Interim report on operations
at 30 September 2010

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Highlights

First nine months 2010

	30 September 2010 € million	30 September 2009 € million	% change	% change at constant exchange rates
Net sales	**794.9**	**696.5**	**14.1**	**10.8**
Contribution margin	324.6	278.8	16.5	13.2
EBITDA before one-offs	205.3	177.8	15.5	12.3
EBITDA	**202.2**	**175.8**	**15.0**	**11.8**
EBIT before one-offs	186.4	159.4	16.9	13.6
EBIT	**183.3**	**157.5**	**16.4**	**13.0**
EBIT margin (EBIT/net sales)	**23.1%**	**22.6%**		
Group profit before tax	**156.3**	**133.7**	**16.9**	**12.9**

	30 September 2010 € million	31 December 2009 € million
Net debt	590,5	630,8

Third quarter 2010

	Third quarter 2010 € million	Third quarter 2009 € million	% change	% change at constant exchange rates
Net sales	**279.2**	**254.7**	**9.6**	**4.0**
Contribution margin	115.1	101.9	13.0	6.5
EBITDA before one-offs	76.7	68.7	11.6	4.6
EBITDA	**75.2**	**68.3**	**10.1**	**3.1**
EBIT before one-offs	70.4	61.0	15.3	7.6
EBIT	**68.9**	**60.7**	**13.6**	**6.0**
EBIT margin (EBIT/net sales)	24.7%	23.8%		
Group profit before tax	**58.8**	**50.7**	**16.1**	**7.8**

Corporate officers

Board of Directors [1]

Luca Garavoglia	Chairman
Robert Kunze-Concewitz	Managing Director and Chief Executive Officer
Paolo Marchesini	Managing Director and Chief Financial Officer
Stefano Saccardi	Managing Director and General Counsel and Business Development Officer
Eugenio Barcellona	Director and member of the Remuneration and Appointments Committee[4]
Enrico Corradi	Director, member of the Remuneration and Appointments Committee[4] and member of the Audit Committee[5]
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	Permanent Auditor
Carlo Lazzarini	Permanent Auditor
Giovanni Bandera	Deputy Auditor
Graziano Gallo	Deputy Auditor
Emilio Gnech	Deputy Auditor

Independent auditors[3]

PricewaterhouseCoopers S.p.A

[1] On 30 April 2010 the shareholders' meeting appointed the nine members of the Board of Directors for the three year period 2010-2012 and renewed Luca Garavoglia's mandate as Chairman for the same period with powers in accordance with the law and the Company's articles of association.

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

- with individual signature: powers of ordinary representation and management, within the value or time limits established for each type of function;
- with joint signature: powers of representation and management for specific types of 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 in the period

Distribution of Sagatiba in Brazil

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

With Sagatiba, the market leader in the premium cachaça segment, the Group is entering the cachaça market, the most important spirits category in Brazil by volume, and enhancing its premium brand portfolio in South America.

Distribution of Morrison Bowmore Scotch whisky in Italy

On 1 March 2010 Campari Italia S.p.A. commenced distribution on the Italian market of Bowmore single malt Scotch whisky (Islay), which is produced by Morrison Bowmore Distilleries and owned by Japan's Suntory Group.

This agreement enhances the Group's portfolio of whiskies sold in Italy, which includes its own brands Glen Grant (single malt Scotch whisky), Old Smuggler (blended Scotch whisky) and Wild Turkey (Bourbon) and the third-party brands distributed by the Group, Jack Daniel's (Tennessee whisky) and Tullamore Dew (Irish whiskey).

Campari Australia

Campari Australia Pty Ltd., the company created at the end of 2009 to manage the distribution of Group products on the Australian market, commenced its commercial operations on 1 April 2010.

This new company distributes the brands the Group sells on the Australian market, notably SKYY Vodka, SKYY Blue, Riccadonna and, since 1 July 2010, Wild Turkey.

Marketing and sales of the Group's products in Australia were previously carried out by third-party distributors.

Extraordinary shareholders' meeting of the Parent Company

On 30 April 2010, the extraordinary shareholders' meeting of Davide Campari-Milano S.p.A. approved a capital increase via a bonus share issue of 290,400,000 new shares with a nominal value of € 0.10 per share and the same characteristics as the ordinary shares outstanding.

The new shares were allocated free of charge to shareholders in the ratio of one new share for each share held, through the use of retained earnings.

Following the bonus issue, the fully paid-up share capital totals € 58,080,000, comprising 580,800,000 ordinary shares each with a nominal value of € 0.10.

Ordinary shareholders' meeting of the Parent Company

On 30 April 2010, the ordinary shareholders' meeting of Davide Campari-Milano S.p.A. approved the financial statements for the year ended 31 December 2009 and agreed the payment of a dividend of € 0.06 per share outstanding following the bonus share issue approved by the extraordinary shareholders' meeting.

This represents a 9.1% increase compared with the dividend of € 0.055 per share paid out for 2008 (before the bonus share issue the dividend would have amounted to € 0.12 per share, versus € 0.11 per share for 2008).

The total dividend, calculated on the shares outstanding and excluding own shares (4,245,248 shares, after the bonus share issue) is € 34,593,285.

The shareholders' meeting also:

- appointed, for the three-year period 2010-2012, the new Board of Directors, which comprises Eugenio Barcellona, Enrico Corradi, Luca Garavoglia, Karen Guerra, Thomas Ingelfinger, Robert Kunze-Concewitz, Paolo Marchesini, Marco P. Perelli-Cippo and Stefano Saccardi;
- renewed Luca Garavoglia's mandate as Chairman for the three-year period 2010-2012;
- appointed the Board of Statutory Auditors, comprising Pellegrino Libroia as Chairman, and Enrico Colombo and Carlo Lazzarini as Permanent Auditors, for the three-year period 2010-2012;
- approved the proposed award of the auditing mandate for the nine-year period 2010-2018 to PricewaterhouseCoopers S.p.A., following expiry of the previous mandate held by Reconta Ernst & Young S.p.A., which could not be renewed for legal reasons.

Acquisition of 20% stake in Cabo Wabo

Following the agreement reached between the parties some months previously, on 30 July 2010 an agreement was signed with the minority shareholder of Cabo Wabo for the early exercise of the put and call options on 20% of Cabo Wabo LLC, and of Red Fire Mexico, S. de R.L. de C.V.

These put and call options were granted in January 2008 at the same time as the acquisition of an 80% stake in the Cabo Wabo brand.

The original contract stipulated that the options could be exercised during two windows - 15% of the shares in 2012 and the remaining 5% in 2015 - at a price for each tranche set on the basis of the average profits for the three previous years.

The purchase of the entire 20% was completed at a price of US$ 11.0 million, paid by Redfire Inc. on 30 July.

The agreement provides for an earn-out payment for the seller based on sales volumes for the Cabo Wabo brand for the three years after the closing date of the transaction, the estimated value of which is US$ 4.0 million.

