to the purchase of shares, and the remaining portion represents the acquired company's trade payables to suppliers.
The agreement also gives put and call options on the remaining 20%, on condition that the objectives stated in the contract are met. On the basis of current forecasts, the value of the options that can be exercised in 2012 is estimated at € 1.8 million.
Vasco (CIS) OOO, a small company but one with a consolidated presence in this important market, forms a solid basis from which the Campari Group can develop a distribution platform in Russia in the future.
The transfer of the Campari Group's brands from their current distributors in this market to Vasco (CIS) OOO commenced in 2011 and will be completed by the end of 2012.

Sale of the minority stake in the joint venture Focus Brands Trading (India) Private Limited

On 28 March 2011, in execution of a settlement agreement, the 26% stake in Focus Brands Trading (India) Private Limited, held by DI.CI.E Holding B.V., was sold.
Prior to this, the Group had already terminated the contractual business relationship through which, since 2008, the joint venture Focus Brands Trading (India) Private Limited had been the licence-holder for the local production of Old Smuggler and had a distribution agreement for the Group's other products in India.
The transaction was in line with the expected values and cost provisions made in the consolidated financial statements for the year ending 31 December 2010.

Merger of Zedda Piras S.p.A. into Sella & Mosca S.p.A.

To continue the ongoing process of streamlining and simplifying the corporate structure of the Group, the merger of Zedda Piras S.p.A. into Sella&Mosca S.p.A. was completed in June 2011. The operation will also make it possible to achieve greater operational efficiency due to the integration of the manufacturing and commercial activities of the two companies.
The merger took place via the absorption of Zedda Piras S.p.A. into Sella&Mosca S.p.A. and was carried out, pursuant to article 2501-*quater* of the Italian Civil Code, on the basis of the balance sheets of the two companies at 31 December 2010.

Sale and purchase of own shares

From 1 January to 30 September 2011, the Company sold 6,778,925 own shares and purchased 8,940,000.
At 30 September 2011, the Parent Company held 4,438,255 own shares, equivalent to 0.76% of the share capital.

Ordinary shareholders' meeting of the Parent Company

On 29 April 2011, the ordinary shareholders' meeting of Davide Campari-Milano S.p.A. approved the financial statements for the year ending 31 December 2010 and agreed the distribution of a dividend in line with that paid out for 2009 of € 0.06 per share outstanding.
The total dividend, calculated on the shares outstanding and excluding own shares (4,127,716 shares at the date of distribution) is € 34,600,337.

Termination of the distribution of Russian Standard in Italy

On 30 April 2011, the Group concluded an agreement with the owner of this brand to terminate the distribution of Russian Standard vodka on the Italian market. The brand has been distributed in Italy since 2007, initially by Campari S.p.A. and later (following the merger of the two companies) by Davide Campari – Milano S.p.A.

Acquisition of the Cazalis and Reserva San Juan brands in Argentina

On 10 May 2011, the Group finalised the acquisition of the aperitif Cazalis and the brandy Reserva San Juan in Argentina from Destiladora Internacional S.A. for US$ 1.5 million.
These brands were already distributed by Campari Argentina S.A., which will now also carry out production at its Capilla del Señor facility.

Termination of the distribution of Cutty Sark in the US

Following its acquisition last year of the Cutty Sark Scotch whisky brand, the Edrington Group decided to award the distribution of this brand to the organisation that also markets all of its other brands in the US.
This is why, from 24 June 2011, Skyy Spirits, LLC stopped distributing this brand, which the company had distributed since 1999, i.e. prior to the acquisition of control of Skyy Spirits, LLC by the Campari Group.
In 2010, Cutty Sark posted net sales of € 9.8 million and a net contribution margin of € 1.3 million.

Acquisition of Sagatiba

On 3 August 2011, the Campari Group finalised the acquisition of the entire share capital of Sagatiba Brasil S.A., which was directly and indirectly controlled by the businessman Marco de Moraes.

The business acquired includes the Sagatiba brand and its associated assets, including the storage facility for finished products.

The purchase price was USD 26 million (equating to € 18 million at the acquisition date), plus an annual earn-out payment for each of the next eight years after the closing, estimated at USD 10.3 million (€ 7.2 million at the acquisition date) in total.

The implied multiple based on the total purchase price, including the expected value of the earn-out, is 13x 2012 EBITDA, as this is the first full year when the acquired business will be consolidated in the Group's financial statements.

Sagatiba, which the Campari Group started to market in Latin America in March 2010 on the basis of a distribution agreement, was founded by businessman Marco de Moraes in 2004 and is the market leader in Brazil in the rapidly expanding premium *cachaça* segment.

Sales of Sagatiba in 2010 totalled 112,000 nine-litre cases, two-thirds of which went to the Brazilian market, with an average annual growth rate (CAGR) of 21.6% between 2005 and 2010 (source: IWSR).

Sales performance in the first nine months of 2011

Overall performance

In the first nine months of 2011, the Group put in an excellent sales performance, achieving double-digit growth both overall and on a same-structure basis and at constant exchange rates compared to the year before.
Specifically, sales came in at € 889.2 million, up € 94.3 million (+11.9%) compared with the first nine months of 2010 due to organic growth of € 83.3 million (+10.5%) and external growth of € 17.9 million (+2.3%), partly offset by a negative exchange rate effect of € 6.9 million (-0.9%).

	€ million	% change vs. first nine months of 2010
Net sales 1 January 2011 – 30 September 2011	889.2	
Net sales 1 January 2010 – 30 September 2010	794.9	
Total change	**94.3**	**11.9%**
of which		
organic growth	83.3	10.5%
external growth	17.9	2.3%
exchange rate effect	-6.9	-0.9%
Total change	**94.3**	**11.9%**

The good organic growth figure posted in the first nine months of the year can be attributed to the positive performance of almost all of the Group's main brands (including Campari, SKYY, Wild Turkey and Cinzano), although it is necessary to once again highlight the excellent performance of Aperol, which has seen growth accelerate further in 2011 due to the remarkable results achieved in Germany and Austria. These markets have now surpassed Italy in terms of value.
More generally, Group sales in the first nine months benefited from strong growth in certain markets (such as Australia, Russia and Argentina) in which, for different reasons, there was a favourable basis of comparison with sales in the first nine months of 2010.

As shown in the table below, external growth of 2.3% (equating to € 17.9 million) was largely driven by sales of the former C&C brands purchased by the Group in October 2010 (€ 22.4 million).
Sales from the acquisition of Vasco (CIS) OOO on 1 March 2011, which relate to third-party brands and are reported as such, contributed € 7.4 million.
Staying with third-party brands, negative external growth was the result of the termination of the distribution of Tullamore Dew (€ -4.9 million) and Cutty Sark (€ -3.8 million) and the reduction in processing activities for third parties (€ -4.1 million).

