



DAVIDE CAMPARI-MILANO S.p.A.

(incorporated with limited liability under the laws of the Republic of Italy)

€400,000,000

4.50 per cent. Notes due 25 October 2019

The issue price of the €400,000,000 4.50 per cent. Notes due 25 October 2019 (the Notes) of Davide Campari-Milano S.p.A. (the **Issuer**) is 99.068 per cent. of their principal amount.

Unless previously redeemed or purchased and cancelled, the Notes will be redeemed at their principal amount on 25 October 2019. The Notes are subject to redemption in whole at their principal amount at the option of the Issuer at any time in the event of certain changes affecting taxation in the Republic of Italy. See “*Terms and Conditions of the Notes – Redemption and Purchase*”.

The Notes will bear interest from 25 October 2012 at the rate of 4.50 per cent. per annum payable annually in arrear on 25 October each year commencing on 25 October 2013. Payments on the Notes will be made in Euros without deduction for or on account of taxes imposed or levied by the Republic of Italy to the extent described under “*Terms and Conditions of the Notes – Taxation*”.

Application has been made to the Luxembourg *Commission de Surveillance du Secteur Financier* (the **CSSF**), which is the Luxembourg competent authority for the purpose of Directive 2003/71/EC as amended (the **Prospectus Directive**) and for the purposes of the Luxembourg Act dated 10 July 2005 on prospectuses for securities (the **Prospectus Act 2005**) to approve this document as a Prospectus. The CSSF assumes no responsibility for the economic and financial soundness of the transactions contemplated by this Prospectus or the quality or solvency of the Issuer in accordance with Article 7(7) of the Prospectus Act 2005. Application has also been made for the Notes to be admitted to listing on the official list and trading on the Luxembourg Stock Exchange’s Regulated Market (defined by Directive 2004/39/EC) in accordance with the Prospectus Directive. This Prospectus (together with any documents incorporated by reference herein) is available on the Luxembourg Stock Exchange website (*www.bourse.lu*). This Prospectus constitutes a prospectus for the purposes of article 5.3 of the Prospectus Directive and for the purposes of the Prospectus Act 2005. The Notes have not been, and will not be, registered under the United States Securities Act of 1933 (the **Securities Act**) and are subject to United States tax law requirements. The Notes are being offered outside the United States by the Joint Lead Managers (as defined in **Subscription and Sale**) in accordance with Regulation S under the Securities Act (**Regulation S**), and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Notes will be in bearer form and in the denomination of €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000. The Notes will initially be in the form of a temporary global note (the **Temporary Global Note**), without interest coupons, which will be deposited on or around 25 October 2012 (the **Closing Date**) with a common safe-keeper for Euroclear Bank S.A./N.V. (**Euroclear**) and Clearstream Banking, société anonyme, Luxembourg (**Clearstream, Luxembourg**). The Temporary Global Note will be exchangeable, in whole or in part, for interests in a permanent global note (the **Permanent Global Note**), without interest coupons, not earlier than 40 days after the Closing Date upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership. The Permanent Global Note will be exchangeable in certain limited circumstances in whole, but not in part, for Notes in definitive form in the denomination of €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000 and with interest coupons attached. See “*Summary of Provisions Relating to the Notes in Global Form*”.

An investment in the Notes involves certain risks. Prospective investors should have regard to the factors described under the heading “*Risk Factors*” on page 5.

Joint Lead Managers

Banca IMI

BofA Merrill Lynch

Deutsche Bank

23 October 2012

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IMPORTANT NOTICES

The Issuer accepts responsibility for the information contained in this Prospectus and declares that, to the best of its knowledge, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect its import.

The Issuer has confirmed to Banca IMI S.p.A., Deutsche Bank AG, London Branch and Merrill Lynch International (together, the **Joint Lead Managers**) that this Prospectus contains all information regarding the Issuer and the Notes which is (in the context of the issue, offering and sale of the Notes) material; such information is true and accurate in all material respects and is not misleading in any material respect; any opinions, predictions or intentions expressed in this Prospectus on the part of the Issuer are honestly held or made and are not misleading in any material respect; this Prospectus does not omit to state any material fact necessary to make all information contained herein not misleading in any material respect; and all reasonable enquiries have been made to ascertain and to verify the foregoing.

This Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "*Documents Incorporated by Reference*"). This Prospectus should be read and construed on the basis that such documents are incorporated in and form part of the Prospectus.

The Issuer has not authorised the making or provision of any representation or information regarding the Issuer or the Notes other than as contained in this Prospectus or as approved for such purpose by the Issuer. Any such representation or information should not be relied upon as having been authorised by the Issuer or the Joint Lead Managers.

Neither the delivery of this Prospectus nor the offering, sale or delivery of any Note shall in any circumstances create any implication that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the offering of the Notes is correct as of any time subsequent to the date indicated in the document containing the same, or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer since the date of this Prospectus.

Neither this Prospectus nor any other information supplied in connection with the offering of the Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer or any of the Joint Lead Managers that any recipient of this Prospectus or any other information supplied in connection with the offering of the Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Prospectus nor any other information supplied in connection with the offering of the Notes constitutes an offer or invitation by or on behalf of the Issuer or any of the Joint Lead Managers to any person to subscribe for or to purchase any Notes.

The distribution of this Prospectus and the offering, sale and delivery of Notes in certain jurisdictions may be restricted by law. Neither the Issuer nor the Joint Lead Managers represent that this Prospectus may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or the Joint Lead Managers which is intended to permit a public offering of the Notes or the distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus comes are required by the Issuer and the Joint Lead Managers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on distribution of this Prospectus and other offering material relating to the Notes, see "*Subscription and Sale*".

In particular, the Notes have not been and will not be registered under the Securities Act and are subject to United States tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons.

In this Prospectus, unless otherwise specified, references to a **Member State** are references to a Member State of the European Economic Area, references to **U.S.\$, USD, U.S. dollars** or **dollars** are to United States dollars, references to **£, GBP** or **sterling** are to pounds sterling, references to **J.\$** or **JMD** are to Jamaican dollars, references to **R.\$** or **BRL** are to Brazilian real and references to **€, EUR** or **Euro** are to the single currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty on the Functioning of the European Union, as amended. References to **billions** are to thousands of millions.

Certain figures included in this Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables, including percentages, may not be an arithmetic aggregation of the figures which precede them.

In connection with the issue of the Notes, Banca IMI S.p.A. (the Stabilising Manager) (or persons acting on behalf of the Stabilising Manager) may over allot Notes or effect transactions with a view to supporting the price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) in accordance with all applicable laws and rules.

RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring. In addition, factors which are material for the purpose of assessing the market risks associated with the Notes are also described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with the Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate.

Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.

Words and expressions defined in “Terms and Conditions of the Notes” or elsewhere in this Prospectus have the same meaning in this section. References to a “Condition” is to such numbered condition in the Terms and Conditions of the Notes. Prospective investors should read the entire Prospectus.

Risks relating to the Issuer

Adverse macroeconomic and business conditions may significantly and negatively affect the Campari Group’s revenues, profitability and results of operations.

Global economic conditions and conditions specific to Italy and other major European countries, the United States and other markets in which the Campari Group does business could substantially affect its sales and profitability. Global economic activity has undergone a sharp economic downturn since 2007. Global credit and capital markets have experienced unprecedented volatility and disruption and business credit and liquidity have tightened in much of the world. Consumer credit has also contracted in a number of major markets, including Italy, and global unemployment rates have increased significantly. Such developments have to date had a limited impact on alcohol consumption. The tighter credit conditions imposed on the corporate sector by banks have, however, started to cause major liquidity problems, especially for smaller companies, and this has led to some of the Campari Group’s customers reducing their orders and stock levels. Changes in governmental banking, monetary and fiscal policies to restore liquidity and increase credit availability may not be effective. It is difficult to determine the breadth and duration of the economic and financial market problems and their potential effects on consumers of the Group’s products and its suppliers, customers and business in general. For example, distributors may reduce inventory levels, consumers may choose to buy fewer spirits or to “trade-down” by buying fewer premium products in preference for lower categories of spirits or wines and a lower volume of travellers, especially air travellers, may reduce retail travel sales, and competitors may reduce prices. Continuation or further worsening of these difficult financial and macroeconomic conditions could materially adversely affect the Campari Group’s sales, profitability and results of operations.

The Campari Group’s industry is competitive, prone to consolidation and subject to consumer preferences; if the Group is unable to compete for a share of the market in a cost-effective way, the Group’s results of operations and financial condition could be adversely affected.

The Campari Group competes in the spirits, soft drinks and wines businesses, which are characterised by intense competition and the potential for rapid change in consumer preferences. The Campari Group competes with companies around the world, including large, well-established and successful companies, many of which have significant financial, marketing, sales and development resources. The Campari Group also competes against strongly entrenched local brands in many of the Group’s markets. The Group’s competitors may succeed in developing products that are more popular with consumers or less expensive than any which the Group currently markets or may develop. In addition, the consolidation of participants in these businesses may increase competitive pressures as larger suppliers are able to offer a broader product line. Consolidation in the beverage industry may also reduce the number of distribution outlets available to the Group, or lead to higher distribution

costs. The Campari Group competes with other brands for shelf space in retail stores and marketing focus by independent wholesalers. Independent wholesalers and retailers offer other products, sometimes including their own brands, that compete directly with the Campari Group's products. If independent wholesalers and retailers give higher priority to other brands, purchase less of or devote inadequate promotional support to the Campari Group's brands, it could materially and adversely affect the Group's sales and reduce the Group's competitiveness. For example, due to intense competition in Europe, the Campari Group may not be able to increase prices of its brands in line with rising production, selling and promotional costs. Moreover, delays or unanticipated increases in the costs of developing new products or in gaining market acceptance for new products could further adversely affect the Campari Group's competitive position and results of operations.

Risks relating to the Campari Group's dependence on consumer preference and propensity to spend.

The Campari Group depends on its ability to satisfy consumer preferences and tastes and to adapt its sales and marketing strategies to anticipate market trends and developments in forms of media and marketing tools. Consumer preferences and tastes can change in unpredictable ways due to a variety of factors, such as changes in demographics, consumer health and wellness, concerns about obesity or alcohol consumption, product attributes and ingredients, changes in travel, vacation or leisure activity patterns, weather, negative publicity resulting from regulatory action or litigation against the Campari Group or comparable companies or a downturn in economic conditions.

Consumers also may begin to prefer the products of competitors or may generally reduce their demand for products in the spirits, soft drinks and wine categories. Failure by the Campari Group to anticipate or respond adequately either to changes in consumer preferences and tastes or to developments in new forms of media and marketing could adversely impact its business, results of operations and financial condition.

If the social acceptability of the Campari Group's products declines or governments adopt policies against alcoholic beverages, its business could be materially adversely affected.

The Campari Group's ability to market and sell its alcoholic beverage products depends heavily on both society's attitudes toward drinking and governmental policies that flow from those attitudes. In recent years, increased social and political attention has been directed at the alcoholic beverage industry. The recent attention has focused largely on public health concerns related to alcohol abuse, including drinking and driving, underage drinking, and health consequences from the misuse of alcoholic beverages. Alcohol critics in Europe and the United States increasingly seek governmental measures to make alcoholic beverages more expensive, less available, and more difficult to advertise and promote. If the social acceptability of alcoholic beverages were to decline significantly, sales of the Campari Group's products could materially decrease. The Campari Group's sales would also suffer if governments ban or restrict advertising or promotional activities, limit hours or places of sale, or take other actions designed to discourage alcohol consumption.

Tax increase and changes in other fiscal regulations could adversely affect demand for the Campari Group's products.

Distilled spirits and wines are subject to import duties or excise taxes in many countries where the Group operates. Many jurisdictions are considering excise tax increases. An increase in import duties or excise taxes could adversely affect profit margins or sales revenue by reducing overall consumption or encouraging consumers to switch to lower-taxed categories of alcoholic beverages. As at 30 June 2012, a tax dispute relating to a local manufacturing tax and a dispute relating to a tax inspection report in connection with payment of a local tax on the consumption of goods and services were pending with the Brazilian legal authorities, as further described in "Description of the Issuer – Legal Proceedings" below. The outcome of these, and any future, tax disputes and investigations may adversely affect the Group's financial position.

The Campari Group depends on sales of key products, and any reduction in such sales could have a material adverse impact on its results of operations, financial condition, business and/or prospects.