In the financial statements for the year ended 31 December 2009, the payable for the Cabo Wabo put option was listed on the balance sheet in the euro equivalent of US$ 20 million

Production and sale of Cinzano in Argentina

On 23 July 2010, an agreement was signed for the early termination of the licence granted by Davide Campari - Milano S.p.A. to Cepas Argentina S.A.

The licence agreement, signed at the start of 2000 following the acquisition of the Cinzano brand by the Campari Group, granted Sava S.A.I.C.E.Y.A. (which was later merged into Cepas Argentina S.A.) the right to produce and sell Cinzano in Argentina until 2026.

The parties agreed a sum of € 11.0 million for the early withdrawal of the right to produce and distribute Cinzano, which was paid on 31 August 2010.

As from 1 September 2010, distribution of Cinzano is carried out by Sabia S.A., a company acquired by the Campari Group in November 2008, which is now wholly owned. Later, following a transition phase of no more than 12 months, Sabia S.A. will also take over responsibility for the production of Cinzano brand products.

Argentina is the largest market in the world for sales of Cinzano by volume: with more than 6 million litres sold in 2009, Cinzano is the number two brand in the country's sizeable aperitifs segment.

Amendments to the conditions of the bond (Note Purchase Agreement) issued on 16 July 2003

On 2 August 2010, a meeting was held for holders of the bonds issued by Davide Campari-Milano S.p.A. on 16 July 2003 and placed exclusively with foreign institutional investors on the US market.

The bondholders' meeting approved changes to certain conditions of the bonds, in particular to allow the company, in the event of significant acquisitions, to reach and maintain a higher maximum level of debt, in return for the payment of a higher rate of interest over the corresponding periods.

The two private placements issued in the US by Redfire, Inc. in 2002 and 2009 have also been brought into line with the new conditions.

Merger of Campari Italia S.p.A.

In order to streamline the number of companies in the Group and to make the Group's financial and balance sheet structure more efficient and functional by combining manufacturing and commercial activities, on 4 August the Board of Directors approved the proposed merger of Campari Italia S.p.A. into Davide Campari-Milano S.p.A.

Campari Italia S.p.A. is already wholly owned by the Parent Company Davide Campari-Milano S.p.A.

The accounting and tax effects will apply from 1 January 2010, while the effects in respect of third parties will apply from 31 December 2010.

Acquisition of the Carolans, Frangelico and Irish Mist OK brands

On 16 September 2010 an agreement was signed with William Grant & Sons for the acquisition of the Carolans, Frangelico and Irish Mist brands. The acquisition was completed on 1 October 2010.

The acquisition cost, paid in cash, was € 129 million.

The enterprise value represents 7.5 times pro forma EBITDA for 2009.

The business acquired has total sales of approximately € 50 million per year, on a volume of around one million nine-litre cases.

The Campari Group was already the distributor of some of these brands in certain markets (e.g. Carolans and Irish Mist in the US and Frangelico in Brazil and Belgium) prior to the acquisition, and therefore, a proportion of the sales relating to the newly-acquired brands will have been previously included in Group sales figures.

With Carolans, Frangelico and Irish Mist, the Group is supplementing its portfolio with three high quality brands that offer excellent growth prospects, and has further expanded its range of premium spirits. In particular, the US portfolio has comfortably reached critical mass, with brands offering high profitability, while the acquisition has also increased the Group's exposure to the other main international markets: Australia, Russia, Canada, Spain and the UK.

The acquisition is perfectly consistent with the Group's growth strategy from both a business and financial standpoint, and the risks attached to the integration are very low, as the Group already accounts for 60% of the distribution of the newly-acquired brands in volume terms and produces Frangelico itself.

Carolans is a global brand and leading product in the Irish cream segment, with volumes of over 600,000 nine-litre cases distributed in more than 60 markets, including the US, which accounts for around 60% of total sales.

The brand is enjoying growth in the main markets: geographical expansion and product diversification represent sources of future growth.

Frangelico is a premium Italian liqueur made from hazelnuts, which is highly profitable and sold in more than 90 markets, with the US accounting for around 50% of total sales.

It is a high quality product, with distinctive packaging and a strong presence in the on-premise channel.

Irish Mist is a premium liqueur made from Irish whiskey, honey and natural flavourings, which is sold in more than 40 markets (the US is also the largest market for this brand).

Irish Mist will enable the Campari Group to capitalise on the strong growth in the Irish whiskey market, with opportunities for the development of new products linked to the brand.

Purchase of own shares

Between 1 January and 30 September 2010, 2,320,000 own shares were acquired for an average price of € 3.99 per share, and 4,333,512 own shares were sold.
At 30 September 2010 Davide Campari-Milano S.p.A. held 2,894,728 own shares, equivalent to 0.5% of the capital.

Sales performance in the first nine months of 2010

Overall performance

In the first nine months of 2010, the Campari Group's net sales totalled € 794.9 million, representing an overall increase of 14.1% compared with the same period of 2009.
On a same-structure basis and at constant exchange rates, organic growth was 6.8%; external growth and exchange rate movements also had a positive effect, boosting sales by 4.0% and 3.3% respectively.

	€ million	% change versus first nine months of 2009
- Net sales 1 January-30 September 2010	794.9	
- Net sales 1 January-30 September 2009	696.5	
Total change	**98.4**	**14.1%**
of which		
organic growth	47.7	6.8%
external growth	27.8	4,0%
exchange rate effect	22.9	3,3%
Total change	**98.4**	**14.1%**

The achievement of **organic growth** of 6.8% in the first nine months of the year represents a highly satisfactory performance.
It is worth noting that organic growth was positive in each of the first three quarters of the year, although the pace of growth slowed gradually over the nine-month period.
The first and second quarters of 2010 benefited from a favourable comparison with the respective periods of 2009, in which the global financial crisis and the attendant reduction of stock levels by distributors had a particularly negative effect on sales.
The table below shows organic growth for the first nine months of 2009 and 2010, along with the quarterly figures.

	organic growth % change	
	2010/2009	2009/2008
First quarter	+14.5%	-4.2%
Second quarter	+4.3%	-2.0%
Third quarter	+3.7%	+2.1%
First nine months	+6.8%	-1.3%

The spirits segment and in particular the Group's three main brands, Campari, SKYY Vodka and Aperol, drove organic growth in the first nine months of the year.

The change in average **exchange rates** had a positive impact of 3.3% on sales in the first nine months, due mainly to the rise in value of the Brazilian real, which appreciated by 21.0% compared with the average for the same period of 2009.
The US dollar rose significantly against the euro in the second quarter, before falling back to around 1.40 in the third quarter: the average exchange rate of 1.316 for the first nine months of the year was 3.7% higher than in the same period of 2009.
The table below shows the changes in exchange rates for the currencies of most significance to the Group at 30 September and the change in the average figures for the first nine months.