Sales in the first nine months of 2011: breakdown of external growth	**€ million**
Former C&C brands: Carolans, Frangelico and Irish Mist	22.4
Sub-total - Group brands	22.4
Termination of distribution of Tullamore Dew	-4.9
Third-party brands in Russia (Vasco (CIS) OOO)	7.4
Other third-party brands, including Disaronno in Germany and new still wines	2.4
Termination of distribution of Cutty Sark	-3.8
Termination of distribution of Russian Standard	-0.3
Termination of distribution of other agency brands	-1.2
Copacking: net balance of assets transferred (Frangelico production for C&C) and new agreements	-4.1
Sub-total - third-party brands	***-4.5***
Total external growth	**17.9**

Changes in average exchange rates had a limited negative impact on sales in the first nine months of the year of 0.9% due to the contrasting trends in the currencies of the main countries in which the Group operates.
The negative impact of the weakening of the US dollar (-6.4%) and, to a lesser extent, the Argentine peso and sterling was offset by the appreciation against the euro of the Australian dollar, the Brazilian real and the Swiss franc.

As regards the US dollar, however, it should be noted that the trend changed in the third quarter, with the severe pressure on the euro causing the dollar to appreciate significantly. At 30 September 2011, the €/USD spot rate was 1.350, which represents a 7.0% gain compared with the €/USD exchange rate of 1.445 recorded on 30 June 2011.
The table below compares the exchange rates of the Group's most important currencies, both as average exchange rates for the period and spot rates at 30 September.

Exchange rates for the period	1 January – 30 September 2011	1 January – 30 September 2010	**% change**
US$ x € 1 average for the period	1.406	1.316	-6.4%
US$ x € 1 at 30 September	1.350	1.365	1.1%
BRL x € 1 average for the period	2.293	2.344	2.2%
BRL x € 1 at 30 September	2.507	2.320	-7.4%
CHF x € 1 average for the period	1.236	1.402	13.5%
CHF x € 1 at 30 September	1.217	1.329	9.2%
CNY x € 1 average for the period	9.139	8.958	-2.0%
CNY x € 1 at 30 September	8.621	9.132	5.9%
GBP x € 1 average for the period	0.871	0.858	-1.6%
GBP x € 1 at 30 September	0.867	0.860	-0.8%
ARS x € 1 average for the period	5.745	5.120	-10.9%
ARS x € 1 at 30 September	5.675	5.407	-4.7%
AUD x € 1 average for the period	1.354	1.467	8.4%
AUD x € 1 at 30 September	1.387	1.407	1.4%
MXN x € 1 average for the period	16.915	16.726	-1.1%
MXN x € 1 at 30 September	18.594	17.126	-7.9%

Sales by region

The sales performance by region in the first nine months of 2011 confirmed the trends seen in the first half of the year, i.e. strong, double-digit growth both in Europe and in the Rest of the world and duty free, as well as positive but much more contained sales growth in Italy and the Americas.
The table below provides a breakdown of absolute figures, trends and mix for sales by region, while the second table enables the sales performance for each region to be analysed by separating out the impact of organic growth, external growth and exchange rate movements.

	1 January – 30 September		1 January – 30 September		% change
	€ million	%	€ million	%	2011/2010
Italy	286.6	32.2%	279.2	35.1%	2.7%
Rest of Europe	225.2	25.3%	181.6	22.8%	24.0%
Americas	298.1	33.5%	280.5	35.3%	6.3%
Rest of the world and duty free	79.3	9.0%	53.6	6.7%	48.0%
Total	**889.2**	**100.0%**	**794.9**	**100.0%**	**11.9%**

Breakdown of % change	Total	organic growth	external growth	exchange rate
Italy	2.7%	2.7%	0.0%	0.0%
Rest of Europe	24.0%	17.2%	6.0%	0.8%
Americas	6.3%	9.6%	1.2%	-4.5%
Rest of the world and duty free	48.0%	33.3%	6.9%	7.8%
Total	**11.9%**	**10.5%**	**2.3%**	**-0.9%**

Sales in **Italy** in the first nine months of 2011 totalled € 286.6 million, an increase of 2.7% compared with the same period of 2010.
The Italian market continues to post highly satisfactory results for bottled aperitifs due to the good performance of Campari and Aperol sales. The decline in single-serving aperitifs Campari Soda and Crodino is offset by sales of Aperol Spritz, which was launched at the start of the year.
At the end of September, sales for the entire wine segment were still somewhat behind the figures for the previous year, whereas the Lemonsoda range of drinks closed the period with growth, as a result of product innovation (Mojito Soda and Lemonsoda Zero) and the good weather in September.

The rest of **Europe** posted a very positive performance in the first nine months: sales came in at € 225.2 million, reporting overall growth of 24.0%, of which 17.2% is attributable to organic growth, 6.0% to external growth and 0.8% to a positive exchange rate effect.
This exceptional double-digit growth is due to the good overall result achieved in all of the main European markets, primarily Germany but also Russia, Austria and Belgium.
On the other hand, at individual brand level, it is the extraordinary performance by Aperol that again stands out.
External growth in this region is mainly driven by sales of third-party brands by Vasco (CIS) OOO in Russia, which have been consolidated since 1 March 2011, although a fairly significant contribution was also made by sales of Frangelico and other former C&C brands in Spain and the other main European markets.

Sales in the **Americas** totalled € 298.1 million, a rise of 6.3% compared with the first nine months of 2010.
The two tables below show the trends in each of the two main markets, the US and Brazil, and in the "Other countries" segment within the Americas; a breakdown of the growth components for each of these three sub-regions is also shown.

	1 January – 30 September 2011		1 January – 30 September 2010		% change
	€ million	%	€ million	%	2011/2010
USA	177.8	59.7%	184.4	65.7%	-3.6%
Brazil	71.9	24.1%	64.7	23.1%	11.1%
Other countries	48.4	16.2%	31.4	11.2%	54.2%
Total Americas	**298.1**	**100.0%**	**280.5**	**100.0%**	**6.3%**

Breakdown of % change	Total	organic growth	external growth	exchange rate
USA	-3.6%	3.0%	-0.8%	-5.8%
Brazil	11.1%	8.4%	0.4%	2.3%
Other countries	54.2%	50.6%	14.6%	-11.0%
Total Americas	**6.3%**	**9.6%**	**1.2%**	**-4.5%**

In the **US**, which represents around 60% of the region's sales and 20% of Group sales, sales figures dipped by a total of 3.6%, entirely attributable to the impact of the devaluation of the US dollar (-5.8%) and, to a lesser extent, negative external growth (-0.8%). Excluding these effects, the US reported organic growth of 3.0%.
This organic growth is largely driven by the good performance by the Wild Turkey franchise (and American Honey in particular), although the SKYY brand also saw its sales figures rise in the first nine months of the year compared with the previous year.
Net external growth was marginally negative, as the additional sales of Frangelico were not sufficient to offset the termination of the distribution of Tullamore Dew and Cutty Sark.