A significant proportion of the Campari Group's sales are focused on certain key brands, such as *Aperol*, *Campari*, *Skyy Vodka*, *Wild Turkey*, *Campari Soda*, *Cinzano* and *Crodino* (and, upon completion of the acquisition of

Lascalles deMercado & Co. Limited, the brands *Appleton* and *Wray & Nephew* will fall into this category). Accordingly, any factor adversely affecting the sale of these key products individually or collectively could have a material adverse effect on the Campari Group's results of operations. Production and sale of each of the key products could be rendered uneconomical by regulatory or competitive changes. The sale of the key products could also be adversely affected by other factors, including supply, production or distribution interruptions, marketing or pricing actions by one or more of the Campari Group's competitors, changes in consumer preferences or other factors. Any reduction in sales of key products could lead to an increase in stock levels and/or could render production uneconomical, which could have a material adverse impact on the results of operations, financial condition, business and/or prospects of the Campari Group.

The Campari Group depends upon its trademarks and proprietary rights, and its competitive position may be adversely affected if it fails to protect the Group's intellectual property rights or is subject to claims that the Group is infringing upon the rights of others.

The Campari Group's success depends, in large part, on its ability to protect its current and future products and to defend its intellectual property rights. The Campari Group has registered numerous trademarks covering its products, and has filed, and expects to continue to file, trademark applications seeking to protect newly-developed products. The Campari Group cannot be sure that registration of trademarks will be obtained with respect to any of the Group's pending trademark applications or that any existing or future trademarks registered to or licensed by the Campari Group will not be challenged, invalidated or circumvented by competitors.

The Campari Group also relies on trade secrets, proprietary know-how not protected by patents and continuing technological innovation that it seeks to protect, in part by confidentiality agreements with licensees, suppliers, employees and consultants. The Campari Group cannot be sure that its trade secrets and proprietary know-how will not be compromised as a result of breaches of intellectual property rights or agreements or otherwise become known or be independently developed by the Group's competitors or, if patents are not issued with respect to products arising from research, that the Group will be able to protect such products.

The Campari Group may be required to defend against charges of infringement of trademarks, patents or proprietary rights of third parties. Such defences could require the Group to incur substantial expense and to divert significant effort of its technical and management personnel, and could result in the Group's loss of rights to develop or make certain products or require the Group to pay monetary damages or royalties to license proprietary rights from third parties. Furthermore, if the level of potentially infringing activities by others were to increase substantially, the Group might have to increase the resources it dedicates to the protection of its intellectual property rights. An adverse outcome of any dispute with respect to trademarks, patents or other proprietary rights or any required increase in the resources dedicated by the Group to the protection of trademarks, patents or other proprietary rights may adversely affect the Group's competitive position and results of operations, including by reducing the Group's future sales or causing it to incur additional costs in defending its rights.

Possible future acquisitions and joint ventures, and integration of the Group's recent acquisitions, may involve considerable costs and may place a significant strain on the Campari Group's management, financial and other resources, which could make it difficult for the Group to execute its growth strategy.

The Campari Group expects that the ongoing consolidation within the spirits, wines and soft drinks business will continue. The Campari Group has recently reached an agreement for the acquisition of Lascalles deMercado & Co. Limited with its portfolio of Jamaican rum including *Appleton Estate*, *Appleton Special* and *White*, *Wray & Nephew* and *Coruba*. The Campari Group will continue to evaluate potential acquisitions and joint ventures. The pursuit of these opportunities, and, if such pursuit is successful, the subsequent integration of the businesses acquired, places significant demands on the time and attention of the Campari Group's senior management and may involve considerable financial and other costs (for example, in the identification and investigation of potential acquisitions and joint ventures, the negotiation of agreements and the challenges associated with integration, particularly where the accounting and management systems differ materially from those used elsewhere in the Group).

The Campari Group's growth prospects will suffer if the Group is unable to implement its acquisition strategy and/or realise the full intended benefits of synergies if, for example, the Group encounters unexpected difficulties when integrating the businesses acquired (including Lascelles deMercado & Co. Limited). Employees and customers of acquired businesses or joint ventures may sever their relationships with those businesses during or after completion of the transaction. In addition, if the Campari Group makes an acquisition in a market outside of those in which the Group currently has a presence, the Group will have to address an unfamiliar regulatory and competitive environment and may not be able to do so successfully.

Risks in connection with the Lascelles deMercado & Co. Limited acquisition.

On 3 September 2012 the Campari Group announced it had entered into an agreement (the **Agreement**) with members of the CL Financial Limited group of companies (CLF) to acquire an 81.4 per cent. stake in Lascelles deMercado & Co. Limited (**LdM**). See "*Business Description – Recent Events – Agreement to acquire a controlling stake in Lascelles deMercado*". Pursuant to the Agreement, at the time of the closing of the acquisition of LdM, LdM will comprise its spirits business, which includes principally its Jamaican rum range, including *Appleton Estate, Appleton Special* and *White, Wray & Nephew* and *Coruba*, the related upstream supply chain, as well as its local consumer products distribution business (the **Acquired Business**). All other LdM assets that are not in the scope of the Acquired Business (principally LdM's insurance business, its transportation assets, as well as securities in other companies) are currently being divested and will not form part of the Acquired Business. Campari's acquisition of LdM will be made through a formal tender offer to the LdM board of directors and public shareholders to acquire all outstanding ordinary and preference shares pursuant to Jamaican law. The completion of the acquisition of CLF's stake in LdM and the formal tender offer process are subject to customary closing conditions and are currently expected to occur in the fourth quarter of 2012. If such conditions are not met or if divestment of the LdM assets outside the scope of the Acquired Business is not completed within the expected timeframe, there is a risk that completion of the acquisition may be delayed or jeopardised.

The unaudited pro forma consolidated financial information for the twelve months ended 30 June 2012 is for informational purposes only.

The selected unaudited pro forma consolidated financial information included in this Prospectus has been derived from the unaudited pro forma consolidated financial information as at and for the twelve months ended 30 June 2012 (the **Unaudited Pro Forma Consolidated Financial Information**) which is incorporated by reference in this Prospectus (see "*Documents Incorporated by Reference*"). The Unaudited Pro Forma Consolidated Financial Information has been prepared for informational purposes only to reflect the Company's acquisition of LdM through a formal tender offer to the LdM Board of Directors and public shareholders and the associated financing for such acquisition (the **Transaction**), based on available information and certain assumptions described in the notes to the Unaudited Pro Forma Consolidated Financial Information. The Unaudited Pro Forma Consolidated Financial Information has been prepared to simulate the main effects of the Transaction on the Group's consolidated statement of financial position and consolidated income statement, using accounting principles consistent with the historical financial information of the Group, as if the Transaction had occurred in the period to which it relates. In particular, the pro forma consolidated statement of financial position contained in the Unaudited Pro Forma Consolidated Financial Information was prepared assuming the Transaction had occurred on 30 June 2012 and the pro forma consolidated income statement therein was prepared assuming the Transaction had occurred on 1 July 2011.

The Unaudited Pro Forma Consolidated Financial Information represents a simulation, for illustrative purposes only, of the main potential impacts of the Transaction. In particular, as pro forma information is prepared to illustrate retrospectively the effects of operations that will occur subsequently using generally accepted accounting practices and reasonable assumptions, there are limitations that are inherent to pro forma financial information. Hence, had the Transaction taken place on the dates assumed, the actual effects would not necessarily have been the same as those presented in the Unaudited Pro Forma Consolidated Financial Information. Furthermore, in consideration of the different purposes of the Unaudited Pro Forma Consolidated Financial Information as compared to the historical financial statements and the different methods of calculation of the effects of the

Transaction on the pro forma consolidated statement of financial position and on the pro forma consolidated income statement, those statements should be read and interpreted without comparison between them.

For additional information, see “*Description of the Issuer – Recent Events – Agreement to acquire a controlling stake in Lascelles deMercado*” and the Unaudited Pro Forma Consolidated Financial Information which is incorporated by reference in this Prospectus.

In Italy, there are no principles governing the preparation of pro forma consolidated financial statements. Furthermore, the Unaudited Pro Forma Consolidated Financial Information has been prepared not taking into account standards generally accepted in other jurisdictions, in particular the United States and the United Kingdom, nor has the Unaudited Pro Forma Consolidated Financial Information been prepared according to Regulation S-X of the Securities Act. Accordingly, the presentation, assumptions and adjustments of the Unaudited Pro Forma Consolidated Financial Information may differ significantly from those in other jurisdictions.

Investors are cautioned against placing undue reliance on the Unaudited Pro Forma Consolidated Financial Information.

If the Campari Group is not able to attract and retain qualified personnel, this may adversely affect its business.

The Campari Group’s success depends in part on the efforts and abilities of its senior management team and key employees. The loss or retirement of senior management or other key personnel, or an inability to identify, attract and retain qualified personnel in the future, may make it difficult for the Group to manage its business and could adversely affect its operations and financial results.

The Issuer is a holding company.

The production and distribution of the Campari portfolio in Italy is carried out directly by the Issuer. The remaining operations of the Group are carried out through its subsidiaries and to such extent, the Issuer depends on the earnings and cash flows of, and the distribution of funds from, these subsidiaries to meet its debt obligations, including its obligations with respect to the Notes. Generally, creditors of a subsidiary, including trade creditors, secured creditors and creditors holding indebtedness and guarantees issued by the subsidiary, and preferred shareholders, if any, of the subsidiary, will be entitled to the assets of that subsidiary before any of those assets can be distributed to shareholders upon liquidation or winding up. As a result, the Issuer’s obligations in respect of the Notes will, to the extent described above, effectively be subordinated to the prior payment of all the debts and other liabilities of the Issuer’s direct and indirect subsidiaries, including the rights of trade creditors and preferred shareholders (if any), as well as contingent liabilities, all of which could be substantial.

Disruptions or termination of the Campari Group’s arrangements with the Group’s third party manufacturers or distributors could reduce the Group’s sales and operating income.

The Campari Group relies upon third parties to produce and distribute a number of its brands. In a number of markets, local businesses produce the Campari Group’s brands under licensing arrangements. Outside of the Campari Group’s key markets of Italy, the U.S., Germany, Switzerland and Brazil, the Group generally depends upon third parties or joint ventures to distribute its products. The use of third parties for these critical functions entails risks, including the risk of termination. Furthermore, the Group has less control over the quality of products manufactured by third parties. Moreover, in certain cases, there are no suitable replacements for the Campari Group’s third party manufacturers. A disruption or termination of the Campari Group’s present arrangements with these third parties without suitable alternative arrangements in place could have a material adverse effect on the Group’s business, prospects, results of operations and/or financial condition.

An increase in the cost of raw materials or energy could affect profitability.

The components that the Campari Group uses to produce its beverage products are largely commodities that are subject to price volatility caused by changes in global supply and demand, inflation, weather conditions,

agricultural uncertainty or governmental controls. Commodity price changes may result in unexpected increases in the cost of raw materials, glass bottles and other packaging materials for the Campari Group's products.

In addition, energy cost increases result in higher transportation, freight and other operating costs.

An increase in the cost of raw materials or energy could therefore affect the Campari Group's profitability.

The Campari Group could have insufficient or surplus product by inaccurately forecasting production or other circumstances affecting its inventory.

The Campari Group has a substantial inventory of aged product categories, such as Scotch whisky and Bourbon whisky, which mature over lengthy periods. While the maturing inventory is stored at numerous locations throughout the world, the loss as a result of contamination, fire or other natural disaster or destruction resulting from negligence or the acts of third parties or otherwise of all or a portion of the inventory of any one of those aged product categories may not be replaceable and, consequently, may lead to a substantial decrease in supply of those products. Additionally, the judgmental nature of determining how much of the Group's aged products to lay down in any given year for future consumption involves an inherent risk of forecasting error. This could either lead to an inability to supply future demand leading to a loss of sales and market share or lead to future surplus inventory and decrease of profit margin.

The Campari Group's operations are conducted in many countries and, as a result, fluctuations between the euro and other major currencies may affect financial results.

While the Campari Group reports its financial results in euros, the Group's portfolio of brands generates sales and costs of sales throughout the world in a variety of currencies. In 2011, around 48.1 per cent. of the Group's consolidated net sales came from outside the European Union and this percentage is expected to increase once the Lascelles deMercado & Co. Limited acquisition is completed. Accordingly, fluctuations between exchange rates (in particular, between the euro and the U.S. dollar, Australian dollar or Brazilian real) may affect the Group's financial results. The exchange rates between some of the foreign currencies in which the Group operate and the euro have fluctuated significantly in recent years and may continue to do so in the future. The Group seeks to manage its foreign currency exposures with hedging contracts, but may incur losses under those hedges or may not be able to protect itself from the medium or long term effects of exchange rate fluctuations. Any such exchange rate fluctuations may have a negative impact on the Group's reported financial results.

Risks relating to international trade and operations in emerging markets.