Exchange rates for the period	1 January-30 September 2010	1 January-30 September 2009	% change
US$ x € 1 average for the period	1,316	1,365	3,7%
US$ x € 1 exchange rate at 30 September	1,365	1,464	7,3%
BRL x € 1 average for the period	2,344	2,837	21,0%
BRL x € 1 exchange rate at 30 September	2,320	2,605	12,3%
CHF x € 1 average for the period	1,402	1,510	7,7%
CHF x € 1 exchange rate at 30 September	1,329	1,508	13,5%
CNY x € 1 average for the period	8,958	9,326	4,1%
CNY x € exchange rate at 30 September	9,132	9,996	9,5%
GBP x € 1 average for the period	0,858	0,886	3,4%
GBP x € 1 exchange rate at 30 September	0,860	0,909	5,7%
ARS x € 1 average for the period	5,120	5,056	-1,2%
ARS x € exchange rate at 30 September	5,407	5,628	4,1%
MXN x € 1 average for the period	16,726	18,611	11,3%
MXN x € 1 at 30 September	17,126	19,745	15,3%

Wild Turkey and external growth

In 2010, external growth has benefited significantly from sales relating to the acquisition of Wild Turkey, which totalled € 58.4 million in the first nine months of the year.
Since the Group acquired this company at the end of May 2009 and started to consolidate it from 1 June 2009, sales in the first five months of 2010 (€ 27.0 million) were considered as external growth, while those recorded from June to September (€ 31.4 million) were included in the organic component of the Group's business.
Furthermore, changes to the distribution structure on the Australian market (the brand's second-largest market after the US) had a considerable impact on Wild Turkey sales in the first half of 2010.
As the Group did not have its own sales network in this important market and operated through third-party distributors, the seller, Pernod Ricard, undertook the distribution of this brand on a temporary basis for the period from the completion of the acquisition until 1 July 2010.
Following the establishment of Campari Australia Pty Ltd., which was set up to manage the distribution of all the Group's products on the Australian market, the responsibility for selling Wild Turkey was transferred to this new company on 1 July 2010.
Ahead of this change, the Group reduced its sales of Wild Turkey to the third-party distributor in order to lower its stock levels and simplify the subsequent transfer of deliveries, which was carried out successfully.

The table below shows a breakdown of external growth, which totalled € 27.8 million in the period, into Group and third-party brands: notably, the termination of the distribution agreement with Société des Produits Marnier Lapostolle in Italy and Germany had a negative impact of € 3.3 million; however, this was almost entirely offset by the positive contribution from new agreements for distribution and production for third-parties.
Among the Group's brands, in addition to Wild Turkey, sales of Odessa sparkling wines were recorded under external growth (first quarter of 2010 only).

Sales in the first nine months of 2010: breakdown of external growth	**€ million**
Wild Turkey	27.0
Odessa	1.1
Sub-total - Group brands	**28.1**
Discontinued distribution of Société des Produits Marnier Lapostolle brands in Italy and Germany	-3.3
Third-party brands in Germany (Licor 43), Brazil (Sagatiba) and Italy (Icario)	1.8
Co-packing contract for Legui in Argentina	1.2
Sub-total - third-party brands	**-0.3**
Total external growth	**27.8**

Sales by region

Sales in all regions were positive in the first nine months of the year, albeit at widely varying growth rates, ranging from 30.3% in the Americas to 2.1% in Italy.
There was a marked difference in regional growth trends, largely due to external factors, such as exchange rates and the geographical concentration of sales relating to recent acquisitions.
Moreover, a direct consequence of these different trends was that the Americas (35.3%) overtook Italy (35.1%) in terms of contribution to total sales: this was an extremely important development, if seen as a stage in the ongoing internationalisation of what originally was a predominantly Italian company.

	1 January-30 September 2010		1 January-30 September 2009		% change
	€ million	%	€ million	%	2010/2009
Italy	279.2	35.1%	273.4	39.3%	2.1%
Europe	181.6	22.8%	157.9	22.7%	15.1%
Americas	280.5	35.3%	215.3	30.9%	30.3%
Rest of the world and duty free	53.6	6.7%	49.9	7.2%	7.3%
Total	**794.9**	**100.0%**	**696.5**	**100.0%**	**14.1%**

The following table provides a breakdown of sales by region, with the impact of organic growth, external growth and exchange rate movements shown separately.

Breakdown of % change	% change			
	Total	**organic growth**	external growth	exchange rate effect
Italy	2.1%	**2.7%**	-0.6%	0.0%
Europe	15.1%	**13.7%**	0.6%	0.8%
Americas	30.3%	**13.1%**	8.8%	8.4%
Rest of the world and duty free	7.3%	**-19.1%**	19.2%	7.2%
Total	14.1%	**6.8%**	4.0%	3.3%

Sales in **Italy** increased by 2.2% in the first nine months of 2010 and, stripping out the negative effect of the discontinued distribution of Grand Marnier, organic growth was 2.7%.
Aperol and Campari performed very well, thanks to the particularly favourable trend in consumption of aperitifs, and in general, the overall organic growth on the Italian market was driven by a good performance from the entire spirits segment, which offset the contraction in sales of soft drinks and wines.

In the rest of **Europe**, total growth was 15.1%, due almost entirely to organic growth (13.7%) and the good results recorded in all the main markets (especially Germany and Austria).

Russia and Ukraine also made a significant contribution to organic sales growth in the region, although this was attributable to the particularly favourable comparison with sales in the first nine months of 2009, which were significantly affected by the severe decline in orders following the global financial crisis.
Sales in the region also benefited from a moderately positive exchange rate effect (0.8%), mainly in relation to the Swiss franc, and from external growth (0.6%) relating to Odessa and Wild Turkey, which offset the decline from the discontinued distribution of Grand Marnier in Germany.

In the Americas, sales grew by 30.3% overall, thanks to organic growth of 13.1%, as well as strong external growth (8.8%) and a favourable exchange rate effect (8.4%).
The following two tables show the trends in the two main markets, the US and Brazil, and in the 'Other countries' segment within the Americas.

	1 January-30 September 2010		1 January-30 September 2009		% change
	€ million	%	€ million	%	2010/2009
USA	184.4	65.7%	152.4	70.8%	21.0%
Brazil	64.7	23.1%	40.2	18.7%	60.9%
Other countries	31.4	11.2%	22.7	10.5%	38.4%
Total	**280.5**	**100.0%**	**215.3**	**100.0%**	**30.3%**

Breakdown of % change	% change			
	total	**organic growth**	external growth	exchange rate effect
USA	21.0%	**6.0%**	11.2%	3.8%
Brazil	60.9%	**31.4%**	2.0%	27.5%
Other countries	38.4%	**28.2%**	4.9%	5.3%
Total	30.3%	**13.1%**	8.8%	8.4%

In the **US**, sales in the first nine months of 2010 grew by 21.0%, mainly due to the contribution from the acquisition of Wild Turkey, which generated external growth of 11.2%, and to a lesser extent, to the strengthening of the US dollar (+3.8%).
Organic growth was 6.0%, thanks to a positive trend in sales of SKYY Vodka, and more generally, in sales of almost all the brands distributed by the Group.
However, it is worth noting that the US was one of the markets in which the comparison with 2009 results is particularly favourable, especially in the first half of the year: in 2009 distributors reduced their orders in order to lower stock levels, most markedly between January and June, then subsequently to a lesser degree, until the trend was reversed in the last quarter of the year.