In **Brazil**, which accounts for 24.1% of sales in the Americas and 8.1% of total Group sales, sales figures for the first nine months of 2011 rose by a total of 11.1%, due to strong organic growth (8.4%) and, in this case, a positive exchange rate effect (2.3%), as well as modest external growth (0.4%).
The brands driving organic growth were Campari, Dreher and SKYY Vodka, while external growth was attributable to Frangelico and Sagatiba.

Sales in **other countries in the Americas region**, which represent 5.4% of the Group total (and 16.4% of the regional total), rose by 54.2%, as a result of strong organic growth (50.6%) in the three main markets: Argentina, Canada and Mexico.
In Argentina there were very good results for Campari and Old Smuggler, as well as more generally for the Group's entire product range and third-party brands, but the most significant contribution to growth came from Cinzano, which the Group started to distribute on 1 September 2010. It was previously distributed by third parties.
In Canada, sales of SKYY Vodka and Wild Turkey increased, while growth on the Mexican market is largely driven by the excellent performance of the ready-to-drink product SKYY Blue.
The external growth in this area (+14.6%) was mainly generated in Canada by sales of the former C&C brands, whereas the negative exchange rate effect (-11.0%) is primarily attributable to the Argentine peso.

Although the **Rest of the world and duty free** region remains small in comparison to the other regions, it significantly increased its share of total Group sales, rising from 6.7% in the first nine months of last year to 9.0% in 2011.
This increase, which was the result of sales growth of 48.0%, is closely connected to the creation and strong performance of Campari Australia Pty Ltd. The new company became operational on 1 April 2010 and during 2010 gradually took over the direct distribution of all the Group's brands in the Australian market. It now ensures that the business is run more efficiently, including in New Zealand and all the markets in the Asia-Pacific region.
The 33.3% organic growth in the region is mainly attributable to the Wild Turkey franchise.
Note that in the early months of 2011, the Asia-Pacific sub-region was hit by several natural disasters (flooding in north-eastern Australia and the earthquake and subsequent nuclear disaster in Japan), which had a significant impact on transport and consumption in general in these countries.
As regards the remainder of the Rest of the world and duty free region, in the first nine months of the year sales grew strongly in South Africa and the duty free channel.
The region also benefited from a positive exchange rate effect (+7.8%), correlated to the sharp appreciation of the US dollar, and external growth (+6.9%) that is mainly due to sales of Frangelico.

Sales by business area

The positive performance seen in the first nine months of 2011 (+11.9%) reflects robust growth in both spirits (+13.5%) and wines (+11.6%). These two segments combined represent 90% of the Group's overall sales.
Soft drinks, which make up 8.9% of the total, reported slight growth, while other sales, an increasingly marginal segment, saw a decline.
The two tables below show changes in sales by business area and a breakdown of the overall change in each business area by organic growth, external growth and the effect of exchange rate movements.

	1 January - 30 September 2011		1 January - 30 September 2010		% change
	€ million	%	€ million	%	2011/2010
Spirits	690.2	77.6%	608.0	76.5%	13.5%
Wines	109.2	12.3%	97.9	12.3%	11.6%
Soft drinks	79.2	8.9%	78.2	9.8%	1.3%
Other sales	10.6	1.2%	10.9	1.4%	-2.2%
Total	**889.2**	**100.0%**	**794.9**	**100.0%**	**11.9%**

Breakdown of % change	Total	Organic growth	External growth	Exchange rate
Spirits	13.5%	11.8%	2.7%	-1.0%
Wines	11.6%	10.6%	1.6%	-0.6%
Soft drinks	1.3%	1.1%	0.0%	0.2%
Other sales	-2.2%	0.6%	-1.2%	-1.6%
Total	**11.9%**	**10.5%**	**2.3%**	**-0.9%**

Spirits

Sales of spirits came in at € 690.2 million: overall growth of 13.5% reflected organic growth of 11.8% and external growth (+2.7%), while exchange rates had a slightly negative effect (-1.0%).
External growth was mainly due to the sales of former C&C brands Carolans and Frangelico (acquired by the Group on 1 October 2010), as well as the negative impact of the termination of the distribution of Tullamore Dew (from 1 January 2011) and Cutty Sark (from 24 June 2011), both of which were distributed mainly in the US.

Performance of the Group's brands in the first nine months, which represent 88.3% of the total spirits segment (third-party brands make up the remaining 11.7%), is described below.

Campari grew by 5.0% at constant exchange rates (+5.4% at actual exchange rates due to the appreciation of the Brazilian real and the Swiss franc).
The brand recorded an excellent sales performance, with double-digit growth in Italy and Brazil, its two key markets, and a slight contraction in Germany.
Of the markets deemed important on account of their size and development potential, Argentina and the US posted good sales performances.

The **SKYY** brand, which includes the SKYY infusions range, reported growth of 3.3% at constant exchange rates, although this represents a 2.2% decline at actual exchange rates due to the devaluation of the US dollar.
In the US, which represents around 80% of SKYY's business, sales grew by 1.5% in the first nine months of the year, principally sustained by a strong performance from the SKYY Infusions range. This is a satisfactory result in view of the very aggressive competitive environment in the US vodka market.
Sales performance was also very positive in other markets: specifically, growth in consumption has been especially encouraging in Brazil, which is now SKYY's second-largest market just two years after the active introduction of the brand, also in view of the size of the category and therefore its potential for future growth.

In the first nine months of the year, **Aperol** sales grew by 42.8% (43.2% at actual exchange rates), with the period seeing a further acceleration on the remarkable growth rate achieved in recent years.
Italy, where the brand continues to see double-digit growth, now represents less than 50% of total sales, due to the brand's extraordinary growth in the other European markets, particularly Germany and Austria.
The figures shown above do not include sales of Aperol Spritz, a new, single-serving product launched in Italy and Austria in the first part of the year. In Italy, distribution of the new brand in the off-trade channel has progressed as planned and the initial sell-out data are very satisfactory.

Sales of **Campari Soda** declined by 4.9% (4.8% at actual exchange rates) compared with the first nine months of 2010.
In Italy, the brand is still the undisputed leader in the market for single-serving carbonated aperitifs, consumption of which has decreased, particularly in traditional bars, which have been most affected by the crisis.