In line with its international growth strategy, the Group currently operates in numerous markets, and plans to expand in certain emerging countries, especially in Eastern Europe, Asia and Latin America. Operating in emerging markets makes the Group vulnerable to various risks inherent in international business, including exposure to an often unstable local political and economic environment, exchange rate fluctuations (and related hedging issues), export and import quotas, and limits or curbs on investment, advertising or repatriation of dividends.

The Campari Group's operations are subject to environmental regulations, which could expose it to significant compliance costs and litigation relating to environmental issues

The Campari Group's operations are subject to environmental regulations by national, state and local agencies, including, in certain cases, regulations that impose liability without regard to fault. These regulations can result in costs or liability, including fines and/or environmental remediation obligations, which might adversely affect the Campari Group's operations. The environmental regulatory climate in the markets in which the Campari Group operates is becoming stricter, with a greater emphasis on enforcement.

While the Campari Group has implemented dedicated procedures relating to safety and qualitative controls in the area of environmental pollution and the disposal of solid and liquid waste and has budgeted for future capital and operating expenditures to maintain compliance with environmental laws and regulations, there can be no assurance that it will not incur substantial environmental liability and/or costs or that applicable environmental

laws and regulations will not change or become more stringent in the future. Any increase in environmental compliance costs, other related costs and fines could have an adverse effect on the Campari Group's business, prospects, financial condition and/or results of operations.

Risks relating to product compliance and safety.

If any of the Campari Group's products are defective or found to contain contaminants, the Campari Group may be subject to product recalls or other liabilities. Although Campari takes precautions to ensure that its beverage products are free from contaminants and that its packaging materials are free of defects in the event that contamination or a defect does occur in the future, it may lead to business interruptions, product recalls or liability, each of which could have an adverse effect on the Campari Group's business, reputation, prospects, financial condition and/or results of operations.

Although Campari maintains insurance policies against certain product liability risks, in the event that contamination or a defect occurs, any amounts that Campari recovers may not be sufficient to offset any damage it may suffer, which could adversely impact its business, results of operations and/or financial condition.

Seasonal consumption cycles may result in fluctuations in demand for certain of the Campari Group's products.

Sales of certain Campari Group products are more affected than others by seasonal factors because of different consumption patterns or consumer habits. In particular, aperitif and soft-drink consumption tends to be concentrated in the hottest months of the year (May to September), whereas sales of other products, such as sparkling wines and spirits, are concentrated in the last quarter. Seasonal consumption cycles in the markets in which the Campari Group operates may have an impact on its operations. This is particularly true in the summer months, when unseasonably cool or wet weather can affect sales volumes. Although this risk is somewhat mitigated by the Campari Group's diversified product portfolio and global presence, seasonal factors could adversely impact the Campari Group's business, results of operations and/or financial condition.

Risks relating to employees.

In several countries where the Campari Group has subsidiaries, the Campari Group's dealings with its employees are regulated and protected by collective labour agreements and regulations in force locally.

If significant disputes arise with employees, the Campari Group's ability to implement any reorganisation or restructuring or other long-term strategy may be affected, which could adversely impact the Campari Group's business, results of operations, prospects and/or financial condition.

The Notes are not rated.

Neither the Notes nor the long-term debt of the Issuer are rated. To the extent that any credit rating agencies assign credit ratings to the Notes, such ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A rating or the absence of a rating is not a recommendation to buy, sell or hold securities.

Risks relating to the Notes

There is no active trading market for the Notes.

The Notes are new securities which may not be widely distributed and for which there is currently no active trading market. If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. Although applications have been made for the Notes to be admitted to listing on the official list and trading on the Luxembourg Stock Exchange's regulated market, there is no assurance that such applications will be accepted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for the Notes.

The Notes are fixed rate securities and are vulnerable to fluctuations in market interest rates.

The Notes will carry fixed interest. A holder of a security with a fixed interest rate is exposed to the risk that the price of such security falls as a result of changes in the current interest rate on the capital market (the **Market Interest Rate**). While the nominal interest rate of a security with a fixed interest rate is fixed during the life of such security or during a certain period of time, the Market Interest Rate typically changes on a daily basis. As the Market Interest Rate changes, the price of such security changes in the opposite direction. If the Market Interest Rate increases, the price of such security typically falls, until the yield of such security is approximately equal to the Market Interest Rate. Conversely, if the Market Interest Rate falls, the price of a security with a fixed interest rate typically increases, until the yield of such security is approximately equal to the Market Interest Rate. Investors should be aware that movements of the Market Interest Rate could adversely affect the market price of the Notes.

The Notes may not be a suitable investment for all investors.

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency;
- (d) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Notes may be redeemed prior to maturity.

In the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Republic of Italy or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Notes in accordance with the Conditions. If the Issuer calls and redeems the Notes in the circumstances mentioned above, the Noteholders may not be able to reinvest the redemption proceeds in securities offering a comparable yield.

Because the Global Notes are held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the Issuer.

The Notes will be represented by the Global Notes except in certain limited circumstances described in the Permanent Global Note. The Global Notes will be deposited with a common safe-keeper for Euroclear and Clearstream, Luxembourg. Except in certain limited circumstances described in the Permanent Global Note, investors will not be entitled to receive definitive Notes. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes and, while the Notes are represented by the Global Notes, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

The Issuer will discharge its payment obligations under the Notes by making payments to or to the order of the common safe-keeper for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies.

The Notes do not restrict the amount of debt which the Issuer may incur.

The terms and conditions relating to the Notes do not contain any restriction on the amount of indebtedness which the Issuer and its Subsidiaries may from time to time incur. In the event of any insolvency or winding-up of the Issuer, the Notes will rank equally with the Issuer's other unsecured senior indebtedness and, accordingly, any increase in the amount of the Issuer's unsecured senior indebtedness in the future may reduce the amount recoverable by Noteholders. In addition, the Notes are unsecured and, save as provided in Condition 3 (*Negative Pledge*), do not contain any restriction on the giving of security by the Issuer and its Subsidiaries over present and future indebtedness. Where security has been granted over assets of the Issuer to secure indebtedness, in the event of any insolvency or winding-up of the Issuer, such indebtedness will rank in priority over the Notes and other unsecured indebtedness of the Issuer in respect of such assets.

In relation to the assets and indebtedness of the Issuer's subsidiaries, see also "*Risks relating to the Issuer – The Issuer is a holding company*".

Minimum Denomination.

As the Notes have a denomination consisting of the minimum denomination plus a higher integral multiple of another smaller amount, it is possible that the Notes may be traded in amounts in excess of €100,000 that are not integral multiples of €100,000. In such case a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum denomination may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to the minimum denomination. If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of €100,000 may be illiquid and difficult to trade.

Payments in respect of the Notes may in certain circumstances be made subject to withholding or deduction of tax.

All payments in respect of Notes will be made free and clear of withholding or deduction of Italian taxation, unless the withholding or deduction is required by law. In that event, the Issuer will pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such withholding or deduction been required. The Issuer's obligation to gross up is, however, subject to a number of exceptions, including withholding or deduction of:

- (a) Italian substitute tax (*imposta sostitutiva*), pursuant to Italian Legislative Decree No. 239 of 1 April 1996; and
- (b) withholding tax operated in certain EU Member States pursuant to EC Council Directive 2003/48/EC and similar measures agreed with the European Union by certain non-EU countries and territories,

a brief description of which is set out below. See "*Terms and Conditions of the Notes – Condition 7 (Taxation)*".

Prospective purchasers of Notes should consult their tax advisers as to the overall tax consequences of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the

Notes, including in particular the effect of any state, regional or local tax laws of any country or territory. See also “*Taxation*”.

Italian substitute tax

Italian substitute tax is applied to payments of interest and other income (including the difference between the redemption amount and the issue price) at a rate of 20 per cent. to (i) certain Italian resident Noteholders and (ii) certain non-Italian resident Noteholders who have not filed in due time with the relevant depository a declaration (*autocertificazione*) stating, *inter alia*, that he or she is resident for tax purposes in a country which allows for an adequate exchange of information with the Italian tax authorities.

EU Savings Directive

Under EC Council Directive 2003/48/EC (the **EU Savings Directive**) on the taxation of savings income, Member States are required to provide the tax authorities of another Member State with details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have agreed to adopt similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the EU Savings Directive which may, if implemented, amend or broaden the scope of the requirements described above. If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the EU Savings Directive.

Change of law

The terms and conditions of the Notes are based on English law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Prospectus.

Modification

The terms and conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

Risks related to the market generally

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

The secondary market generally

The Notes may have no established trading market when issued and one may never develop. If a market does develop, it may not be very liquid and, consequently, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have a severely adverse effect on the market value of the Notes.

The market value of the Notes may also be significantly affected by factors such as variations in the Group’s annual and interim results of operations, news announcements or changes in general market conditions. In

addition, broad market fluctuations and general economic and political conditions may adversely affect the market value of the Notes, regardless of the actual performance of the Group.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) Notes are legal investments for it, (ii) Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to the purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in Euro. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than Euro. These include the risk that exchange rates may change significantly (including changes due to devaluation of the Euro or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Euro would decrease (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency-equivalent value of the principal payable on the Notes and (iii) the Investor's Currency-equivalent market value of the Notes.

In addition, government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

INFORMATION INCORPORATED BY REFERENCE

The following information shall be deemed to be incorporated in, and to form part of, this Prospectus:

- (1) the audited consolidated annual financial statements of the Issuer as at and for the years ended 31 December 2011 and 2010;
- (2) the unaudited consolidated half-yearly financial statements of the Issuer as at and for the six months ended 30 June 2012,

in each case together with the accompanying notes and applicable auditors' reports, and

- (3) the unaudited pro forma consolidated financial information as at and for the twelve months ended 30 June 2012 together with the accompanying notes (the **Unaudited Pro Forma Consolidated Financial Information**).

For a description of the Unaudited Pro Forma Consolidated Financial Information and the reason for its preparation, see "*Description of the Issuer – Recent Events – Agreement to acquire a controlling stake in Lascelles deMercado*".

Information contained in the documents incorporated by reference other than the information listed in the cross-reference list below does not form part of this Prospectus and is either not relevant or covered elsewhere in this Prospectus.

The Issuer will provide, without charge to each person to whom a copy of this Prospectus has been delivered, upon the request of such person, a copy of any or all the documents deemed to be incorporated by reference herein. Requests for such documents should be directed to the Issuer at its offices set out at the end of this Prospectus. In addition such documents will be available, without charge, at the specified office of the Listing Agent in Luxembourg and on the website of the Luxembourg Stock Exchange (*www.bourse.lu*).

Cross-reference list

The following table shows where the information set out below can be found in the above-mentioned documents incorporated by reference.

Audited Consolidated Annual Financial Statements

	2011	2010
Income statement	Page 47	Page 42
Balance sheet	Page 48	Page 43
Cash flow statement.....	Page 49	Page 44
Statement of changes in shareholders' equity	Page 50	Page 45
Notes to financial statements	Pages 51-111	Pages 46-100
Auditors' report.....	Page 175	Page 102

Unaudited Consolidated Half-yearly Financial Statements

	2012
Income statement.....	Page 29
Balance sheet	Page 30
Statement of changes in shareholders' equity	Page 32
Cash flow statement	Page 31
Notes to interim financial statements	Pages 33-54
Auditors' review report	Page 56

Unaudited Pro Forma Consolidated Financial Information

Introduction	Pages 1-2
Pro forma consolidated information.....	Pages 3-4
Notes to the unaudited pro forma consolidated financial information including basis of preparation and accounting principles	Pages 4-11

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the Terms and Conditions of the Notes which (subject to completion and amendment) will be endorsed on each Note in definitive form. The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under “Summary of Provisions relating to the Notes in Global Form” below.

The €400,000,000 4.50 per cent. Notes due 2019 (the **Notes**, which expression shall in these Conditions, unless the context otherwise requires, include any further notes issued pursuant to Condition 13 (*Further Issues*) and forming a single series with the Notes) of Davide Campari-Milano S.p.A. (the **Issuer**) are issued subject to and with the benefit of an Agency Agreement dated 25 October 2012 (such agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) made between the Issuer, Deutsche Bank AG, London Branch as issuing agent and principal paying agent (the **Agent**) and the other initial paying agents named in the Agency Agreement (together with the Agent, the **Paying Agents**).

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Agency Agreement. Copies of the Agency Agreement are available for inspection during normal business hours by the Noteholders and Couponholders the holders of the Notes (the **Noteholders**) and the holders of the interest coupons appertaining to the Notes (the **Couponholders** and the **Coupons** respectively) at the specified office of each of the Paying Agents. The Noteholders and the Couponholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement applicable to them. References in these Conditions to the Agent and the Paying Agents shall include any successor appointed under the Agency Agreement.