In **Brazil**, sales advanced by 60.9%, partly thanks to a positive exchange rate effect of 27.5% (due to the strengthening of the Brazilian real), but mainly due to organic growth of 31.4%.
In this market, the favourable comparison with the first nine months of 2009 was even more pronounced than for other markets (e.g. the US and Russia), since in addition to the generalised destocking prompted by the credit crunch, certain specific circumstances severely affected sales last year.
In particular, the change in the commercial policy implemented by the Group in this market in early 2009, with the aim of reducing its dependence on large, individual distributors, naturally led to a further squeeze on stocks in the distribution channel.

Sales in **other countries in the Americas region** rose by 38.4% in total, thanks to organic growth of 28.2%, which was attributable to the good results achieved in the three main markets in this segment: Argentina, Mexico and Canada.
Moreover, following the acquisitions carried out at the end of 2008 in Argentina and Mexico, the Group now manages distribution in these markets through its own sales networks, which has given it greater control over its brands and improved the efficiency of sales and marketing operations.
The change in exchange rates (+5.3%) and external growth (+4.9%) complete a positive picture for the first nine months of the year for these countries.

Sales in the **Rest of the world and duty free segment**, which together account for 6.7% of the Group total, rose by 7.3% in the first nine months of 2010, the combined result of external growth of 19.2%, a positive exchange rate effect of 7.2% and negative organic growth of -19.1%.

Results for the period in this segment were strongly affected by the acquisition of Wild Turkey and the subsequent establishment of Campari Australia Pty Ltd.
Specifically, external growth was attributable to sales of Wild Turkey in the January to May period of this year, achieved predominantly in Australia, Japan and the duty-free channel.
The decline in organic growth was attributable to the trend on the Australian market, as described in the 'Overall performance' section above.
In Australia, sales to third-party distributors of Group brands (Wild Turkey, Riccadonna, SKYY Vodka and SKYY Blue) were reduced in the first six months of the year, as the responsibility for distributing these brands was gradually transferred from third parties to Campari Australia Pty Ltd. As regards Wild Turkey, the performance of this brand in Australia in the third quarter of 2010 suffered due to an unfavourable comparison with the corresponding period of 2009, when sales to third-party distributors were particularly high.
Of the Group's other key markets in the Rest of the world, sales in China were positive during the period, although this is still a small market for the Group.

Sales by business area

The Group's positive sales performance in the first nine months of the year (+14.1%) was mainly due to growth in the spirits segment, and to a lesser extent in the wines segment, while soft drinks showed a slight 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 2010		1 January-30 September 2009		% change
	€ million	%	€ million	%	2010/2009
Spirits	608.0	76.5%	510.1	73.2%	19.2%
Wines	97.9	12.3%	95.9	13.8%	2.1%
Soft drinks	78.2	9.8%	80.6	11.6%	-3.0%
Other sales	10.9	1.4%	9.9	1.4%	9.9%
Total	**794.9**	**100.0%**	**696.5**	**100.0%**	**14.1%**

Breakdown of % change	% change			
	Total	organic growth	external growth	exchange rate effect
Spirits	19.2%	**10.1%**	5.0%	4.1%
Wines	2.1%	**-0.8%**	1.2%	1.7%
Soft drinks	-3.0%	**-3.1%**	0.0%	0.1%
Other sales	9.9%	**-5.4%**	12.5%	2.8%
Total	14.1%	**6.8%**	4.0%	3.3%

Spirits

Sales of spirits totalled € 608.0 million, up 19.2% compared with the first nine months of 2009.
The segment represented 76.5% of total Group sales, compared with the annual figure of 73.3% in 2009.
This strong performance in the Group's core business was achieved thanks to double-digit organic growth (10.1%), external growth of 5.0% and a positive exchange rate effect of 4.1%.

As for the Group's main brands, sales of **Campari** rose by 8.6% at constant exchange rates (+12.1% at actual exchange rates) in the first nine months of 2010.
The brand's performance was positive in Italy and in many key western European markets.
The strongest contribution, however, came from Brazil, where the brand was boosted by a favourable comparison with last year (see the previous section: 'Sales by region' - Brazil).

The **SKYY** brand, which includes the SKYY Infusions range, posted growth of 3.9% at constant exchange rates (8.0% at actual exchange rates) in the first nine months of 2010, due to the combined effect of the strengthening of the US dollar and Brazilian real).
Growth of 4.8% was recorded on the US market, mainly driven by a good performance from the SKYY infusions range.

Outside the US, the sales performance continued to be extremely positive in Brazil, and good in Canada, Italy and Germany.
However, the performance in Australia again had a negative impact in the period under review, following the termination of the contract with the previous distributor during the year.

Aperol posted another outstanding result, with net sales up 36.6% (36.7% at actual exchange rates), comfortably outstripping the average double-digit figures of the last few years.
The reason for this excellent performance is that, in addition to uninterrupted double-digit growth on the Italian market (which accounts for around 60% of the brand's sales), Aperol has seen exceptional growth in Germany and Austria.

Camparisoda sales, which are almost entirely concentrated on the Italian market, rose by 0.7% (+0.8% at actual exchange rates) compared with the first nine months of last year.

Sales of the **Brazilian brands** Old Eight, Drury's and Dreher posted very strong organic growth in the first nine months of the year (31.2%), partly due to the favourable comparison with the first half of 2009.
At actual exchange rates, growth was even stronger (58.7%), thanks to the sharp rise in the average value of the Brazilian real.

GlenGrant sales were up 5.6% at constant exchange rates (5.9% at actual exchange rates), due to the brand's good performance in its three main markets: Italy, France and Germany.

Old Smuggler recorded a decline of 2.0% (-1.8% at constant exchange rates, as the excellent performance in Argentina, the brand's main market, was more than offset by a contraction on the European markets.

In the first nine months of the year, **Ouzo 12** posted a decline of 3.1% at constant exchange rates (-2.8% at actual exchange rates); while sales were broadly stable in Germany, which has been by far the biggest market for this brand for some time, they fell in Greece, which has been particularly hard hit by the economic crisis.

Cynar sales were down by 1.2% at constant exchange rates, but up by 4.8% at actual exchange rates following the rise in value of the Brazilian real and Swiss franc.
Sales in Brazil and Switzerland, which are two of the three biggest markets for this brand, fell slightly, but this was offset by a positive performance in Italy.

Sales of **X-Rated Fusion Liqueur**, which are almost entirely concentrated in the US market, fell by 21.3% in local currency (-18.5% at actual exchange rates), mainly because of the stock reductions implemented by US distributors; final consumption of this brand, however, fell only slightly.

Cabo Wabo sales increased by 38.6% (43.8% at actual exchange rates) in the first nine months of the year.
In 2010, sales of this brand have benefited from both the successful updating of the product packaging, which now looks much more upmarket, as well as from a price adjustment implemented in response to aggressive marketing by certain competitors.
That said, it is worth noting that the sales figures for this brand in the first nine months of 2010 also benefited from a particularly favourable comparison with the same period of 2009, in which, in addition to the substantial stock reductions implemented by US distributors, products with a high unit value and sales concentrated in the on-trade channel were harder hit by the effects of the global financial crisis.