The **Wild Turkey** franchise put in a very positive sales performance in the first nine months of the year. Including the ready-to-drink range and American Honey liqueur, the brand achieved growth at constant exchange rates of 32.9% (33.8%% at actual exchange rates).
The Wild Turkey core brand, which grew by 8.5% overall (6.7% at actual exchange rates) recorded positive results in the key market of the US and in Japan, but sales grew particularly strongly in Australia, where the Group's new commercial organisation (Campari Australia Pty Ltd.) only took over distribution of this brand on 1 July 2010.
For the same reason, the Wild Turkey ready-to-drink range, currently sold only in Australia and New Zealand, recorded very robust sales growth compared with the first nine months of 2010. In this changing environment, trends in final consumption of the brand remain positive.
Finally, American Honey, which saw total sales growth of 41.5% (37.0% at actual exchange rates), registered very satisfactory results both in the US, where the Group significantly increased its investment in advertising in 2011, and - once again - in Australia.

Sales of the **Brazilian brands** Old Eight, Drury's and Dreher posted growth of 3.9% (6.1% at actual exchange rates), due to a good result for Dreher and more limited sales growth for the whiskies.

Sales of **GlenGrant** also grew in the first nine months of 2011, by 7.4% (7.7% at actual exchange rates).
The brand's performance was determined by good sales figures in France and positive developments in both the duty free channel and new sales markets, which are expected to offer good development potential.
Sales in Italy, meanwhile, were not as strong as last year. This is still the brand's key market, where consumption trends in the whisky category remain negative.

Old Smuggler closed the first nine months of the year with growth of 1.7% at constant exchange rates, reflecting a good sales performance in Argentina, the brand's key market, offset by declines in other markets (at actual exchange rates, however, there was a decrease in sales of 5.0%, due to the sharp depreciation of the Argentine peso).

Ouzo 12 registered sales growth of 1.0% (0.9% at actual exchange rates).
For some time this brand has seen sales growth in Germany but declining sales in Greece.

Sales of **Cynar** were exactly in line with those for the previous year, with growth of 2.4% at actual exchange rates (due to the appreciation of the Brazilian real and the Swiss franc).

Sales in the Italian and German markets declined slightly in the first nine months of 2011, fully offset by the growth seen in Brazil, Switzerland and Argentina.

In the first nine months of the year, sales of **Cabo Wabo** saw a drop of 6.2% at constant exchange rates (12.0% at actual exchange rates) due to the negative shipments trend in the US, the market that accounts for more than 90% of the brand's total sales.
However, it should be noted that the depletions of Cabo Wabo (i.e. the sales of the US distributors) in the first nine months of the year improved, confirming the trend seen in 2010, when the brand was relaunched.
Again in the tequila market, **Espolón** put in a good sales performance, with growth of 30.8% (23.8% at actual exchange rates) on the first nine months of 2010. This brand, which was included in the Group's portfolio at the end of 2008 following the acquisition of Destiladora San Nicolas, S.A. de C.V., was successfully relaunched on the US market in the premium tequila segment, at a lower price than Cabo Wabo, which belongs in the ultra premium segment.

Sales of **X-Rated Fusion Liqueur**, which are almost entirely concentrated in the US market, declined by 14.7% in local currency (- 19.7% at actual exchange rates).
Here too, the depletion figure improved considerably, although it was still negative (-5.5%).

Sales of the Group's other spirits brands, which are almost entirely distributed on the Italian market, decreased in the first nine months of the year as follows: Zedda Piras (Mirto di Sardegna) (-8.9%), Aperol Soda (-3.1%) and Barbieri liqueurs (-1.9%).

Third-party spirits brands distributed by the Group recorded sales growth of 6.6% in the first nine months of 2011 (on a same-structure basis and at constant exchange rates and) compared with the same period last year.
Overall, however, sales declined by 2.9%, due to the negative change in the exchange rate and, particularly, the termination of distribution of Tullamore Dew and Cutty Sark.
The main brands saw the following trends (organic changes at constant exchange rates):
- growth of 7.9% for Jack Daniel's, distributed mainly in Italy and Argentina
- a decline of 0.1% for Jägermeister, distributed in Italy
- growth of 7.1% for the Scotch whiskies distributed in the US
- growth of 12.5% for the Suntory brands, also mainly distributed in the US
- strong growth of 27.5% for Licor 43, mainly distributed in Germany
- a decline of 14.4% for Russian Standard, distributed in the Group's key European markets (distribution of this brand was terminated in Italy under an agreement signed on 30 April 2011).

Note that the former C&C brands acquired on 1 October 2010 from William Grant & Sons, i.e. **Carolans**, **Irish Mist** and **Frangelico**, were already distributed by the Group in certain key markets (e.g. Carolans in the US) prior to the acquisition; as such, sales of these brands were included in sales of third-party brands distributed by the Group, along with Tullamore Dew (distribution of which was transferred to the new owners, William Grant & Sons, as of 1 January 2011).
Following this acquisition, therefore, it was deemed appropriate to report all additional sales of former C&C brands as external growth, i.e.:
- sales in new markets of brands previously distributed in other markets (e.g. Frangelico in Spain)
- the change in sales in already established markets of brands that were previously distributed by the Group and are now Group brands (e.g. Carolans in the US).

In contrast, the external growth figure naturally also includes the elimination of sales of Tullamore Dew, distribution of which has been terminated.
Based on this methodology, in the first nine months of 2011 the Group achieved total sales of former C&C brands amounting to € 38.5 million, whereas the same figure for the year before, including Tullamore Dew, was € 21.0 million.

Wines
Sales of wines in the first nine months of 2011 totalled € 109.2 million, up 11.6% on the same period of the previous year.
This result is the combination of strong organic growth in the business (+10.6%), external growth, attributable to the distribution of new third-party still wines, of 1.6% and a slight negative exchange rate effect of 0.6%.

Sales of **Cinzano vermouth** grew by 37.0% compared with the first nine months of the previous year (32.9% at actual exchange rates) as a result of the combination of two particularly positive effects.
First, a strong boost was provided by sales in Argentina, where the Group started to sell the brand directly in September 2010, following the early termination of the third-party licence agreement.
Secondly, sales grew strongly in Russia, partly due to a dynamic recovery in consumption and partly to orders being placed slightly earlier by distributors.

Cinzano sparkling wines posted sales growth of 4.6% (5.2% at actual exchange rates), reflecting a strong performance in Germany, which is by far the biggest market for these products.
Meanwhile, sales lagged somewhat in the first nine months of 2011 in Italy and Russia; however, these markets reach their seasonal peak in the last two months of the year.

Riccadonna reported growth of 7.3% (11.9% at actual exchange rates), which is entirely attributable to its key market, Australia, and - to a lesser extent - New Zealand.
In 2011, sales in these two markets benefited from the return to a more normal situation as regards distribution, with Campari Australia Pty Ltd. fully operational in the first nine months of 2011, whereas in the same period of 2010 the Group's sales were impacted by the negative effects of the change of distributor.