1. FORM, DENOMINATION AND TITLE

1.1 *Form and Denomination*

The Notes are in bearer form, serially numbered, in the denominations of €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000. No Notes in definitive form will be issued with a denomination above €199,000. Each Note will be issued with Coupons attached on issue. Notes of one denomination may not be exchanged for Notes of another denomination.

1.2 *Title*

Title to the Notes and to the Coupons will pass by delivery.

1.3 *Holder Absolute Owner*

The Issuer and any Paying Agent may (to the fullest extent permitted by applicable laws) deem and treat the bearer of any Note or Coupon as the absolute owner for all purposes (whether or not the Note or Coupon shall be overdue and notwithstanding any notice of ownership or writing on the Note or Coupon or any notice of previous loss or theft of the Note or Coupon).

2. STATUS OF THE NOTES

The Notes and the Coupons are direct, unconditional and (subject to the provisions of Condition 3 (*Negative Pledge*)) unsecured obligations of the Issuer and (subject as provided above) rank and will rank *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

3. NEGATIVE PLEDGE

3.1 *Negative Pledge*

So long as any of the Notes remains outstanding, the Issuer will not, and will procure that none of its Material Subsidiaries will, create or have outstanding any Security Interest (other than a Permitted Security

Interest) upon, or with respect to, any of its present or future business, undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness of the Issuer, unless the Issuer at the same time or prior thereto procures that:

- (a) all amounts payable by it under the Notes and the Coupons are secured by the Security Interest equally and rateably with the Relevant Indebtedness; or
- (b) such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided as is approved by an Extraordinary Resolution (as defined in the Agency Agreement) of the Noteholders.

3.2 Interpretation

For the purposes of these Conditions:

- (a) **Indebtedness** means any indebtedness (whether being principal, premium or interest) of any Person for or in respect of any money borrowed or raised;
- (b) **Material Subsidiary** means, at any time, any Subsidiary of the Issuer whose revenues or total assets on a non-consolidated or, if applicable, consolidated basis, as shown in the most recent audited consolidated or non-consolidated financial statements of such Subsidiary, represent 10 per cent or more of the consolidated revenues or consolidated total assets, respectively, of the Issuer, as shown in or calculated by reference to the Issuer's most recent audited consolidated financial statements;
- (c) **Permitted Security Interest** means:
 - (i) any Security Interest arising by operation of law; or
 - (ii) any Security Interest created by any entity upon the whole or any part of its undertaking or assets and subsisting at the time such entity (i) merges or consolidates with or is demerged, contributed or merged into or transferred to the Issuer or a Material Subsidiary, (ii) becomes a Material Subsidiary of the Issuer or (iii) sells, contributes or transfers all or substantially all of its assets to the Issuer or a Material Subsidiary, *provided that* such Security Interest was not created in connection with, or in contemplation of, such merger, consolidation, demerger, contribution, transfer or sale or such entity becoming a Material Subsidiary and *provided further that* the amount of Relevant Indebtedness secured by such Security Interest is not subsequently increased; or
 - (iii) any Security Interest to secure Relevant Indebtedness upon or with respect to any present or future assets, receivables, remittances or payment rights of the Issuer or any of its Material Subsidiaries (the **Charged Assets**) which is created pursuant to any securitisation or like arrangements whereby all or substantially all the payment obligations in respect of such Relevant Indebtedness are to be discharged solely from the Charged Assets;
- (d) **Person** means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;
- (e) **Relevant Indebtedness** means (i) any Indebtedness, whether present or future, which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange, over-the-counter or other organised market for securities or (ii) any guarantee and/or indemnity in relation to any such Indebtedness;

- (f) **Security Interest** means any mortgage, charge, pledge, lien or other form of security interest including, without limitation, anything substantially analogous to any of the foregoing under the laws of any jurisdiction; and
- (g) **Subsidiary** means *società controllata*, as defined in Article 2359, first and second paragraphs, of the Italian Civil Code.

4. INTEREST

4.1 *Interest Rate and Interest Payment Dates*

The Notes bear interest on their outstanding principal amount from and including 25 October 2012 at the rate of 4.50 per cent. per annum (the **Rate of Interest**), payable annually in arrear on 25 October in each year (each an **Interest Payment Date**). The first payment (representing a full year's interest) shall be made on 25 October 2013. The amount of interest payable on each Interest Payment Date shall be €45.00 per €1,000 in principal amount of the Notes. The amount of interest payable per Note of a given specified denomination will be the product (without any further rounding) of (i) the amount in euros calculated above per €1,000 and (ii) the applicable specified denomination divided by €1,000.

4.2 *Interest Accrual*

Each Note will cease to bear interest from and including its due date for redemption unless, upon due presentation, payment of the principal in respect of the Note is improperly withheld or refused or unless default is otherwise made in respect of payment. In such event, interest will continue to accrue until whichever is the earlier of:

- (a) the date on which all amounts due in respect of such Note have been paid; and
- (b) seven days after the date on which the full amount of the moneys payable in respect of such Notes has been received by the Agent and notice to that effect has been given to the Noteholders in accordance with Condition 11 (*Notices*).

4.3 *Calculation of Broken Interest*

If interest is required to be paid in respect of a Note on any date other than an Interest Payment Date, it shall be calculated by applying the Rate of Interest to €1,000, multiplying such sum by the Day Count Fraction and rounding the resultant figure to the nearest cent, with 0.5 cents being rounded up. The amount of interest payable per Note of a given specified denomination will be the product (without any further rounding) of (i) the amount in euros calculated above per €1,000 and (ii) the applicable specified denomination divided by €1,000.

Day Count Fraction means (a) the actual number of days in the period from and including the date from which interest begins to accrue (the **Accrual Date**) to but excluding the date on which it falls due divided by (b) the actual number of days from and including the Accrual Date to but excluding the next following Interest Payment Date.

5. PAYMENTS

5.1 *Payments in respect of Notes*

Payments of principal and interest in respect of each Note will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the Note, except that payments of interest due on an Interest Payment Date will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the relevant Coupon, in each case at the specified office outside the United States of any of the Paying Agents.

5.2 *Method of Payment*

Payments will be made, at the option of the payee, by a cheque in by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by euro cheque.

5.3 *Missing Unmatured Coupons*

Each Note should be presented for payment together with all relative unmatured Coupons failing which the full amount of any relative missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the full amount of the missing unmatured Coupon which the amount so paid bears to the total amount due) will be deducted from the amount due for payment. Each amount so deducted will be paid in the manner mentioned above against presentation and surrender (or, in the case of part payment only, endorsement) of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 7 (*Taxation*)) in respect of the relevant Note (whether or not the Coupon would otherwise have become void pursuant to Condition 8 (*Prescription*)) or, if later, five years after the date on which the Coupon would have become due, but not thereafter.

5.4 *Payments subject to Applicable Laws*

Payments in respect of principal and interest on Notes are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*).

5.5 *Payment only on a Presentation Date*

A holder shall be entitled to present a Note or Coupon for payment only on a Presentation Date and shall not, except as provided in Condition 4 (*Interest*), be entitled to any further interest or other payment if a Presentation Date is after the due date.

Presentation Date means a day which (subject to Condition 8 (*Prescription*)):

- (a) is or falls after the relevant due date;
- (b) is a Business Day in the place of the specified office of the Paying Agent at which the Note or Coupon is presented for payment; and
- (c) in the case of payment by credit or transfer to a euro account as referred to above, is a TARGET2 Settlement Day.

In this Condition, **Business Day** means, in relation to any place, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in that place and **TARGET2 Settlement Day** means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) system is open.

5.6 *Initial Paying Agents*

The names of the initial Paying Agents and their initial specified offices are set out at the end of these Conditions. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents provided that:

- (a) there will at all times be an Agent;
- (b) so long as the Notes are listed on any stock exchange or admitted to trading by any relevant authority, a Paying Agent (which may be the Agent) having its specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority;

- (c) the Issuer undertakes that it will ensure that it maintains a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; and
- (d) there will at all times be a Paying Agent in a jurisdiction within Europe, other than the Republic of Italy or (if different) the jurisdiction to which the Issuer is subject for the purpose of Condition 7.2 (*Taxing Jurisdiction*).

Notice of any termination or appointment and of any changes in specified offices given to the Noteholders promptly by the Issuer in accordance with Condition 11 (*Notices*).

6. REDEMPTION AND PURCHASE

6.1 *Redemption at Maturity*

Unless previously redeemed or purchased and cancelled as provided below, the Issuer will redeem the Notes at their principal amount on 25 October 2019.

6.2 *Redemption for Taxation Reasons*

If:

- (a) as a result of any change in, or amendment to, the laws or regulations of the Republic of Italy or any political sub-division of, or any authority in, or of, the Republic of Italy having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective after 25 October 2012, on the next Interest Payment Date the Issuer would be required to pay additional amounts as provided or referred to in Condition 7 (*Taxation*); and
- (b) the requirement cannot be avoided by the Issuer taking reasonable measures available to it,

the Issuer may at its option, having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 11 (*Notices*) (which notice shall be irrevocable), redeem all the Notes, but not some only, at any time at their principal amount together with interest accrued to but excluding the date of redemption *provided that* no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts, were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Agent (i) a certificate signed by an authorised signatory of the Issuer stating that the requirement referred to in (a) above will apply on the next Interest Payment Date and cannot be avoided by the Issuer taking reasonable measures available to it and (ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of the change or amendment.

6.3 *Redemption at the Option of the Holders upon a Change of Control*

In the event of a Change of Control (as defined below), each Noteholder may, during the Change of Control Redemption Period (as defined below), notify the Issuer, as further provided below, that it requires the early redemption of all or some of its Notes. The Issuer, will redeem in whole (but not in part) the Notes the subject of the notice on the Change of Control Redemption Date (as defined below) at their principal amount together with accrued interest thereon up to (but excluding) the Change of Control Redemption Date.

Any Change of Control shall be notified to the Noteholders in accordance with Condition 11 (*Notices*) by the Issuer within five Business Days of its occurrence. Such notice shall also indicate the relevant Change

of Control Redemption Period (as defined below) and Change of Control Redemption Date. For so long as the Notes are listed on the regulated market of the Luxembourg Stock Exchange and the rules of such exchange so require, the Issuer shall also notify the Luxembourg Stock Exchange promptly of any Change of Control.

Any such notification will indicate the date of the Change of Control, the period in which the early redemption of the Notes may be requested (the **Change of Control Redemption Period**) and the Change of Control Redemption Date. The Change of Control Redemption Period will run for 20 Business Days following the date on which notice of the Change of Control is given to the Noteholders in accordance with Condition 11 (*Notices*) and, for the purpose of this Condition 6.3, **Change of Control Redemption Date** means the date specified in the notification of Change of Control by the Issuer, being a date not earlier than 5 nor later than 10 Business Days after expiry of the Change of Control Redemption Period.

To exercise the right to require early redemption of any Notes, the holder of the Notes must deliver at the specified office of any Paying Agent, on any Business Day during the Change of Control Redemption Period, a duly signed and completed notice of exercise in the form (for the time being current and which may, if such Notes are held in a clearing system, be in any form acceptable to such clearing system and may be delivered in any manner acceptable to such clearing system) obtainable from the specified office of any Paying Agent (a **Put Notice**) and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition accompanied by such Notes or evidence satisfactory to the Paying Agent concerned that such Notes will, following the delivery of the Put Notice, be held to its order or under its control. A Put Notice given by a holder of any Note shall be irrevocable except where, prior to the Change of Control Redemption Date, an Event of Default has occurred and is continuing in which event such holder, at its option, may elect by notice to the Issuer to withdraw the Put Notice.

As used herein:

A **Change of Control** shall be deemed to occur if any person or group of persons acting in concert, other than the Shareholders, who obtain the power (either directly or indirectly) to (i) appoint or remove a majority of the directors or other equivalent officers of the Issuer or (ii) exercise a majority of the votes cast at an ordinary shareholders' meeting of the Issuer or (iii) otherwise exercise control (as such term is defined in Article 93 of the Legislative Decree No. 58 of 24 February 1998) over the Issuer.

For the purposes of this definition;

acting in concert means a group of persons who, pursuant to an agreement or understanding (whether formal or informal), actively co-operate, through the acquisition directly or indirectly of shares in the Issuer by any of them, either directly or indirectly, to obtain or consolidate control of the Issuer; and

Shareholders means, with reference to the shares of the Issuer, Rosa Anna Magno Garavoglia and any other member of the Garavoglia family (together with partners, children and other direct or indirect descendants or heirs) and any Person controlled by the aforementioned physical persons, directly or indirectly, individually or collectively.

6.4 *No Other Redemption*

The Issuer shall not be entitled to redeem the Notes otherwise than as provided in Conditions 6.1 (*Redemption at Maturity*) to 6.3 (*Redemption at the Option of the Holders upon a Change of Control*) above.