Again in the US, and in the tequila market, Espolon (a brand that was added to the Group's product portfolio following the acquisition of Mexican company Destiladora San Nicolas S.A. at the end of 2008) achieved excellent sales figures following a relaunch.

Of the Group's other spirits brands, sales of Zedda Piras and Aperol Soda declined in the first nine months of the year by -1.8% and -2.6% respectively.

Overall, sales of all the main third-party brands distributed by the Group showed a positive trend. In particular:
- sales of Jägermeister, which is distributed on the Italian market, rose by 6.7%;
- sales of Jack Daniel's, which is also distributed on the Italian market, jumped by 17.1%;

- sales of Scotch whisky (Cutty Sark and Morrison Bowmore), which is mainly distributed in the US, shot up by 21.6% at constant exchange rates (+26.4% at actual exchange rates);
- sales of Suntory brands, which are also mainly distributed in the US, advanced by 12.6% (+16.1% at actual exchange rates);
- sales of Russian Standard vodka, which is distributed in Europe, with sales recorded mainly in Germany and Switzerland, edged ahead by 0.2% (+0.8 % at actual exchange rates);
- sales of the Carolans, Irish Mist and Tullamore Dew brands, which are mainly distributed in the US, increased by 0.5% (+4.5% at actual exchange rates).

On 1 October 2010, the Group completed the acquisition of the Carolans, Irish Mist and Frangelico brands from William Grant&Sons.
The Group previously managed the distribution of the first two brands, and will continue to do so, while distribution of Frangelico is to be transferred to Skyy Spirits, LLC, which will impact on external growth.
Moreover, at the end of 2010, the Group will lose the distribution rights for the Irish whiskey Tullamore Dew, as these will pass to William Grant&Sons.

Wines

Sales of wines in the first nine months of 2010 totalled € 97.9 million, an increase of 2.1% compared with the same period of 2009.
This segment represents 12.3% of total sales.
Overall, no particularly significant changes took place over the period: external growth, relating to sales of Odessa sparkling wines in Ukraine in the first quarter of the year, was 1.2%, while exchange rates had a positive effect of 1.7%.
Stripping out these effects, and on a same-structure basis, sales in the wines segment fell by 0.8% compared with the same period of last year.

Among the main brands, sales of **Cinzano sparkling wines** rose by 7.8% (+8.4% at actual exchange rates), thanks to the strong recovery in orders in Russia, a market that was particularly hard hit by the global financial crisis in 2009.
In the first nine months of the year, sales in Germany were down slightly compared with the same period of the previous year, while in Italy they were broadly flat (in Italy sales are very highly concentrated in the last quarter of the year).

Sales of **Cinzano vermouth** grew by 6.5% (+8.6% at constant exchange rates), also thanks to a recovery in Russia, which reclaimed its position as the brand's largest market.
In Germany and Italy, which are second and third in terms of consumption of this brand, sales were broadly flat.
Following the early termination of the licensing agreement granting third parties the rights to produce and distribute Cinzano vermouth in Argentina, the Group commenced direct distribution of the brand in this market in September 2010.

Riccadonna, whose sales are heavily concentrated in Australia, recorded a sharp contraction of 43.4% in the period (-37.4% at actual exchange rates).
It is worth noting that the termination of the contract with the local distributor (on 31 March 2010) had a significant impact on sales in the first nine months of the year; the high levels of stock present in the market served to reduce the sales of the newly-established company Campari Australia Pty Ltd.

Conversely, sales of **Mondoro**, whose main market is Russia, jumped by 18.9% in the period, due to the recovery of activity in the Russian market following the crisis in 2009.

As for still wines, the first nine months of 2010 saw a contraction in sales of 1.7% for **Sella&Mosca** and growth of 2.4% for **Teruzzi&Puthod**, while **Cantina Serafino** sales were broadly flat.
Overall, sales declined on the domestic market, while there was an encouraging recovery in exports.

Soft drinks

In the first nine months of 2010, sales of soft drinks, which account for just under 10% of total Group sales, came to € 78.2 million, a drop of 3.0% on the same period of 2009.

The decline was partly due to unfavourable weather conditions, particularly in the important second quarter of the year.

Although sales of **Crodino** fell again in the first nine months (-2.6% at constant exchange rates and -2.5% at actual exchange rates), there was a trend reversal in the third quarter, with the brand recording growth of 1.8%.

In traditional soft drinks, the **Lemonsoda** range recorded a decline of 3.2% in the first nine months of the year, but this brand also posted a positive result in the third quarter, thanks to the successful launch of the line extensions Lemonsoda Zero and Mojito Soda.
Sales of mineral water and other drinks sold under the Crodo brand also fell (-4.6%).

Other sales

This minor segment includes revenues from co-packing and sales to third parties of raw materials and semi-finished goods and it represents just 1.4% of the Group's total sales.
In the first nine months of 2010, the segment posted growth of 9.9% versus last year, mainly thanks to the new activity of bottling the liqueur Legui for third parties in Argentina.
This external growth in the period offset the lower sales of malt distillate produced and sold in Scotland by Glen Grant Distillery Company Ltd.

Sales performance in the third quarter of 2010

Sales in the third quarter of 2009 totalled € 279.2 million, an increase of 9.6% compared with 2009.

	€ million	% change compared with the third quarter of 2009
- net sales in the third quarter of 2010	279.2	
- net sales in the third quarter of 2009	254.7	
Total change	**24.5**	**9.6%**
of which		
organic growth	9.4	3.7%
external growth	0.9	0,4%
exchange rate effect	14.2	5,6%
Total change	**24.5**	**9.6%**

Despite the positive trend in third-quarter sales, overall growth slowed compared with the 16.7% recorded in the first half of the year, as the table below shows.

% change in 2010 versus 2009	third quarter	first half
organic growth	+3.7%	+8.7%
external growth	+0.4%	+6.1%
exchange rate effect	+5.6%	+2.0%
total change	+9.6%	+16.7%

Organic growth in the period was 3.7%, compared with 8.7% in the first half of the year.
This slowdown was largely expected, and in a certain sense, should be seen as a return to normality since the strong first half figures were influenced by a very favourable comparison with 2009, and by events that had a significant impact on Group sales: the global financial crisis and the sharp fall-off in orders as distributors ran down their stocks.

The main difference between the two periods of 2010 is in external growth (i.e. sales from newly-acquired companies).
The first half of 2010 benefited for five of the six months from sales related to the acquisition of Wild Turkey, and to a lesser extent, to sales of Odessa sparkling wines.

The total contribution of external growth in the first half of the year was 6.1%, while in the third quarter it was just 0.4%, as most of the sales considered as external growth in the first six months of 2010 were recorded as organic growth in the third quarter.

Conversely, exchange rate effects were more favourable in the third quarter than in the first half of the year, following the sharp rise in value of the US dollar, at 5.6% and 2.0% respectively.