Sales of **Mondoro**, whose main market is Russia, rose by 34.1% (33.5% at actual exchange rates). This is again due partly to the good recovery in consumption and partly to orders being placed slightly earlier by the distributor.

Odessa sparkling wines, produced and marketed by the Group in Ukraine, saw a drop in sales of 37.1% (41.1% at actual exchange rates) in the first nine months of this year.
In the next few months, the brand will benefit from a complete repositioning of the product in terms of both packaging and price. Odessa sparkling wines are also scheduled for launch on the Russian market through recently acquired trading company Vasco (CIS) OOO.

Sales of still wines in the reporting period decreased by 1.6% for **Sella&Mosca** and by 19.6% for **Teruzzi&Puthod**, while **Catina Serafino** recorded modest sales growth of 0.8%.
In the wines segment, agency brands account for only 3.5% of total sales, but the strategy initiated last year of achieving growth by also expanding the portfolio to include the distribution of new third-party brands is producing excellent results.

Soft drinks
In the first nine months of the year, sales of soft drinks totalled € 79.2 million, up 1.3% compared with the first nine months of 2010 (1.1 % stripping out a marginally positive exchange rate effect).

Crodino, the main brand in this segment, closed the first nine months of the year with a slight decrease in sales of 1.3% (1.1% at actual exchange rates); this performance mirrors the trend recorded by Nielsen in Italy in single-serving non-alcoholic aperitifs, a segment in which Crodino remains the undisputed market leader.

The **Lemonsoda** range of drinks registered sales growth of 9.4%, boosted by excellent weather in September, as well as the success of product innovation, which in the first nine months of 2011 led to strong growth in consumption of Mojito Soda and Lemonsoda Zero, line extensions launched in 2010.
In contrast, sales of mineral waters and other Crodo brand drinks were down.

Other sales
The **other sales** segment, which is marginal as it represents just 1.2% of the Group's total sales, reported a fall of 2.2%.
From March 2011, 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).
These sales, which were achieved in Russia through Vasco (CIS) OOO, resulted in robust external growth, which was, however, completely cancelled out by the termination of third-party sales relating to the Frangelico bottling contract (following the acquisition of the brand), which were previously included in this segment.

In terms of organic growth, there was slight growth in sales of malt distillate produced and sold in Scotland by Glen Grant Distillery Company Ltd.

Sales performance in the third quarter of 2011

Sales in the third quarter of 2011 totalled € 300.1 million, an increase of 7.5% compared with 2010.

	€ million	% change compared with the third quarter of 2010
- net sales in the third quarter of 2011	300.1	
- net sales in the third quarter of 2010	279.2	
Total change	**20.9**	**7.5%**
of which		
organic change	20.3	7.3%
external growth	6.0	2,1%
exchange rate effect	-5.4	-1.9%
Total change	**20.9**	**7.5%**

The positive sales performance seen in the third quarter (+7.5%) also shows the expected slowdown on the first half of the year (+14.2%), as the following table shows.

% change in 2011 versus 2010	Third quarter	First half
organic change	7.3%	12.2%
external change	2.1%	2.3%
exchange rate effect	-1.9%	-0.3%
Total change	+7.5%	+14.2%

Although very positive, organic growth (+7.3%) was lower than in the first half of the year (+12.2%) due to the gradual lessening of some favourable comparisons that had characterised the Group's business in the first half in some markets, such as Australia, Argentina and Russia.
External growth, mainly reflecting the acquisition of the former C&C brands on 1 October 2010, had a broadly similar impact in the first half (+2.3%) and third quarter (+2.1%) of the year.
However, the negative exchange rate effect was more pronounced in the third quarter 2011 (-1.9%) than in the first six months of the year (-0.3%).

Sales by region

All the regions made a positive contribution to overall growth (7.5%) and to organic growth (7.3%) in the third quarter of 2011.
In the second of the two tables shown below, we can see that levels of organic growth were fairly similar across the four regions, from 2.8% in Italy to 9.6% in America.

	Third quarter 2011		Third quarter 2010		% change
	€ million	%	€ million	%	2011/2010
Italy	77.1	25.7%	75.1	26.9%	2.6%
Rest of Europe	84.7	28.2%	73.8	26.4%	14.7%
America	108.1	36.0%	104.6	37.4%	3.3%
Rest of the world and duty free	30.2	10.1%	25.7	9.2%	18.0%
Total	**300.1**	**100.0%**	**279.2**	**100.0%**	**7.5%**

Breakdown of % change	% change			
	Total	Organic growth	External growth	Exchange rate effect
Italy	2.6%	**2.8%**	-0.2%	0.0%
Rest of Europe	14.7%	**8.8%**	5.2%	0.7%
America	3.3%	**9.6%**	0.5%	-6.8%
Rest of the world and duty free	18.0%	**6.4%**	6.8%	4.8%
Total	**7.5%**	**7.3%**	**2.1%**	**-1.9%**

In Italy, the trend seen in the first half of the year largely continued in the third quarter, with organic growth of 2.8%, slightly offset by a negative external growth (-0.2%) due to the termination of the distribution of Russian Standard.

The rest of Europe saw a positive sales performance in the third quarter, with growth totalling 14.7%, comprising organic growth of 8.8% and external growth of 5.2%.
Organic growth was driven by the positive performance by Aperol and Cinzano sparkling wines in the key markets of Germany and Austria.
External growth was due to the sales of the former C&C brands (notably Frangelico) and of the new third-party brands distributed in Russia through Vasco (CIS) OOO.

On the American continent, organic growth was also positive (+9.6%), although overall growth for the region was only 3.3% due to a marked negative exchange rate effect (-6.7%).
Of the key markets, the US recorded organic growth of 2.9%, Brazil 9.6% and Argentina and Mexico solid double-digit performances.

The rest of the world and duty free region registered overall growth in the third quarter of 18.0%: organic growth was 6.4% and external growth 6.8%, while the exchange rate effect was positive at 4.8%.
Organic growth was mainly due to the Australian market and, in terms of brands, predominantly the Wild Turkey ready-to-drink range, SKYY Vodka and American Honey, while the change in external growth is due entirely to Frangelico and Carolans.

Sales by business area

In the third quarter of 2011, organic growth and overall sales were positive in all segments.