6.5 *Purchases*

The Issuer or any of its Subsidiaries may at any time purchase Notes (provided that all unmatured Coupons appertaining to the Notes are purchased with the Notes) in any manner and at any price. Such Notes may be held, reissued or resold or, at the option of the Issuer, surrendered to the Agent for cancellation.

6.6 *Cancellations*

All Notes which are (a) purchased by or on behalf of the Issuer or any of its Subsidiaries and surrendered for cancellation or (b) redeemed, and any unmatured Coupons attached to or surrendered with them, shall be cancelled and may not be reissued or resold.

6.7 *Notices Final*

Upon the expiry of any notice as is referred to in paragraph 6.2 or 6.3 above the Issuer shall be bound to redeem the Notes to which the notice refers in accordance with the terms of such paragraph.

7. **TAXATION**

7.1 *Payment without Withholding*

All payments in respect of the Notes by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (**Taxes**) imposed or levied by or on behalf of the Republic of Italy, or any political subdivision of, or any authority in, or of, the Republic of Italy having power to tax, unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer will pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders and Couponholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes or, as the case may be, Coupons in the absence of the withholding or deduction; except that no additional amounts shall be payable in relation to any payment in respect of any Note or Coupon:

- (a) presented for payment by, or on behalf of, a holder who is liable to pay Taxes in respect of the Note or Coupon by reason of his having some connection with the Republic of Italy other than the mere holding of the Note or Coupon; or
- (b) presented for payment in the Republic of Italy; or
- (c) presented for payment by or on behalf of a holder who would not be liable or subject to the withholding or deduction by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority; or
- (d) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (e) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union; or
- (f) to a non-Italian resident legal entity or a non-Italian resident individual which is resident in a country which, for the purposes of Italian Legislative Decree No. 239 of 1 April 1996, as amended and supplemented (**Decree No. 239**), does not allow for a satisfactory exchange of information with the tax authorities of the Republic of Italy; or
- (g) in each case, in which the formalities to obtain an exemption from *imposta sostitutiva* under Decree No. 239 have not been complied with, except where such formalities have not been complied with due to the actions or omissions of the Issuer or its agents; or
- (h) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming that day to have been a Presentation Date (as defined in Condition 5 (*Payments*)).

7.2 *Taxing Jurisdiction*

If the Issuer becomes subject at any time to any taxing jurisdiction other than the Republic of Italy, references in these Conditions to the Republic of Italy shall (unless the context requires otherwise) be construed as references to the Republic of Italy and/or such other jurisdiction.

7.3 *Interpretation*

In these Conditions, **Relevant Date** means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Agent on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Noteholders by the Issuer in accordance with Condition 11 (*Notices*); and

7.4 *Additional Amounts*

Any reference in these Conditions to any amounts in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition.

8. **PRESCRIPTION**

Notes and Coupons will become void unless presented for payment within periods of 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date in respect of the Notes or, as the case may be, the Coupons, subject to the provisions of Condition 5 (*Payments*).

9. **EVENTS OF DEFAULT**

The holder of any Note may give notice to the Issuer that the Note is, and it shall accordingly forthwith become, immediately due and repayable at its principal amount, together with interest accrued to the date of repayment, if any of the following events (**Events of Default**) occurs:

- (a) *Non-payment*: if default is made in the payment of any amount due in respect of the Notes or any of them and, in the case of a payment of interest or principal, the default continues for a period of 10 days; or
- (b) *Breach of other obligation*: if the Issuer fails to perform or observe any of its other obligations under these Conditions (being obligations other than payment obligations to which Condition 9(a) (*Non-payment*) above applies) and the failure continues for the period of 30 days following the service by any Noteholder on the Issuer of notice requiring the same to be remedied, except in any case where the failure is incapable of remedy, when no such continuation or notice will be required; or
- (c) *Cross-default*: if (i) any Indebtedness of the Issuer or any of its Material Subsidiaries becomes due and repayable prematurely by reason of an event of default (however described), or (ii) the Issuer or any of its Material Subsidiaries fails to make any payment in respect of any of its Indebtedness on the due date for payment as extended by any originally applicable grace period, or (iii) any security given by the Issuer or any of its Material Subsidiaries becomes enforceable, or (iv) default is made by the Issuer or any of its Material Subsidiaries in making any payment due under any guarantee and/or indemnity given by it in relation to any Indebtedness, unless such payment (or the anticipated maturity thereof), enforcement of security or default, as the case may be, is contested in good faith by the Issuer or the relevant Material Subsidiary by all appropriate means, including (where applicable) an application to a competent court for a declaration that such payment is not due, such security is not enforceable and/or such default has not occurred (as the case may be) and provided that, in the case of (i), (ii) and (iv) above, such Indebtedness is, either individually or in the aggregate, in a principal amount of €15,000,000 or more, or its equivalent in any other currency; or
- (d) *Unsatisfied judgment*: if one or more judgment(s) or order(s) for the payment of any amount is rendered against the Issuer or any of its Material Subsidiaries and continue(s) unsatisfied and

unstayed for a period of 21 days after the date(s) thereof or, if later, the date therein specified for payment; or

- (e) *Winding-up*: if any order is made by any competent court or resolution is passed for the winding up or dissolution of the Issuer or any of its Material Subsidiaries, except for the purposes of, or pursuant to, a Permitted Transaction; or
- (f) *Cessation of business/Inability to pay debts*: if (i) the Issuer or any of its Material Subsidiaries ceases or threatens to cease to carry on the whole or substantially the whole of its business, except for the purposes of, or pursuant to, a Permitted Transaction or (ii) the Issuer or any of its Material Subsidiaries stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or
- (g) *Insolvency/enforcement proceedings*: if (i) proceedings are initiated against the Issuer or any of its Material Subsidiaries under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or any of its Material Subsidiaries or, as the case may be, in relation to the whole or substantially the whole of the undertaking or assets of the Issuer or any of its Material Subsidiaries or (ii) an encumbrancer takes possession of the whole or substantially the whole of the undertaking or assets of the Issuer or any of its Material Subsidiaries or (iii) a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or substantially the whole of the undertaking or assets of the Issuer or any of its Material Subsidiaries, and (iv) in any of the foregoing cases unless initiated by the Issuer or the relevant Material Subsidiary, is not contested in good faith by all appropriate means by the Issuer or the relevant Material Subsidiary, or is not stayed or dismissed, in each case within 30 days (such period commencing on the date of presentation of the relevant petition or application); or
- (h) *Liquidation/composition*: if the Issuer or any of its Material Subsidiaries initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors); or
- (i) *Analogous event*: if any event occurs which, under the laws of the Republic of Italy, has an analogous effect to any of the events referred to in Conditions 9(e) to (h) above; or
- (j) *Unlawfulness/unenforceability*: if it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes or the Agency Agreement or any such obligations cease or will cease to be legal, valid, binding and enforceable.

As used herein, **Permitted Transaction** means:

- (i) any “ *fusione* ” or “ *scissione* ” (such expressions bearing the meanings ascribed to them by the laws of the Republic of Italy) or any other reconstruction, amalgamation, reorganisation, merger, consolidation, or other similar arrangement, in each case (A) on terms approved by an Extraordinary Resolution of the Noteholders or (B) in the case of a Material Subsidiary, a transaction whilst solvent whereby the assets and undertaking of such Material Subsidiary are transferred to or otherwise vested in the Issuer or another Subsidiary of the Issuer; or

- (ii) in the case of a Material Subsidiary, a transfer by such Material Subsidiary to a third party or parties of its business as a going concern for full consideration on arm's length terms.

10. REPLACEMENT OF NOTES AND COUPONS

Should any Note or Coupon be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Agent or the Paying Agent in Luxembourg, upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

11. NOTICES

11.1 Notices to the Noteholders

All notices to the Noteholders will be valid if published in a leading English language daily newspaper published in London or such other English language daily newspaper with general circulation in Europe as the Issuer may decide and, so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, in one daily newspaper published in Luxembourg. It is expected that publication will normally be made in the *Financial Times* and the *Luxemburger Wort* or the *Tageblatt*. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are for the time being listed. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

11.2 Notices from the Noteholders

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together with the relative Note or Notes, with the Agent or, if the Notes are held in a clearing system, may be given through the clearing system in accordance with the standard rules and procedures.

12. MEETINGS OF NOTEHOLDERS, NOTEHOLDERS' REPRESENTATIVE AND MODIFICATION

12.1 Meetings of Noteholders

In accordance with Italian applicable laws and regulations, the Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including, *inter alia*, the modification or abrogation by Extraordinary Resolution (as defined in the Agency Agreement) of any of these Conditions or any of the provisions of the Agency Agreement. Subject to mandatory provisions of Italian law applicable from time to time, any such meeting may be convened by the directors of the Issuer or the Noteholders' Representative (as defined below) at their discretion and, in any event, upon the request in writing signed by Noteholders holding not less than one-twentieth of the aggregate principal amount of the Notes for the time being outstanding. If the Issuer defaults in convening such a meeting following such request or requisition by the Noteholders representing not less than one-twentieth of aggregate principal amount of the Notes outstanding, the same may be convened by decision of the President of the competent court upon request by such Noteholders. Every such meeting shall be held at such time and place as provided pursuant to Article 2363 of the Italian Civil Code.

Such a meeting will be validly held (subject to compliance with mandatory laws, legislation, rules and regulations of Italy in force from time to time) if: (a) in the case of a first meeting, there are one or more persons present being or representing Noteholders holding at least one-half of the aggregate principal amount of the outstanding Notes; (b) in the case of any adjourned meeting, there are one or more persons present being or representing Noteholders holding more than one-third of the aggregate principal amount of the outstanding Notes; or (c) in the case of any adjourned meeting, there are one or more persons present

being or representing Noteholders holding at least one-fifth of the aggregate principal amount of the outstanding Notes.

The majority required to pass a resolution at any meeting (including any adjourned meeting) convened to vote on any resolution (subject to compliance with mandatory laws, legislation, rules and regulations of Italy in force from time to time) will be (a) for voting on any matter other than a Reserved Matter, one or more persons holding or representing at least two-thirds of the aggregate principal amount of the outstanding Notes represented at the meeting or (b) for voting on a Reserved Matter, one or more persons holding or representing not less than one-half of the aggregate principal amount of the outstanding Notes.

Any resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present or not. An Extraordinary Resolution (as defined in the Agency Agreement) passed at any meeting of the Noteholders will be binding on all Noteholders, whether or not they are present at the meeting, and on all Couponholders.

Reserved Matter has the meaning given to it in the Agency Agreement and includes any proposal, as set out in Article 2415 of the Italian Civil Code, to modify the Terms and Conditions of the Notes (including, *inter alia*, any proposal to modify the maturity of the Notes or the dates on which interest is payable on them, to reduce or cancel the principal amount of, or interest on, the Notes, or to change the currency of payment of the Notes).

12.2 *Noteholders' Representative*

A joint representative of Noteholders (*rappresentante comune*) (the **Noteholders' Representative**), subject to any applicable provisions of Italian law, may be appointed pursuant to Article 2417 of the Italian Civil Code in order to represent the Noteholders' interest under these Conditions and to give effect to the resolutions passed at a meeting of the Noteholders. If the Noteholders' Representative is not appointed by an Extraordinary Meeting of such Noteholders, it shall be appointed by a decree of the competent court where the Issuer has its registered office at the request of one or more Noteholders or at the request of the directors of the Issuer. The Noteholders' Representative shall remain appointed for a maximum period of three years but may be reappointed again thereafter.

12.3 *Modification*

The Agent may agree, without the consent of the Noteholders or Couponholders, to any modification of any of these Conditions or any of the provisions of the Agency Agreement either (i) for the purpose of curing any ambiguity or of curing, correcting or supplementing any manifest or proven error or any other defective provision contained herein or therein or (ii) in any other manner which is not materially prejudicial to the interests of the Noteholders. Any modification shall be binding on the Noteholders and the Couponholders and, unless the Agent agrees otherwise, any modification shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 11 (*Notices*).

13. **FURTHER ISSUES**

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further notes, having terms and conditions the same as those of the Notes, or the same except for the amount of the first payment of interest, which may be consolidated and form a single series with the outstanding Notes.

14. **GOVERNING LAW AND SUBMISSION TO JURISDICTION**

14.1 *Governing Law*

The Agency Agreement, the Notes and the Coupons and any non contractual obligations arising out of or in connection with the Agency Agreement, the Notes and the Coupons are governed by, and will be construed in accordance with English law.

14.2 *Jurisdiction of English Courts*

The Issuer has irrevocably agreed for the benefit of the Noteholders and the Couponholders that the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Notes or the Coupons and accordingly has submitted to the exclusive jurisdiction of the English courts. The Issuer waives any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum.