Sales by region

All regions contributed to overall growth of 9.6%, although looking solely at organic growth, there were some signs of a negative trend.

	third quarter 2010		third quarter 2009		% change
	€ million	%	€ million	%	2010/2009
Italy	75.1	26.9%	73.9	29.0%	1.7%
Europe	73.8	26.4%	61.5	24.1%	20.0%
Americas	104.6	37.4%	94.9	37.2%	10.2%
Rest of the world and duty free	25.7	9.2%	24.5	9.6%	4.9%
Total	**279.2**	**100.0%**	**254.7**	**100.0%**	**9.6%**

Breakdown of % change	% change			
	Total	**organic growth**	external growth	exchange rate effect
Italy	1.7%	**2.3%**	-0.6%	0.0%
Europe	20.0%	**18.0%**	0.9%	1.1%
Americas	10.2%	**-1.7%**	0.9%	11.0%
Rest of the world and duty free	4.9%	**-7.6%**	0.0%	12.5%
Total	**9.6%**	**3.7%**	**0.4%**	**5.6%**

In Italy and Europe the sales trend did not differ significantly from that commented on in the section on sales in the first nine months of the year.
In Italy, organic growth was 2.3%, thanks to the significant contribution of Aperol and Camparisoda, and to a lesser extent, to Crodino and the Lemonsoda range.
In a generally positive environment in Europe, third-quarter sales were very good, particularly in Germany and Austria.

In the Americas, however, stripping out the highly advantageous exchange rate effect, organic growth was negative at -1.7%, due to the combination of broadly flat sales in Brazil, a decline in the US and growth in the other markets, mainly Argentina and Mexico.

In the rest of the world and duty free segment, the negative organic growth performance (-7.6%) was entirely due to brands related to the acquisition of Wild Turkey and to the Australian market: in the third quarter of 2009, sales of these brands to the third-party distributor were particularly high.

Sales by business area

In the third quarter of 2010, organic growth and overall sales were positive in all segments.

	third quarter 2010		third quarter 2009		% change
	€ million	%	€ million	%	2010/2009
Spirits	211.5	75.7%	190.8	74.9%	10.8%
Wines	38.8	13.9%	36.1	14.2%	7.6%
Soft drinks	24.2	8.7%	23.7	9.3%	2.0%
Other sales	4.7	1.7%	4.1	1.6%	15.1%
Total	**279.2**	**100.0%**	**254.7**	**100.0%**	**9.6%**

Breakdown of % change	% change

	Total	organic growth	external growth	exchange rate effect
Spirits	10.8%	**3.8%**	0.2%	6.8%
Wines	7.6%	**4.5%**	0.3%	2.8%
Soft drinks	2.0%	**1.9%**	0.0%	0.1%
Other sales	15.1%	**1.7%**	9.4%	4.0%
Total	**9.6%**	**3.7%**	**0.4%**	**5.6%**

Spirits posted overall growth of 10.8%, thanks mainly to an exchange rate effect of 6.8%, while organic growth contributed 3.8% and external growth 0.2%.
Among the main brands, the excellent performance of Aperol stands out, as do the good results of Campari and Campari Soda.
The SKYY brand posted a decline of 2.3%, as shipments in the US were down over the quarter, even though the sales of distributors to this market showed a short-term positive trend.

The third quarter was positive for **wines**, with growth of 4.5% on a same-structure basis and at constant exchange rates.
Sales were mainly driven by Cinzano, with double-digit advances for sparkling wines and vermouth, while still wines recorded an encouraging trend reversal, with Sella&Mosca posting growth of 6.2%. Results were positive for Mondoro sparkling wines in Russia, and negative for Riccadonna in Australia.

Soft drinks had a good third quarter overall, recording organic growth of 1.9%, representing a trend reversal compared with the first half of the year: Crodino, the segment's main brand, showed a similar trend, with growth of 1.8% in the third quarter versus a decline of 4.6% in January-June.

The **other sales** segment posted overall growth of 15.1% in the third quarter, mainly thanks to a new co-packing contract in Argentina, which contributed to an external growth figure of 9.4%.

Income statement

Income statement for the first nine months of 2010

The Group posted a 16.4% increase in EBIT in the first nine months of 2010 compared with the same period of 2009, while all profitability indicators registered double-digit growth.
Stripping out the positive impact of the acquisition of Wild Turkey and the favourable exchange rate effect, EBIT grew by 11.7% in organic terms compared with the first nine months of 2009.
However, as described in detail in the section 'Sales performance in the first nine months of 2010', it is worth noting that this year's results are benefiting from a favourable comparison effect with 2009, which was hit by the negative effects of the global financial crisis, especially in the first half of the year.

	30 September 2010		30 September 2009		change
	€ million	%	€ million	%	%
Net sales	794.9	100.0	696.5	100.0	14.1
Cost of goods sold, after distribution costs	(334.5)	-42.1	(299.4)	-43.0	11.7
Gross profit, after distribution costs	460.4	57.9	397.1	57.0	15.9
Advertising and promotional costs	(135.7)	-17.1	(118.4)	-17.0	14.7
Contribution margin	324.6	40.8	278.8	40.0	16.5
Structure costs	(138.3)	-17.4	(119.3)	-17.1	15.8
EBIT before one-offs	186.4	23.4	159.4	22.9	16.9
One-offs: income and charges	(3.1)	-0.4	(1.9)	-0.3	-
EBIT	183.3	23.1	157.5	22.6	16.4
Net financial income (charges)	(26.3)	-3.3	(17.8)	-2.6	47.7
One-offs: charges	(0.0)	0.0	(5.0)	-0.7	-
Profit (loss) of companies valued at equity	(0.2)	0.0	(0.5)	-0.1	-
Put option charges	(0.2)	0.0	(0.1)	0.0	-
Profit before tax and minority interests	156.7	19.7	134.1	19.2	16.9
Minority interests	(0.3)	0.0	(0.3)	0.0	-
Group profit before tax	156.3	19.7	133.7	19.2	16.9
Total depreciation and amortisation	(18.9)	-2.4	(18.4)	-2.6	2.9
EBITDA before one-offs	205.3	25.8	177.8	25.5	15.5
EBITDA	202.2	25.4	175.8	25.2	15.0

Net sales for the period were € 794.9 million, representing a rise of 14.1% on the same period of last year, thanks to organic growth of 6.8%, external growth of 4.0% and a positive exchange rate effect of 3.3%.
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** increased by 11.7% in absolute terms, while as a percentage of sales, it fell by 90 basis points, from 43.0% in the first nine months of 2009 to 42.1% in the first nine months of 2010.
The positive trend in the cost of goods sold is chiefly attributable to the sales mix, which was more favourable in the first nine months of 2010 than in the same period of 2009: the most profitable segment, spirits, recorded growth of 19.2%, while the Group's other segments (wines, soft drinks and other sales) posted an increase of just 0.3% overall.
In addition, there was a general, though slight decrease in the rise in the average cost of raw materials.