	Third quarter 2011		Third quarter 2010		% change
	€ million	%	€ million	%	2011/2010
Spirits	229.9	76.6%	211.5	75.7%	8.7%
Wines	40.6	13.5%	38.8	13.9%	4.8%
Soft drinks	24.8	8.3%	24.2	8.7%	2.4%
Other sales	4.8	1.6%	4.7	1.7%	1.5%
Total	**300.1**	**100.0%**	**279.2**	**100.0%**	**7.5%**

Breakdown of % change	% change			
	Total	Organic growth	External growth	Exchange rate effect
Spirits	8.7%	8.0%	2.9%	-2.2%
Wines	4.8%	4.9%	1.2%	-1.3%
Soft drinks	2.4%	2.2%	0.0%	0.2%
Other sales	1.5%	17.5%	-12.8%	-3.2%
Total	**7.5%**	**7.3%**	**2.1%**	**-1.9%**

Spirits posted overall growth of 8.7%, comprising organic growth of 8.0%, with a particularly strong performance from Aperol, SKYY Vodka (with the infusion range), American Honey and the Wild Turkey ready-to-drink range.
Aperol Spritz, the brand launched in Italy in February 2011 and subsequently also distributed in Austria, had a particular impact on sales in the third quarter 2011.
With regard to external growth (2.9%), sales of the former C&C brands, acquired in October 2010, had a particularly strong impact, partially offset by negative changes due to the termination of the distribution of Tullamore Dew and Cutty Sark.
Exchange rate variations had a negative effect of 2.2%, a fairly sizeable change since both the US dollar and the Brazilian real depreciated against the euro in the third quarter of the year.

The third quarter was also positive for **wines**, which saw overall growth of 4.8%, close to the organic growth figure of 4.9%.
Sales were mainly boosted by Cinzano, with double-digit growth in vermouth sales and good progress in sparkling wines, and by Mondoro, while the still wines segment saw a fairly pronounced contraction.
The positive effects of external growth (+1.2%) due to the distribution of new third-party brands, and negative exchange rate effects (-1.3%) due to the depreciation of the Argentine peso, largely balanced each other out.

Soft drinks had a good third quarter overall, with organic growth of 2.2%, due to the excellent performance of the Lemonsoda range, which offset the slight decline in Crodino sales.
Sales of Crodino in Switzerland, which were also limited, benefited from the positive exchange rate effect of 0.2% for the entire segment.

The **other sales** segment registered overall growth of 1.5% in the third quarter, which represents a double-digit increase on a same-structure basis and at constant exchange rates.

Income statement for the first nine months of 2011

The Group's income statement figures for the first nine months of 2011 are extremely positive and confirm the strong increase in all measures of profitability seen in the first half of the year.
The operating result grew by 12.5% overall compared with 2010; stripping out the positive effect of external growth and the negative exchange rate effect, organic growth comes to 8.4%.

	30 September 2011		30 September 2010		Change
	€ million	%	€ million	%	%
Net sales	889.2	100.0	794.9	100.0	11.9
Cost of goods sold after distribution costs	(368.1)	-41.4	(334.5)	-42.1	10.0
Gross profit after distribution costs	521.1	58.6	460.4	57.9	13.2
Advertising and promotional costs	(159.1)	-17.9	(135.7)	-17.1	17.2
Contribution margin	362.0	40.7	324.6	40.8	11.5
Overheads	(152.3)	-17.1	(138.3)	-17.4	10.1
Result from recurring activities	209.7	23.6	186.4	23.4	12.5
One-off income (charges)	(3.6)	-0.4	(3.1)	-0.4	-
Operating result	206.2	23.2	183.3	23.1	12.5
Net financial income (charges)	(31.5)	-3.5	(26.3)	-3.3	19.9
Non-recurring financial charges	-	0.0	(0.0)	0.0	-
Profit (loss) of companies valued at equity	0.1	0.0	(0.2)	0.0	-
Put option charges	-	0.0	(0.2)	0.0	-
Profit before tax and minority interests	174.7	19.6	156.7	19.7	11.5
Minority interests	(0.4)	0.0	(0.3)	0.0	-
Group profit before tax	174.3	19.6	156.3	19.7	11.5
			-		
Total depreciation and amortisation	(22.9)	-2.6	(18.9)	-2.4	21.4
EBITDA before non-recurring income and charges	232.7	26.2	205.3	25.8	13.3
EBITDA	229.1	25.8	202.2	25.4	13.3

Net sales for the period were € 889.2 million, representing a rise of 11.9% on the same period of last year, comprising organic growth of 10.5% and external growth of 2.3%, partially offset by a negative exchange rate effect of 0.9%.
For more details on these effects and on sales by region and business area, please refer to the sales performance section.

The **cost of goods sold**, up 10.0% in absolute terms, showed a limited increase as a percentage of sales, from 42.1% in 2010 to 41.4%% in 2011 (70 basis points).
This improvement was due partly to the Group's ability to contain the rise in production costs, but above all to a favourable sales mix.
Growth in personnel costs and other industrial expenses continues to be very carefully contained, while a more sizeable rise has been seen in raw materials costs and particularly in distribution costs: the latter increase is due to the change in the Australian distribution structure, which involved the gradual launch of direct distribution on this major market in 2010, through Campari Australia Pty.
With regard to the sales mix, the excellent performance in the period from products with very favourable margins, such as Aperol and Wild Turkey, had a very positive impact.
Moreover, in the case of the former C&C brands, there has been a substantial decrease in the average product cost compared with 2010, when these products were distributed by the Group in major markets under distribution contracts (an activity that typically offers lower margins).

Gross profit came in at € 521.1 million, and, due to the lower cost of goods sold as a proportion of sales, represented an improvement in the profit margin on sales (58.6%, compared with 57.9% for the first nine months of 2010). Gross profit grew by 13.2% in absolute terms.

Advertising and promotional costs, which grew by 17.2% in absolute terms in the first nine months of the year, increased as a proportion of sales by 80 basis points, from 17.1% to 17.9%, in line with the Group's objective to increase advertising investment compared with the previous year.

The **contribution margin** came to € 362.0 million in the first nine months of 2011, representing an overall advance of 11.5% on the same period of the previous year, broken down as follows:

- organic growth of 8.3%
- external growth of 3.9%
- a negative exchange rate effect of 0.6%.

Overheads, i.e. the costs of the sales organisations and general and administrative costs, increased by 10.1% overall, and were lower as a proportion of sales (17.1% in the first nine months of 2011, compared with 17.4% in the same period of 2010 (30 basis points)).
The increase in overheads in absolute terms does, however, include external growth of 2.9%, caused mainly by the consolidation of Vasco (CIS) OOO, the Russian company acquired in March 2011, and the start-up of commercial operations in Australia, which only took place in the second quarter of 2010.
As the exchange rate effect was -0.7%, overheads rose by 7.9% on the previous year on a same-structure basis and at constant exchange rates.

The **result from recurring activities** was € 209.7 million, up 12.5% compared with the first nine months of 2010. Stripping out external growth (+4.6%) and exchange rate effects (-0.6%), organic growth in this item was 8.6%.

The **one-off income (charges)** item shows a net charge of € 3.6 million, comprising restructuring charges of € 1.7 million, provisions for risks and the payment of one-off charges of € 3.0 million, and income of € 1.1 million, including € 0.7 million from capital gains on asset disposals.