The Noteholders and the Couponholders may take any suit, action or proceeding arising out of or in connection with the Notes or the Coupons respectively (together referred to as **Proceedings**) against the Issuer in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.

14.3 *Appointment of Process Agent*

The Issuer hereby irrevocably and unconditionally appoints The Law Debenture Corporation p.l.c. at its registered office for the time being as its agent for service of process in England in respect of any Proceedings and undertakes that in the event of such agent ceasing so to act it will appoint another person as its agent for that purpose.

14.4 *Other Documents*

The Issuer has in the Agency Agreement submitted to the jurisdiction of the English courts and appointed an agent in England for service of process, in terms substantially similar to those set out above.

15. **RIGHTS OF THIRD PARTIES**

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

There will appear at the foot of the Conditions endorsed on each Note in definitive form the names and Specified Offices of the Paying Agents as set out at the end of this Prospectus.

SUMMARY OF PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

The following is a summary of the provisions to be contained in the Temporary Global Note and the Permanent Global Note (together, the **Global Notes**) which will apply to, and in some cases modify, the Terms and Conditions of the Notes while the Notes are represented by the Global Notes.

1. Payments

On and after 4 December 2012, no payment will be made on the Temporary Global Note unless exchange for an interest in the Permanent Global Note is improperly withheld or refused. Payments of principal and interest in respect of Notes represented by a Global Note will, subject as set out below, be made to the bearer of such Global Note and, if no further payment falls to be made in respect of the Notes, against surrender of such Global Note to the order of the Agent or such other Paying Agent as shall have been notified to the Noteholders for such purposes. The Issuer shall procure that the amount so paid shall be entered *pro rata* in the records of Euroclear and Clearstream, Luxembourg and the nominal amount of the Notes recorded in the records of Euroclear and Clearstream, Luxembourg and represented by such Global Note will be reduced accordingly. Each payment so made will discharge the Issuer's obligations in respect thereof. Any failure to make the entries in the records of Euroclear and Clearstream, Luxembourg shall not affect such discharge. Payments of interest on the Temporary Global Note (if permitted by the first sentence of this paragraph) will be made only upon certification as to non-U.S. beneficial ownership unless such certification has already been made. Notwithstanding Condition 5.2, payments on a Global Note will be made solely by credit or transfer to a euro account (or any other account to which euro may be credited or transferred).

2. Notices

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg (as the case may be) for communication to the relative Accountholders rather than by publication as required by Condition 11 (*Notices*), provided that, so long as the Notes are listed on the Luxembourg Stock Exchange, notice will also be given by publication on the website of the Luxembourg Stock Exchange (www.bourse.lu) or in a daily newspaper published in Luxembourg if and to the extent that the rules of the Luxembourg Stock Exchange so require. Any such notice shall be deemed to have been given to the Noteholders on the second day after the day on which such notice is delivered to Euroclear and/or Clearstream, Luxembourg (as the case may be) as aforesaid.

Whilst any of the Notes held by a Noteholder are represented by a Global Note, notices to be given by such Noteholder may be given by such Noteholder (where applicable) through Euroclear and/or Clearstream, Luxembourg and otherwise in such manner as the Agent and Euroclear and Clearstream, Luxembourg may approve for this purpose.

3. Accountholders

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular principal amount of Notes (each an **Accountholder**) (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes) shall be treated as the holder of that principal amount for all purposes (including but not limited to, for the purposes of any quorum requirements of, or the right to demand a poll at, meetings of the Noteholders and giving notices to the Issuer pursuant to Condition 9 (*Events Of Default*) and Condition 6.3 (*Redemption at the Option of the Holders upon a Change of Control*)) other than with respect to the

payment of principal and interest on the principal amount of such Notes, the right to which shall be vested, as against the Issuer solely in the bearer of the relevant Global Note in accordance with and subject to its terms. Each Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the bearer of the relevant Global Note.

4. Prescription

Claims against the Issuer in respect of principal and interest on the Notes represented by a Global Note will be prescribed after 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date (as defined in Condition 7 (*Taxation*)).

5. Cancellation

Cancellation of any Note represented by a Global Note and required by the Terms and Conditions of the Notes to be cancelled following its redemption or purchase will be effected by Euroclear and Clearstream, Luxembourg making the appropriate entries in their respective records to reflect such cancellation.

6. Put Option

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, the option of the Noteholders provided for in Condition 6.3 (*Redemption at the Option of the Holders upon a Change of Control*) may be exercised by an Accountholder giving notice to the Agent in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common safe-keeper for them to the Agent by electronic means) of the principal amount of the Notes in respect of which such option is exercised and at the same time presenting or procuring the presentation of the relevant Global Note to the Agent within the time limits set forth in that Condition.

7. Euroclear and Clearstream, Luxembourg

Notes represented by a Global Note are transferable in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as appropriate. References in the Global Notes and this summary to Euroclear and/or Clearstream, Luxembourg shall be deemed to include references to any other clearing system through which interests in the Notes are held.

8. Exchange

The Permanent Global Note will be exchangeable in whole but not in part (free of charge to the holder) for definitive Notes only if:

- (a) an event of default (as set out in Condition 9 (*Events Of Default*)) has occurred and is continuing;
or
- (b) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available.

The Issuer will promptly give notice to Noteholders if an Exchange Event occurs. In the case of (a) or (b) above, the holder of the Permanent Global Note, acting on the instructions of one or more of the Accountholders (as defined below), may give notice to the Issuer and the Agent.

On or after the Exchange Date the holder of the Permanent Global Note may surrender the Permanent Global Note to or to the order of the Agent. In exchange for the Permanent Global Note the Issuer will deliver, or procure the delivery of, an equal aggregate principal amount of definitive Notes (having attached

to them all Coupons in respect of interest which has not already been paid on the Permanent Global Note), security printed in accordance with any applicable legal and stock exchange requirements and in or substantially in the form set out in the Agency Agreement. On exchange of the Permanent Global Note, the Issuer will procure that it is cancelled and, if the holder so requests, returned to the holder together with any relevant definitive Notes.

For these purposes, **Exchange Date** means a day specified in the notice requiring exchange falling not less than 30 days after that on which such notice is given, being a day on which banks are open for general business in the place in which the specified office of the Agent is located or in the case of exchange pursuant to (b) above, in the place in which the relevant clearing system is located.

DESCRIPTION OF THE ISSUER

Introduction

Davide Campari-Milano S.p.A. (the **Company** or the **Issuer**) is the parent company of the Campari Group (the **Campari Group** or the **Group**). The Group is a major player in the global beverage sector, trading in over 190 nations around the world with leading positions across key markets. The Group has an extensive portfolio that spans three principal business segments: spirits, wines and soft drinks; it also has a fourth smaller business segment, 'other', comprising semi-finished products sold to third parties, bottling activities for third parties and sales of finished products that do not fall into any of the principal three business segments. In the spirits segment, its internationally-renowned brands include *Campari*, *Carolans*, *SKYY Vodka* and *Wild Turkey* as well as *Aperol*, *Cabo Wabo*, *Cynar*, *Frangelico*, *GlenGrant*, *Ouzo 12*, *X-Rated Fusion Liqueur*. It also has leading local brands including *Campari Soda*, *Zedda Piras* and the local Brazilian brands *Dreher*, *Old Eight* and *Drury's*. Its wine segment includes the global brand *Cinzano*, as well as important international brands including *Mondoro*, *Odessa*, *Riccadonna*, *Sella&Mosca* and *Teruzzi&Puthod*. The soft drinks segment comprises the non-alcoholic aperitif *Crodino* and *Lemonsoda*, as well as its respective line extension, which have a prominent position in the Italian market.

The Group has delivered strong consistent growth across key performance indicators (including sales and EBITDA, as summarised in the table below) reflecting investments in brand building, portfolio enhancement and strengthened distribution capabilities.

The table below summarises the Campari Group's financial performance and growth over the last five financial years.

Net Sales and EBITDA*

Year ended 31 December	Net Sales	EBITDA*
	(€ millions)	
2007	957.5	220.1
2008	942.3	214.7
2009	1,008.4	261.0
2010	1,163.0	295.3
2011	1,274.2	325.8

* EBITDA is defined as profit for the period before taxes, income/(charges) relating to put options and earn-outs, share in profit (loss) of companies valued at equity, financial income and charges and depreciation and amortisation. It should be noted that EBITDA is not recognised as a measure of performance or liquidity under IFRS and should not be recognised as an alternative to operating income or net profit or any other performance measures derived in accordance with IFRS or any other generally accepted accounting principles. EBITDA is used by management to monitor the underlying performance of the business and operations. EBITDA is not indicative of the Group's historical operating results, nor is it meant to be predictive of future results. Since all companies do not calculate these measures in an identical manner, the Group's presentation may not be consistent with similar measures used by other companies. Therefore, undue reliance should not be placed on this data.

The following table below sets forth a reconciliation of EBITDA:

	Year ended 31 December				
	2007	2008	2009	2010	2011
	(€ millions)				
Profit for the period	125.2	126.7	137.5	156.7	159.8
Adjustments for:					
Taxes	58.1	45.7	60.8	76.2	90.9
Income (charges) relating to put options and earn-outs	–	1.0	0.8	0.3	(0.5)
Share in profit (loss) of companies valued at equity	0.3	(0.2)	–	0.6	0.4
Financial income and charges	17.0	22.2	36.5	35.7	45.1
Depreciation and amortisation	19.5	19.3	25.4	25.8	30.1
EBITDA	220.1	214.7	261.0	295.3	325.8

The Issuer was incorporated in Italy as a limited liability company (*società per azioni*) on 16 September 1982. It is registered in the Companies' Registry of Milan under number 06672120158 and its registered office and principal place of business is at Via Franco Sacchetti 20, 20099 Sesto San Giovanni (Milan) with telephone number +39 02 62251. The Issuer's shares are listed on the *Mercato Telematico Azionario*, the screen-based market of the Italian Stock Exchange. As at 30 June 2012, the Issuer's share capital was comprised of 580,800,000 fully paid-up ordinary shares with a nominal value of €0.10 each.

History and Development

The Campari Group traces its roots back to 1860 when Gaspare Campari developed the red, medium-alcohol drink that bears his name. From the opening of Café Campari in Milan in 1867 through the 1920s, the Campari Group expanded its product offerings to include a broad range of spirits and other drinks. During the 1920s, however, Gaspare's son, Davide Campari, narrowed his focus to offer only two products: *Campari* and *Campari Cordial*. In 1932, he added *Campari Soda*, the first 'ready-to-drink' single serving alcohol aperitif, marketed in modernistic bottles designed by the renowned artist Fortunato Depero.

For the next several decades, the Campari Group concentrated on its three flagship products and continued its international expansion, which had begun in the 1920s. By the 1960s, the Campari Group's products were distributed in approximately 80 countries, and by the 1980s, the Group had manufacturing facilities in Italy, France and Brazil.

In the early 1990s, a series of mergers and acquisitions consolidated the beverage industry and global groups with wide-ranging portfolios emerged. The Campari Group chose to expand through carefully selected acquisitions designed to enhance its portfolio. Since 1995, the Campari Group has grown substantially, primarily through a combination of organic growth and selective acquisitions of brands and businesses. In 2001, the Campari Group took control of Skyy Spirits, LLC, giving it a direct distribution platform in the United States, the world's largest spirits market. In 2003 the Campari Group completed the successful acquisition of *Aperol*. In the following years the Group continued to add to its United States footprint via new acquisitions and in 2009 it completed the purchase of the *Wild Turkey* business, the largest acquisition in its history in terms of acquisition value. On 3 September 2012, the Group announced it had signed an agreement with members of the CL Financial Limited group of companies to acquire an 81.4 per cent. ownership in Lascelles deMercado&Co. Limited, a publicly traded holding company, based in Kingston, Jamaica. The acquisition is due to be completed in the fourth quarter of 2012. This transaction marks the third largest acquisition in Campari's history in terms of acquisition value. For details of the acquisition, see "*Recent Events – Agreement to acquire a controlling stake in Lascelles deMercado*" below.