Gross profit, which came in at € 460.4 million, grew by 15.9%, rising faster than sales (+14.1%) due to the lower figure for the cost of goods sold as a proportion of sales.

Advertising and promotional costs rose by 14.7% in absolute terms to € 135.7 million in the first nine months of last year, while the increase as a proportion of sales was from 17.0% to 17.1%.
In the fourth quarter of 2010, advertising and promotional spending will be higher than in the first nine months of the year, as well as in the corresponding quarter of 2009.

The **contribution margin** came to € 324.6 million in the first nine months of 2010, representing an overall advance of 16.5% on the same period of the previous year, broken down as follows:
- organic growth of 8.9%;
- external growth of 4.3%;
- a positive exchange rate effect of 3.3%.

Structure costs, which include sales and general and administrative expenses, rose by 15.8% in total; more than half of this substantial increase relates to external growth (+8.3%), while the exchange rate effect was also significant (+3.1%).
Stripping out these effects, and on a same-structure basis, the increase in structure costs was much lower, at 4.4%.
The external growth component mainly related to the acquisition of Wild Turkey; while this had a limited impact on structure costs in the US, the establishment of a distribution company in the important Australian market led to a more substantial rise in costs.
In addition, the new subsidiaries in Belgium and Ukraine, consolidated from 1 April 2009, also contributed to the rise in structure costs in the first nine months of the year.

EBIT before one-offs was € 186.4 million, up 16.9% compared with the first nine months of 2009. Stripping out external growth (+1.2%) and exchange rate effects (+3.3%), organic growth in this item was 12.3%.

One-offs showed a net negative balance of € 3.1 million, as restructuring costs of € 2.4 million, provisions for risks and future liabilities of € 4.8 million and other miscellaneous costs of € 0.6 million outstripped income of € 4.7 million relating to the adjustment in the fair value of a payable posted to the balance sheet for the payment of put options and earn-outs.
In 2009, the item showed a net negative balance of € 1.9 million, essentially due to allocations to restructuring reserves and other provisions for risks.

EBIT was € 183.3 million in the first nine months of 2010, an improvement of 16.4% compared with the same period of 2009.
Stripping out external growth (+1.3%%) and exchange rate movements (+3.4%), organic growth was 11.7%.
The EBIT margin improved by 50 basis points, from 22.6% in the first nine months of 2009, to 23.1%.

Depreciation and amortisation totalled € 18.9 million in the period, a 2.4% increase versus the first nine months of 2009 (€ 18.4 million).
EBITDA before one-offs increased by 15.5% (+12.3% at constant exchange rates) to € 205.3 million, while **EBITDA** rose by 15.0% (+11.8% at constant exchange rates) to € 202.2 million.

Net financial income and charges stood at € 26.3 million in the first nine months of 2010, substantially higher than the € 17.8 million recorded in the same period of 2009.
The increase was mainly due to the Group's higher average net debt figure, following the acquisition of Wild Turkey, of € 617.7 million, compared with € 487.7 million in the same period of 2009.
Furthermore, the average cost of debt in the first nine months of the year rose compared with the corresponding period of 2009, due to an increase in the proportion of fixed-rate debt as well as negative carry (the difference between the cost of debt and the return on short-term liquid investments) in respect of the Group's significant cash reserves.
In the first nine months of 2009, the Group incurred one-off financial charges of € 5.0 million relating to the structuring of the financing for the Wild Turkey acquisition.
These charges were shown separately in the income statement.

The Group's portion of **profits or losses of companies valued at equity** showed a negative balance of € 0.2 million, compared with a negative balance of € 0.5 million in the same period of last year.
The companies valued at equity in 2010 are trading joint ventures that distribute products made by the Group and its partners in the Netherlands and India.

Charges for put options were € 0.2 million in the first nine months of 2010, compared with € 0.1 million in the same period of last year.
This item relates to the portion of profit pertaining to minority shareholders of Cabo Wabo, LLC, recorded in the period prior to the acquisition of full control, in July 2010.

Profit before tax and minority interests grew by 16.9% (+12.9% at constant exchange rates) compared with the first nine months of 2009, to € 156.7 million.

Minority interests for the first nine months of 2010 were € 0.3 million, unchanged from the same period of last year.

Group profit before tax was € 156.3 million, up 16.9% (+12.9% at constant exchange rates) compared to the same period of 2009.
As a proportion of sales, this figure represented 19.7%, up from 19.2% in the first nine months of 2009.

Income statement for the third quarter of 2010

The income statement for the third quarter of 2010 showed a positive trend in sales and all profitability indicators, but with lower growth rates than in the first nine months of the year: in 2009, the negative effects of the global financial crisis were less pronounced in the second half of the year.

	Third quarter 2010		Third quarter 2009		%
	€ million	%	€ million	%	change
Net sales	279.2	100.0	254.7	100.0	9.6
Cost of goods sold, after distribution costs	(118.5)	-42.4	(106.5)	-41.8	11.2
Gross profit, after distribution costs	160.8	57.6	148.2	58.2	8.5
Advertising and promotional costs	(45.7)	-16.4	(46.4)	-18.2	-1.4
Contribution margin	115.1	41.2	101.9	40.0	13.0
Structure costs	(44.7)	-16.0	(40.8)	-16.0	9.5
EBIT before one-offs	70.4	25.2	61.0	24.0	15.3
One-offs: income and charges	(1.5)	-0.5	(0.4)	-0.1	-
EBIT	68.9	24.7	60.7	23.8	13.6
Net financial income (charges)	(9.9)	-3.5	(8.4)	-3.3	17.4
One-offs: charges	0.0	0.0	(1.1)	-0.4	-
Profit (loss) of companies valued at equity	0.0	0.0	(0.2)	-0.1	-
Put option charges	(0.0)	0.0	(0.1)	0.0	-
Profit before tax	59.0	21.1	50.8	19.9	16.1
Minority interests	(0.1)	0.0	(0.1)	0.0	-
Group profit before tax	58.8	21.1	50.7	19.9	16.1
Total depreciation and amortisation	(6.3)	-2.3	(7.7)	-3.0	-17.8
EBITDA before one-offs	76.7	27.5	68.7	27.0	11.6
EBITDA	75.2	26.9	68.3	26.8	10.1

Sales increased by 9.6% in the third quarter of the year, comprising organic growth of 3.7%, external growth of 0.4% and a positive exchange rate effect of 5.6%; for more detailed comments please refer to the 'Sales performance in the third quarter of 2010' section above.

The **contribution margin** for the quarter was € 115.1 million, an increase of 13.0%; this was higher than the increase in sales, despite the higher cost of goods sold as a proportion of sales, as advertising and promotional costs were lower than in the third quarter of 2009.
In the third quarter of 2010 the cost of goods sold as a proportion of sales was 60 basis points higher than in the same period of 2009, partly due to the acquisition of Wild Turkey, which has had a dilutive effect on 2010 margins of 40 basis points; pursuant to the transition agreements with the seller, the first-time consolidation of Wild Turkey had a positive one-off effect on the Group's contribution margin in the second half of 2009.