The **operating result** for the period was € 206.2 million, up 12.5% compared with the same period of 2010; excluding external growth (+4.7%) and a negative exchange rate effect (-0.6%), organic growth was 8.4%.
The ROS (return on sales, i.e. operating result as a percentage of net sales), came in at 23.2%, a rise of 10 basis points on the 23.1% recorded in 2010.

Depreciation and amortisation totalled € 22.9 million in the period, a 21.4% increase versus the first nine months of 2010 (€ 18.9 million).
Specifically, this item reflects the completion of substantial one-off industrial investments, aimed at increasing the efficiency and capacity of the Group's industrial structure, as well as investments in IT systems aimed at strengthening the SAP system in use.
Depreciation and amortisation also includes the portion relating to the repurchase of Cinzano's distribution rights in Argentina in the second half of 2010.

EBITDA before non-recurring income and charges increased by 13.3% (+14.1% at constant exchange rates) to € 232.7 million, while **EBITDA** rose by 13.3% (+14.1% at constant exchange rates) to € 229.1 million.

Net financial charges totalled € 31.5 million in the first nine months of 2011, up € 5.2 million on the € 26.3 million recorded in the same period of 2010.
The rise in interest payments is due in part to the Group's higher average debt level as a result of acquisitions, particularly that of the former C&C brands for € 128.5 million in 1 October 2010, and in part to the progressive rise in interest rates.
The average cost of the Group's net debt in the first nine months of 2011 (6.28%) includes a significant negative carry resulting from an average return on short-term cash investment that is lower than the gross cost of debt, which is largely medium- to long-term.

The Group’s portion of the **profits or losses of companies valued at equity** showed a profit of € 0.1 million, compared with a loss of € 0.2 million in 2010.

In the first quarter of 2011, the Group sold its shareholding in the joint venture Focus Brands Trading (India) Private Limited, which operates in India; this means that the only entity consolidated at equity in 2011 is the Dutch commercial joint venture, International Marques V.o.f.

There were no **charges for put options** in 2011, whereas in 2010 these came to € 0.2 million and related to the portion of profit pertaining to the minority shareholders of Cabo Wabo, LLC (now wholly owned by the Group).

Profit before tax and minority interests grew by 11.5% (+12.3% at constant exchange rates) compared with the first nine months of 2010, to € 174.7 million.

Minority interests for the first nine months of the year were marginal (€ 0.4 million), broadly in line with the same period of 2010.

Group profit before tax was € 174.3 million in the first nine months of 2011, up 11.5% (+12.3% at constant exchange rates) compared to the same period of 2011.
This represented a profit margin of 19.6%, in line with the 19.7% recorded in the first nine months of 2010.

Income statement for the third quarter of 2011

The income statement for the third quarter of 2011 showed a positive trend in sales and all profitability indicators, but with lower growth rates, as discussed below, than in the first nine months of the year:

	Third quarter 2011		Third quarter 2010		Change
	€ million	%	€ million	%	%
Net sales	300.2	100.0	279.2	100.0	7.5
Cost of goods sold after distribution costs	(125.5)	-41.8	(118.5)	-42.4	6.0
Gross profit after distribution costs	174.6	58.2	160.8	57.6	8.6
Advertising and promotional costs	(53.3)	-17.8	(45.7)	-16.4	16.6
Contribution margin	121.3	40.4	115.1	41.2	5.4
Overheads	(50.6)	-16.9	(44.7)	-16.0	13.1
Result from recurring activities	70.7	23.6	70.4	25.2	0.5
One-off income (charges)	(1.4)	-0.5	(1.5)	-0.5	-
Operating result	69.3	23.1	68.9	24.7	0.6
Net financial income (charges)	(10.0)	-3.3	(9.9)	-3.5	0.8
Non-recurring financial charges	0.0	0.0	0.0	0.0	-
Profit (loss) of companies valued at equity	0.0	0.0	0.0	0.0	-
Put option charges	0.0	0.0	(0.0)	0.0	-
Profit before tax	59.3	19.8	59.0	21.1	0.6
Minority interests	(0.1)	0.0	(0.1)	0.0	-
Group profit before tax	59.2	19.7	58.8	21.1	0.6
Total depreciation and amortisation	(7.7)	-2.6	(6.3)	-2.3	22.0
EBITDA before non-recurring income and charges	78.4	26.1	76.7	27.5	2.3
EBITDA	77.0	25.6	75.2	26.9	2.4

Sales increased by 7.5% in the third quarter of the year, comprising organic growth of 7.3%, external growth of +2.1% and a negative exchange rate effect of -1.9%; for more detailed comments please refer to the "Sales performance in the third quarter" section above.

The **contribution margin** for the quarter grew by 5.4% to € 121.3 million, lower than sales growth (7.5%) due to higher advertising and promotional costs than in the third quarter of 2010. Specifically, the cost of goods sold, which rose by 6.0%, was 60 basis points lower as a percentage of sales (41.8% in 2011 compared with 42.4% in 2010), in line with the cumulative figure for the first nine months of the year. By contrast, spending on advertising and promotions grew by 16.6% in absolute terms in the quarter, and by 140 basis points as a percentage of sales, from 16.4% to 17.8%. Excluding the effect of exchange rates and external growth (-1.6% and +4.7% respectively), organic growth of the contribution margin was 2.3%.

Overheads grew by 13.1% overall in the quarter, including 3.8% due to external growth.

The **operating result** was € 69.3 million, up 0.6% on the third quarter of 2010.

EBITDA before non-recurring items increased by 2.3% (+3.9% at constant exchange rates) to € 78.4 million.

EBITDA improved by 2.4% (4.0% at constant exchange rates) versus the third quarter of 2010 at € 77.0 million.

Net financial charges for the period came to € 10.0 million, largely unchanged on the third quarter 2010 (€ 9.9 million).

Group profit before tax was € 59.2 million, a rise of 0.6% (+3.3% at constant exchange rates) compared with the third quarter of 2010.

Financial situation

Breakdown of net debt

At 30 September 2011, consolidated net debt stood at € 659.1 million, down € 17.9 million from the € 677.0 million recorded at 31 December 2010.
The table below shows how the debt structure changed between the beginning and end of the period.