The table below shows the history of the acquisitions completed by the Campari Group:

Date	Acquisition
1995	<i>Cynar, Crodino and Lemonsoda</i>
1999	<i>Cinzano (Vermouth & Sparkling Wines)</i>
1999	<i>Ouzo12</i>
2000	Brazilian brands (<i>Dreher, Drury's, Old Eight</i>)
2001	Acquisition of controlling stake in SKYY Spirits, LLC (holding incremented to 100 per cent. of share capital completed in 2006)
2002	Sella&Mosca S.p.A. (<i>Sella & Mosca Wines, Zedda Piras and Chateau Lamargue</i>)
2003	<i>Riccadonna Sparkling Wines</i>
2003	Barbero1891 S.p.A. (<i>Aperol, Mondoro</i>)
2005	<i>Teruzzi&Puthod Winery</i>
2006	<i>GlenGrant, Old Smuggler</i>
2007	Acquisition of 80 per cent. stake in <i>Cabo Wabo</i> Tequila (holding incremented to 100 per cent. of share capital completed in 2008)
2007	<i>X-Rated Fusion Liqueur</i>
2008	Destiladora San Nicolas, S.A. de C.V. (<i>Espolón and San Nicolas</i>)
2008	Sabia S.A.
2008	Ukrainian CJSC "Odessa Plant of Sparkling Wines" (99 per cent. stake) (<i>Odessa sparkling wine</i>)
2009	<i>Wild Turkey and American Honey</i>
2010	<i>Carolans, Frangelico and Irish Mist</i>
2011	Acquisition of 80 per cent. stake in Russian Vasco CIS
2011	<i>Sagatiba</i>

Over the past decade, the Group has continued to develop positively in an increasingly challenging economic environment, which management believes demonstrates the strength of its core brands and its ability to leverage the Group's extended distribution network in both mature and developing economies.

By continuing to invest in brand building, strengthen its brand portfolio via acquisitions and enhance its distribution capabilities via new distribution platforms, today the Group aims to remain a profitable and fast growing top player in the global spirits industry by combining its passion for brands with entrepreneurial drive and functional efficiency.

Business Overview

The Campari Group's brand portfolio comprises brands and groups of brands distributed across four macro-regions (Americas, Italy, Rest of Europe, and Rest of the World and Global Travel Retail (**GTR**)) and spanning four business areas:

- Spirits: alcohol-based beverages produced by the distillation of a fermented base product;
- Wines: both sparkling and still wines including aromatised wines such as vermouth;
- Soft Drinks: non-alcoholic beverages, including single-serve aperitif *Crodino*;
- Other: semi-finished products sold to third parties, bottling activities for third parties and sales of finished products that do not fall into any of the three business areas above.

The table below summarises the Group's net sales by geographic region for each of the years ended 31 December 2007 to 31 December 2011.

Year ended 31 December	Net Sales by Region				Total
	Americas	Italy	Rest of Europe	Rest of World and GTR	
			(<i>€ millions</i>)		
2007.....	322.9	393.2	197.6	43.8	957.5
2008.....	296.5	387.3	212.9	45.6	942.3
2009.....	325.3	388.1	231.6	63.5	1,008.4
2010.....	405.3	397.3	276.7	83.7	1,163.0
2011.....	427.0	402.6	328.1	116.5	1,274.2

The table below summarises the Group's net sales by segment for each of the years ended 31 December 2007 to 31 December 2011.

Year ended 31 December	Net Sales by Segment				Total
	Spirits	Wines	Soft Drinks	Other	
			(<i>€ millions</i>)		
2007.....	687.1	151.3	102.4	16.7	957.5
2008.....	663.9	157.6	103.0	17.8	942.3
2009.....	739.6	154.9	100.3	13.7	1,008.4
2010.....	876.4	175.0	98.5	13.1	1,163.0
2011.....	975.1	185.1	98.2	15.8	1,274.2

The table below summarises the Group's consolidated contribution margin by segment for each of the years ended 31 December 2007 to 31 December 2011.

Year ended 31 December	Consolidated Contribution Margin* by Segment				Total
	Spirits	Wines	Soft Drinks	Other	
			(<i>€ millions</i>)		
2007.....	269.7	30.4	38.5	2.9	341.5
2008.....	266.5	32.8	38.4	3.5	341.2
2009.....	330.9	30.8	37.5	2.0	401.2
2010.....	375.4	46.9	39.1	2.2	463.6
2011.....	416.3	49.3	36.8	3.1	505.5

* Consolidated Contribution Margin = Net sales, less COGS (cost of materials+production costs logistics expenses), less advertising and promotion. It should be noted that Contribution Margin is not recognised as a measure of performance or liquidity under IFRS and should not be recognised as an alternative to operating income or net profit or any other performance measures derived in accordance with IFRS or any other generally accepted accounting principles. Contribution Margin is used by management to monitor the underlying performance of the business and operations. Contribution Margin is not indicative of the Group's historical operating results, nor is it meant to be predictive of future results. Since all companies do not calculate these measures in an identical manner, the Group's presentation may not be consistent with similar measures used by other companies. Therefore, undue reliance should not be placed on this data.

Brands

The Campari Group's brand portfolio comprises over forty-five brands across different price-ranges (premium, super premium and ultra premium) and groups of brands (franchises) from three main business segments: spirits, wines and soft drinks. The Group's brands belong to a wide range of categories, including aperitifs, vodka, whisky, tequila, liqueurs, sparkling wines, still wines, 'ready-to-drinks', soft drinks, and span across all major consumption occasions, including aperitif, dinner, after dinner, night, and distribution channels.

In terms of geographic coverage, the Campari Group's international brands (*Aperol, Cabo Wabo, Campari, Carolans, Cynar, Frangelico, GlenGrant, Ouzo 12, SKYY Vodka, Wild Turkey* and *X-Rated*) are distributed worldwide and represent the Campari Group's core strengths. The Campari Group's portfolio of strong local market brands (including *Campari Soda, Crodino, Lemonsoda, Old Eight* and *Drury's*) strengthens and reinforces its presence in key markets.

Spirits

Spirits is the Campari Group's largest business segment, with net sales of €975.1 million in 2011, representing 76.6 per cent. of consolidated net sales compared to €876.4 million in 2010, representing 75.4 per cent. of consolidated net sales. Campari is the Group's signature brand. Over the years, the Campari Group's spirits' portfolio has expanded to include a large offering of premium, super premium and ultra premium brands. Currently, the Campari Group's principal spirits offerings include internationally renowned brands such as *Campari, Carolans, SKYY Vodka* and *Wild Turkey* as well as *Aperol, Cabo Wabo, Cynar, Frangelico, GlenGrant, Ouzo 12* and *X-Rated Fusion Liqueur*. The Group's spirits portfolio also includes leading local brands including *Campari Soda, Zedda Piras* and the local Brazilian brands *Dreher* and other whiskies (*Old Eight* and *Drury's*). In 2012, the Spirits segment is expected to be further enhanced by the Campari Group's acquisition of Lascelles deMercado&Co. Limited (**LdM**), owner of the *Appleton, Wray & Nephew* and *Coruba* brands (see "Recent Events – Agreement to acquire a controlling stake in Lascelles deMercado" below). The Group also distributes, in selected geographic areas, brands sold or produced under licence (referred to as Agency Brands) such as *Jack Daniel's* Tennessee whisky, *Jägermeister* liqueur (also produced under licence), *Midori* melon liqueur, *Russian Standard* vodka, *Bowmore* and *Auchetonshan* single malt Scotch whiskies and *Flor de Caña* rum.

The following table sets forth the net sales for the Campari Group's key products in the Spirits segment, and net sales for such products expressed as a percentage of total net sales, for the years ended 31 December 2011 and 2010.

Spirits Brands Portfolio

Brand	For the year ended 31 December			
	2011	2010	2011	2010
	Amount	% of Net Sales	Amount	% of Net Sales
	<i>(€ millions, except percentages)</i>			
Aperol	148.0	11.6	106.3	9.1
Campari	143.3	11.2	135.4	11.6
SKYY franchise ⁽¹⁾	136.3	10.7	138.7	11.9
Wild Turkey franchise ⁽²⁾	114.7	9.0	90.4	7.8
Campari Soda	68.2	5.4	69.5	6.0
Dreher, Old Eight and Drury's	63.7	5.0	60.6	5.2
Frangelico, Carolans and Irish Mist	56.3	4.4	29.4	2.5
Jack Daniel's ⁽³⁾	28.5	2.2	28.3	2.4
GlenGrant	20.2	1.6	20.0	1.7
Cabo Wabo and Espolón	14.3	1.1	14.4	1.2
Ouzo 12	16.1	1.3	15.7	1.3
Cynar	16.8	1.3	16.3	1.4
Other Group Brands	61.1	4.8	57.0	4.9
Other Agency Brands	87.6	6.9	94.4	8.1
Total	975.1	76.5	876.4	75.4

(1) *SKYY Vodka* and *SKYY Infusions*

(2) *Wild Turkey* bourbon, *Wild Turkey* 'ready-to-drink's, *American Honey*

(3) Agency Brand

The following table sets forth the net sales for the Spirits segment by region for the years ended 31 December 2011 and 2010.

Region	For the year ended 31 December			
	2011		2010	
	Amount	% of Spirits Net Sales	Amount	% of Spirits Net Sales
<i>(€ millions, except percentages)</i>				
Americas	395.4	40.5	383.0	43.7
Italy	266.2	27.3	257.2	29.3
Rest of Europe	214.7	22.0	169.4	19.3
Rest of the World and GTR	99.0	10.2	66.8	7.6
Total	975.1	100.0	876.4	100.0

Wines

The Campari Group's wine business represented 14.5 per cent. of the Group's consolidated net sales for the year ended 31 December 2011, compared to 15.0 per cent. for the year ended 31 December 2010. The Campari Group's wine portfolio consists of a range of fine wines, sparkling wines and vermouths. Following the acquisition of the global brand *Cinzano* in 1999, the wine business was significantly strengthened by the Group's acquisition of *Sella&Mosca* in 2002, *Riccadonna*, *Mondoro* and *Enrico Serafino* in 2003, *Teruzzi&Puthod* in 2005 and *Odessa* sparkling wines in 2008. In 2010, the Campari Group, through its business unit Campari Wines, started to implement an external growth strategy based on the expansion of the portfolio to include the distribution of brands sold under licence by third parties (referred to as Agency Brands). This strategy added several premium and mid price-range wine brands to the Group's existing wine portfolio, with the objective of achieving a further diversification of the Group's offerings in terms of wine provenance as well as to increase its critical mass and geographic reach in key wine export markets. Agency Brands in the Wine segment include Italian wines *Icario*, *Le Fracce*, *Kupelwieser* and *Capraia*, and since 2012, Italian wines *Fazi Battaglia* and *Urciuolo* as well as French wine *Mouton Cadet*.

The following table sets forth the net sales for the Campari Group's key products in the Wines segment, and net sales for such products expressed as a percentage of total net sales, for the years ended 31 December 2011 and 2010.

Wines Brand Portfolio

Brand	For the year ended 31 December			
	2011		2010	
	Amount	% of Net Sales	Amount	% of Net Sales
<i>(€ millions, except percentages)</i>				
Cinzano Sparkling Wines	68.3	5.4	65.9	5.7
Cinzano Vermouth	45.8	3.6	38.0	3.3
Sella&Mosca	23.1	1.8	23.4	2.0
Riccadonna	15.6	1.2	15.2	1.3
Mondoro	12.8	1.0	12.0	1.0
Other Group Brands	13.5	1.1	16.9	1.5
Agency Brands Total	6.0	0.5	3.6	0.3
Total	185.1	14.5	175.0	15.0

The following table sets forth the net sales for the Wines segment by region for the years ended 31 December 2011 and 2010.

Region	For the year ended 31 December			
	2011		2010	
	Amount	% of Wines Net Sales	Amount	% of Wines Net Sales
	<i>(€ millions, except percentages)</i>			
Americas	27.2	14.7	18.3	10.5
Italy	43.1	23.3	45.1	25.8
Rest of Europe	98.2	53.1	95.2	54.4
Rest of the World and GTR	16.6	9.0	16.3	9.3
Total	185.1	100.0	175.0	100.0

Soft Drinks

The Campari Group's soft drinks business (which includes fruit drinks and mineral waters) represented 7.7 per cent. of consolidated net sales in 2011, compared to 8.5 per cent. in 2010, with sales concentrated primarily in the Italian market, where the business is focused on exploiting its distinctive brands as well as the launch of new products. The Campari Group's principal soft drinks are the non-alcoholic aperitif *Crodino*, a widely-recognised non-alcoholic aperitif in Italy, and the carbonated drink *Lemonsoda* as well as its line extensions, (*Oransoda* and *Pelmosoda*) (as described below) which enjoys a prominent position in the Italian market. Over the years, leveraging its innovation capabilities, the Group further expanded the carbonated range via the launch of new line extensions, including *Lemonsoda Zero* and *Mojito Soda*. The Campari Group also produces mineral water in Italy under the *Crodo* brand name and private labels.

The following table sets forth the net sales for the Campari Group's products in the Soft Drinks segment, and net sales for such products expressed as a percentage of total net sales, for the years ended 31 December 2011 and 2010.