Stripping out the positive exchange rate effect of 6.5%, organic growth was 6.5%, while the impact of external growth was not significant.

Structure costs in the third quarter were up by 9.5% overall compared with the first nine months of 2009, or by just 1.8% on a same-structure basis; exchange rates (+4.7%) and external growth (+2.9%) had a significant impact over the quarter.

EBIT was € 68.9 million, up 13.6% on the third quarter of 2009.
At constant exchange rates and on a same-structure basis, growth was a solid 8.0%.
Exchange rates had a positive effect in the period, of 7.6%, while external growth had a negative impact of 2.0%.
It should be noted that external growth was negative in the quarter because the positive effect of the Wild Turkey acquisition on sales and the contribution margin was minimal in the third quarter, and the portion of the costs relating to the new distribution company in Australia in the period weighed heavily on the third-quarter results.

EBITDA before one-offs increased by 11.6% (+4.6% at constant exchange rates) to € 76.7 million.

EBITDA was up by 10.1% (+3.1% at constant exchange rates) versus the third quarter of 2009 at € 75.2 million.

Net financial charges totalled € 9.9 million in the period, up € 1.5 million compared with the third quarter of 2009 (€ 8.4 million), which included one-off financial charges of € 1.1 million.

Group profit before tax in the third quarter of 2010 was € 58.8 million, up 16.1% on the same quarter of the previous year (+7.8% at constant exchange rates), which represents 21.1% of sales, up from 19.9% in the third quarter of 2009.

Financial situation

Breakdown of net debt

At 30 September 2010, consolidated net debt stood at € 590.5 million, down € 40.3 million from the € 630.8 million recorded at 31 December 2009.
The table below shows how the debt structure changed between the beginning and end of the period.

	30 September 2010 € million	31 December 2009 € million
Cash and cash equivalents	229.9	129.6
Payables to banks	(19.0)	(17.3)
Property lease payables	(3.3)	(3.3)
Private placement, short-term portion	(6.1)	(5.8)
Other financial receivables and payables	74.6	(6.9)
Short-term net cash position	276.0	96.4
Payables to banks	(0.4)	(0.9)
Property lease payables	(3.8)	(6.3)
Private placement and bond	(860.5)	(861.8)
Other financial receivables and payables	3.8	158.7
Medium-long-term net debt	(861.0)	(710.3)
Debt relating to operating activities	(585.0)	(613.9)
Payables for the exercise of put options and earn-out payments	(5.6)	(16.9)
Net debt	(590.5)	(630.8)

The short-term net cash position increased by € 179.6 million compared with 31 December 2009; however, there was an increase in medium-long-term debt of € 150.7 million.

These changes were mainly attributable to the reclassification of term deposits of € 155.0 million from medium-long-term financial receivables to short-term financial receivables (€ 90.0 million) and cash and cash equivalents (€ 65.0 million).
In the third quarter of 2010, the Group paid US$ 11.0 million for the purchase of the minority interests in Cabo Wabo, LLC, and € 11.0 million for the early cancellation of a licence previously granted for the production and distribution of Cinzano in Argentina.
In addition, the portion of the private placement issued in 2002 that matured during the period was redeemed at the cost of US$ 8.3 million.
Note that the net debt figure relating to operating activities at 30 September 2010 includes the negative effect of the revaluation during the first nine months of the year of debt denominated in currencies other than the euro (mainly the US dollar), which resulted in an increase of € 14.1 million.

Furthermore, the Group's net debt at 30 September 2010 includes a financial payable relating to the possible payment of an earn-out on brands acquired by third parties.
At 31 December 2009, it also included a payable relating to the exercise of the put option by minority shareholders in Cabo Wabo, LLC, which was exercised early on 31 August 2010, with an agreement providing for the payment of an earn-out to the former minority shareholders for three years following the closing date of the transaction.
At 30 September 2010, these payables therefore include, in addition to the earn-outs relating to the X-Rated Fusion Liqueur brand, those relating to sales of the Cabo Wabo brand.
Note that on 1 October 2010, when the acquisition of the Carolans, Frangelico and Irish Mist brands was completed, the amount of € 129.0 million was paid to William Grant & Sons out of cash and cash equivalents, which at 30 September, totalled € 229.9 million.

Operating working capital

The balance sheet at 30 September 2010 shows operating working capital of € 352.8 million, a higher figure than that recorded at 31 December 2009 and 30 September 2009.
The table below shows figures at 30 September 2010, 31 December 2009 and 30 September 2009; operating working capital is shown, for each period, as a proportion of sales over the previous 12 months.

	30 September 2010	31 December 2009	change	30 September 2009	change
	€ million	€ million	€ million	€ million	€ million
Receivables from customers	197.9	236.2	(38.3)	168.0	29.9
Inventories	326.7	271.4	55.3	294.1	32.6
Payables to suppliers	(171.8)	(179.1)	7.3	(175.7)	3.9
Operating working capital	**352.8**	**328.5**	**24.3**	**286.4**	**66.3**
Sales - previous 12 months	1,106.7	1,008.4	98.3	989.3	117.5
Working capital as a % of sales in the previous 12 months (%)	31.9	32.6		29.0	

Working capital increased by € 24.3 million compared with 31 December 2009.
Given that the rise in value of the US dollar and Brazilian real had an impact of € 13.0 million on this increase, two other important factors should be taken into account.
The seasonal nature of the Group's business, excluding external growth and exchange rate effects, means that at end-September, the figure for trade receivables is substantially lower than the figure recorded at 31 December of the previous year, while there is a higher average figure for inventories.
These trends were also in evidence in September 2010, however, the increase in inventories (€ 55.3 million) was particularly significant, partly because the Group's new Australian company took over the stocks of finished products held by the previous third-party distributors.
However, operating working capital as a proportion of sales over the previous 12 months was lower at 30 September 2010 (31.9%), than at 31 December 2009 (32.6%).

The comparison with 30 September 2009 shows an increase in operating working capital of € 66.3 million, of which € 16.5 million related to exchange rate effects; the remainder was attributable to organic growth, and more significantly, to the acquisition of Wild Turkey and establishment of Campari Australia.

Events taking place after the end of the period

Apart from the completion of the acquisition of the Carolans, Frangelico and Irish Mist brands on 1 October 2010 (referred to in the 'Significant events in the period' section above), no significant events have taken place since 30 September 2010.

Outlook

The results for the third quarter of 2010 were positive, although growth was slower than in the first half of the year, as expected.
We consider that, having weighed up the risks and opportunities previously identified in relation to the outlook for the rest of the year, 2010 should be a positive year, in line with previous guidance.
With regard to the medium-term outlook, as the impact of the global financial crisis diminishes, we believe the situation will gradually improve.

Sesto San Giovanni, 11 November 2010

Chairman of the Board of Directors
Luca Garavoglia

I, Paolo Marchesini, the director responsible for preparing the company's accounting statements, hereby declare that, pursuant to paragraph 2, article 154-*bis* of the Testo Unico della Finanza law, this interim report accurately represents the figures contained in the Group's accounting records.

Chief Financial Officer
Paolo Marchesini