	30 September 2011 € million	31 December 2010 € million	Change
Cash and cash equivalents	372.5	259.7	112.9
Payables to banks	(127.6)	(38.4)	(89.1)
Real estate lease payables	(3.9)	(3.4)	(0.5)
Short-term portion of private placement	(80.2)	(6.2)	(74.0)
Other financial receivables and payables	(18.1)	(10.7)	(7.4)
Short-term net cash position	142.8	201.0	(58.2)
Payables to banks	(0.2)	(0.4)	0.2
Real estate lease payables	(1.4)	(4.4)	3.0
Private placement and bond	(787.2)	(869.0)	81.8
Other financial receivables and payables	(0.5)	(0.7)	0.2
Medium-/long-term net debt	(789.3)	(874.5)	85.3
Debt relating to operating activities	(646.5)	(673.6)	27.1
Payables for the exercise of put options and potential earn-out payments	(12.6)	(3.4)	(9.2)
Net debt	(659.1)	(677.0)	17.9

In terms of structure, the short-term cash position came in at € 142.8 million, down € 58.2 million on the figure of € 201.0 million recorded at 31 December 2010.
This decrease is mainly due to the reclassification of the remainder of the private placement for US$ 108.3 million carried out by Redfire Inc. in 2002 (equivalent to € 80.2 million at 30 September 2011) and due to expire in July 2012, from medium-/long-term to short-term debt.
The Parent Company's leases, totalling € 3.0 million, which will be fully repaid in February 2012, have also been reclassified as short-term debt.
These reclassifications have given rise to a corresponding improvement in the medium- to long-term financial position.
Apart from this, the Group also repaid the portion falling due of the private placement of 2002 (US$ 8.3 million) in the third quarter of 2011.

In the first nine months of the year, the change in net debt was affected by the acquisitions of Vasco (CIS) OOO and Sagatiba S.A. for € 33.8 million in total, including € 9.4 million for the recognition of earn-outs and put options.

Furthermore, the Group's net debt at 30 September 2010 includes a financial payable relating to the potential recognition of earn-outs on brands acquired by third parties and put options.
At 31 December 2010, the item included the recording of payables related to earn-outs on the acquisitions of Cabo Wabo, LLC, Sabia S.A. and Destiladora San Nicolas totalling € 3.4 million.
At 30 September 2011, this payable increased by € 9.2 million. € 9.4 million of the total related to the two acquisitions made in the period: the acquisition of Vasco (CIS) OOO involved the recording of the value of the put option agreed on 20% of this company, estimated at € 1.8 million and, following the acquisition of Sagatiba S.A., a financial payable was recognised, related to the annual earn-out to be paid for each of the eight years after completion of the transaction, estimated at US$ 10.3 million in total (€ 7.6 million at the date of this report).

The change due to exchange rate fluctuations between the start and end of the reporting period was negligible.

Operating working capital

The balance sheet at 30 September 2011 shows operating working capital of € 386.0 million, higher in absolute terms compared with both the end of the previous year and the same period of 2010 (by € 9.2 million and € 33.2 million respectively).
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 2011 € million	31 December 2010 € million	Change € million	30 September 2010 € million	Change € million
Receivables from customers	197.9	269.4	(71.4)	197.9	0.1
Inventories	350.3	294.9	55.5	326.7	23.7
Payables to suppliers	(162.3)	(187.4)	25.1	(171.8)	9.5
Operating working capital	**386.0**	**376.8**	**9.2**	**352.8**	**33.2**
Sales in the previous 12 months	1.257.3	1.163.0	94.3	1.106.7	150.6
Working capital as % of sales in the previous 12 months(%)	30.7	32.4		31.9	

Working capital increased by € 9.2 million overall compared with 31 December 2010.
Excluding exchange rate effects and external growth, organic growth was € 14.9 million, more than justified by the Group's positive sales performance.
Exchange rate fluctuations led to a decrease in working capital of € 11.0 million, while the acquisitions of Vasco (CIS) OOO and Sagatiba S.A. led to an increase in working capital of € 5.3 million.
Working capital as a proportion of sales in the previous 12 months decreased by 170 basis points, from 32.4% (at 31 December 2010) to 30.7% (at 30 September 2011).

With regard to the trend in working capital between quarters, note that the seasonal nature of the Group's business gives rise to a much lower value for trade receivables at the end of September than on the previous 31 December, and a higher average value for inventories.

Compared with 30 September 2010, operating working capital increased by € 33.2 million, including € 1.9 million due to the exchange rate effect. The remainder is due to acquisitions in the previous 12 months (Carolans, Vasco (CIS) OOO and Sagatiba S.A.) and to organic growth in the Group's business, particularly in Australia.
As a proportion of sales over the previous 12 months, operating working capital at 30 September 2011 was down 120 basis points on 30 September 2010, from 31.9% to 30.7%.

Events taking place after the end of the period

Sale of O-Dodeca B.V.

In October, the group sold its equity interest in O-Dodeca B.V.
The stake in Kaloyiannis-Koutsikos Distilleries S.A., previously held by O-Dodeca B.V., was transferred to DI.CI.E. Holding B.V., which therefore owns 75% of its capital.
The transaction had no effect at consolidated level.

Establishment of Capilla del Señor di Campari Argentina S.A.

In October 2011, the new Cinzano production line was launched in Argentina and the existing Capilla del Señor plant expanded.
This line now also produces Cinzano branded products for the substantial Argentine market, after the repurchase of production and marketing rights on 23 July 2010.

Outlook

The results achieved in the first nine months of the year confirm that the Group's business is extremely sound, due to a more than satisfactory performance in its key product/market combinations, and, more specifically, the excellent performance of Aperol, which has seen sustained growth and more marked internationalisation.

Turning to the rest of 2011, we expect the Group's main growth drivers – the aperitifs portfolio in the European market, SKYY Vodka in North and South America and Wild Turkey in the US and Australia, as well as innovative projects that are already complete or currently in progress – to continue to generate positive results in line with forecasts.

However, in light of the unexpected and sharp deterioration in market confidence in the sustainability of the debt held by some large countries, including Italy, and the crisis on the capital markets, it is likely that another cash crisis and resulting tighter bank lending conditions could make it harder for customers to operate normally.
In this changed environment, it should be noted that the final quarter, and particularly December (when customers place orders for Christmas), represents the seasonal sales peak.
The disciplined approach to credit risk management that the Group has always taken enables it to avoid significant losses and a drift in working capital (which in fact improved in the first nine months of the year), but will also constitute an objective limit on fully exploiting existing opportunities for growth.
With regard to the recent acquisition of Vasco (CIS) OOO, actions to strengthen the sales organisation, in light of the transition of the Cinzano and Mondoro brands from third-party distributors to Group companies, have been successful.
To ensure maximum business continuity in relation to the plans originally made, the process of strengthening the sales organisation was stepped up in 2011, and the size of the overall structure was revised upward.
This will have a negative effect on overheads in 2011, when Cinzano and Mondori will, moreover, still be distributed by third parties; however, looking forward, the impact in terms of higher costs seems insignificant compared with the huge opportunity offered by having control of distribution in the important Russian market.

In summary, as regards expectations for the 2011 results and the medium term generally, and in light of the fact that risks and opportunities remain broadly balanced, the Group is optimistic that it will once again achieve satisfactory results.

Sesto San Giovanni, 14 November 2011

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