Soft Drinks Brand Portfolio

Brand	For the year ended 31 December			
	2011		2010	
	Amount	% of Net Sales	Amount	% of Net Sales
	<i>(€ millions, except percentages)</i>			
Crodino	64.9	5.1	67.0	5.8
Lemonsoda range.....	30.3	2.4	27.5	2.4
Crodo Mineral Water.....	2.2	0.2	2.7	0.2
Crodo Soft Drinks	0.9	0.1	1.3	0.1
Total	98.2	7.7	98.5	8.5

The following table sets forth the net sales for the Soft Drinks segment by region for the years ended 31 December 2011 and 2010.

Region	For the year ended 31 December			
	2011		2010	
	Amount	% of Soft Drinks Net Sales	Amount	% of Soft Drinks Net Sales
<i>(€ millions, except percentages)</i>				
Americas	0.1	0.1	0.1	0.1
Italy	93.4	95.1	94.8	96.2
Rest of Europe	4.6	4.7	3.5	3.6
Rest of the World and GTR	0.2	0.2	0.1	0.1
Total	98.2	100.0	98.5	100.0

Strategy

The Campari Group believes that opportunities for significant growth exist in the Group's businesses in certain key markets. The Group's growth strategy aims to combine organic growth through marketing and brand building, innovation and development and expansion of recently acquired brands, with external growth through selective acquisitions, as further detailed below.

With the objective of increasing cash flow generation over time, the Campari Group has constantly increased its turnover and profits in the past years, which management believes is the combined result of strong focus on brand building and organic growth objectives, a series of strategic acquisitions, and a focus on cost efficiencies.

Organic Growth

The Campari Group continues to generate organic growth of its core brand portfolio in Italy and other international markets both with the development of existing products and the introduction of new products to existing brand lines. Key Group objectives are to:

- drive faster growth of key international brands with leading marketing and innovation;
- generate steady growth in key local brands through regular investment in advertising;
- implement a rigorous cost discipline so as to reinvest savings into strategic brand building;
- continue to explore opportunities for expansion of its Group-owned brands into under-served markets, including emerging markets.

Marketing and brand building

The Campari Group considers its brand portfolio to be its key asset. Intangible assets are a key component of the market value of spirits products, reflecting the power of brands built up over many years. Advertising and promotion investments build and protect the value of the brands in the long term. Brand image is a critical factor in a consumer's choice of beverage. Consumers are prepared to pay higher prices for brands they like and trust, and the strength of these brands allows companies to build a premium positioning, improve price mix and therefore generate higher returns in the mid- to long-term.

The Campari Group strives to grow and maintain its market share by positioning and promoting its brands clearly and consistently across all their markets. The Campari Group's main marketing objective is to devise a clear, distinctive and enduring strategy to build, increase the visibility of and develop each of the Group's products as a premium, dynamic and contemporary brand across diverse international markets, usage occasions and consumer

audiences. As shown by a number of key Group's brands, like *Cinzano*, *GlenGrant*, *Wild Turkey* and *Campari* (in existence since 1757, 1840, 1855 and 1860, respectively), when properly advertised and promoted, the Campari Group believes that brand life can exist indefinitely. The Campari Group invested €229.1 million on advertising and promotion in 2011, as compared with €203.2 million in 2010 or, respectively, 18 per cent. of net sales and 17.5 per cent. of net sales.

In marketing its international brands, the Campari Group first develops a central strategy which globally reflects its group identity and strategic guidelines and then customises an approach for each brand that it views as appropriate to the local market in terms of target audience, consumer preferences and advertising regulations. This central strategy is developed by the Campari Group's global strategic marketing team, and internationally by local business units. Local business units are also responsible for the marketing of local brands in their respective markets. The global strategic marketing team is also responsible for product innovation, which includes the development and the launch of new products and line extensions or the re-launch of existing products. As noted below, growth in the spirit industry is becoming increasingly dependent on innovation, which, like advertising and promotion investments, is critical in driving price and volume. Spirits consumers are increasingly attracted by new products and line extensions and are likely to pay a higher price for their distinctiveness in terms of premium positioning, quality and consumption usage.

With the rise of new technology, the Campari Group has widened the use of different media to build and communicate its marketing message and create the awareness of the Group's various brands in diverse markets. The Group promotes its products using all major forms of advertising allowed by applicable rules, with an increasing focus on high profile advertising, mainly aimed at brand building, rather than promotion, mainly aimed at brand launch and consumer recruiting. It still relies on traditional media, including TV, press, bill-boards and sponsorship, while increasingly focusing on opportunities offered by digital media to activate, build and reinforce the image of its brands. Additionally, more effort is now put into category management, customer relationship management, and more sophisticated interaction with a new generation of young adult consumers in an effort to 'push' branded products and enhance the impact of its marketing investment.

Some examples of recent initiatives include the Campari Calendar, starring celebrities such as Salma Hayek (2007), Eva Mendes (2008), Jessica Alba (2009), Olga Kurylenko (2010), Benicio del Toro (2011), Milla Jovovic (2012) and, for 2013, Penelope Cruz; sponsorships of the World Motorcycle Championships by *Aperol*, the National Rugby League by *GlenGrant*, the Emirates Team New Zealand's challenge for the 34th America's Cup by *SKYY Vodka*.

Innovation

Product innovation includes the development of new products, line extensions and/or the re-launch of existing products. Innovation has become of increasing importance in driving the growth and the sales mix improvement of businesses operating in the spirits sector. Spirits consumers are increasingly attracted by new products and, based on experience, are likely to pay a higher price for distinctiveness. As an example, the Group takes advantage of existing brand awareness to develop line extensions, such as the line extension *SKYY Fruits* recently introduced in the Group's domestic market, and expand the product offering exploiting new consumption trends in the flavoured, premium price or aged spirit segment across different categories. The recent investments in enhanced distribution networks allow the Group to quickly identify emerging consumption trends in individual markets and react quickly in terms of product development. The recently announced investments in new production facilities (particularly in the United States) are also aimed at achieving a more effective management and implementation of the Group's innovation strategies and processes (see "*The Campari Group's production facilities – New bottling plants*" below).

Development and expansion of recently acquired brands

The Group has a strong history of re-launching and developing acquired brands outside their domestic markets. This has been possible also as a result of the recently enhanced distribution network which the Group is committed to further exploit in the medium to long term via the organic growth of the existing portfolio as well as new

acquisitions. Some examples include the re-launch in 2008 of the *SKYY* portfolio, including new packaging for *SKYY Vodka* and the launch in the United States of *SKYY Infusions*, a brand new line made from *SKYY Vodka* and fruit essences blended using an exclusive patented infusion process. In addition, the expansion of the *Aperol* brand following the 2004 acquisition of Barbero 1891 was successful. Backed by strong advertising campaigns and communication as well as the Group's sales and distribution network, *Aperol* became a top selling spirit in Italy and is currently a leading spirit in the alcoholic aperitif drink category, followed by *Campari*. Moreover, the aperitif's success was also significant in markets outside Italy. *Aperol* has become a leading imported drink in Germany, Austria, Switzerland and Belgium also as a result of successful marketing campaigns, and it has been introduced in a selected number of European and international markets. The Campari Group also re-launched the *Wild Turkey* range following the 2009 acquisition, which included the re-packaging of the *Wild Turkey* bourbon brands, the reformulation of the liquid recipe of certain products within the *Wild Turkey* range; the expansion of *American Honey* liquor in the United States, plus its successful introduction in Australia and Germany; the reformulation of the liquid recipe, and re-launch, of the *Wild Turkey* 'ready-to-drink' line range and the launch of the newly created *American Honey* 'ready-to-drink' in Australia.

External growth through selective acquisitions

The Group's strategy is driven by the objective to reach or enhance its critical mass in key geographic markets. Spirits are the Group's core business and where it focuses its acquisition efforts.

The Campari Group remains committed to pursuing potential acquisitions of existing brands and product lines in accordance with the Group's philosophy of realistically evaluating the contribution capacity of the target business to the Group's overall profitability and adhering to a disciplined valuation of the target business. Acquisition targets include established brands in a competitor's portfolio that no longer receive top priority and marketing focus or young, fast growing and attractive brands which have not yet reached the size and exposure to draw the attention of major competitors.

In addition to acquiring brands that have achieved a meaningful business size on a stand-alone basis in particular markets, the Campari Group also remains committed to recognising potential synergies from acquiring brands that have not yet achieved a meaningful business size in markets where the Group has already established a strong presence.

In terms of emerging markets, the Campari Group has recently expanded its presence in emerging markets via selected acquisitions (including Russia, Mexico and Argentina) and third party distribution arrangements. Net sales in emerging markets accounted for approximately 18 per cent. of 2011 total net sales compared to approximately 13 per cent. of 2010 total net sales.

Organisational structure of the Group business

The organisational structure of the Group business foresees the separation of roles and responsibilities between marketing and sales organisations vis-à-vis the product supply chain organisation (responsible for purchasing, production and logistics).

Business units and in-market distribution organisations

The Campari Group is broadly organised into eight major operating divisions (business units): Italy, Central Europe (including Germany, Austria, Switzerland and Benelux), Russia, International (covering the rest of Europe, Middle East, Africa and Global Travel Retail sales worldwide), North America, South America, Asia-Pacific and Wines. The Campari Group's customers are served either via Campari Group in-market distribution organisations or via third party distributors, served by the business units in-market distribution organisations.

Local business units are responsible for the marketing and sale of the Group's portfolio of owned and agency brands in their individual regions. The Wines business unit is responsible for the marketing and sale of the Group's still wine business in Italy and the international markets. The business units are led by managing directors, who coordinate the local operations in accordance with the Group's central strategies.

The Group's organisation by business units largely reflects the structure of the Group's distribution network, which is organised by region so that the Group may best serve the local markets in which it is present. The Campari Group's strategy provides for the Group to establish its own distribution network in a given country or market only if the Group achieves critical mass there. Otherwise, the Campari Group distributes through third parties.

The Campari Group has its own distribution networks in Italy, Germany, Austria, Switzerland, Belgium and Luxembourg, Russia, Ukraine, United States, Mexico, Brazil, Argentina, Australia and China. These subsidiaries manage the Group's own brands and distribute a number of other leading brands under licence. Group-owned distribution networks accounted for 90 per cent. of net sales for the year ended 31 December 2011.

In the rest of Europe, Middle East, Africa and Global Travel Retail (**GTR**), the Campari Group co-ordinates marketing and distribution through Campari International S.A.M. This allows marketing strategies to be closely coordinated, aiming to ensure a consistent global image capable of conveying the brands' strengths, dynamism and prestige.

The Group sells its products to a large and diverse customer base located across 190 countries. The Campari Group sells to essentially two types of customers: in markets in which the Group has local sales organisations (so-called direct markets), the Group sells to retailers and wholesalers through its internal sales force. In markets in which the Group does not have its own local sales organisations (so-called third party markets), the Campari Group sells to local third party distributors and importers. In the third party markets in each country and region, rather than assigning the distribution of the Group's brands to one distributor, the Group selects the most appropriate distributor for each particular brand sold in such market.

Italy

Italy remains the Campari Group's single largest market, representing 31.6 per cent. of the Group's total net sales for the year ended 31 December 2011, compared with 34.2 per cent. for the year ended 31 December 2010. This relative decrease is the direct result of the Group's strategy for international expansion, which has been focused on acquisitions in the past three years that have had only a marginal effect on the Italian market, while contributing to growth in other regions.

The Campari Group enjoys an unrivalled position in the aperitif market, a key market in Italy, with the Group's top-selling brands in terms of net sales being *Aperol*, *Campari Soda*, *Crodino* and *Campari*, which accounted for approximately 59 per cent. of net sales in Italy for the year ended 31 December 2011.

The Campari Group has also established a significant presence in the Italian vodka market, through *SKYY Vodka* and the *SKYY Fruits*, recently introduced in the Group's domestic market, as well as in the whisky market, mainly through its *GlenGrant* brand, currently a leading whisky brand in Italy, and through the distribution rights to *Jack Daniel's*. The Campari Group also owns the leading mono-dose aperitif, *Crodino*, as well as a carbonated drinks portfolio, led by market leader *Lemonsoda* and recently enhanced with the introduction of *Mojito Soda* and *Lemonsoda Zero*. The Campari Group has the licence of production and distribution in Italy for *Jägermeister*.

The Campari Group's distribution network in Italy is performed by the Company for spirits, sparkling wines and soft drinks, and through its wholly owned subsidiary Campari Wines S.r.l. (formerly Sella&Mosca Commerciale S.r.l.) for still wines. The Campari Group's continuing emphasis on modernisation, efficiency and economy of scale has allowed it to significantly reduce distribution costs in recent years, even though the volume of the Group's distributed products has increased. Currently, the Campari Group's sales network is organised around a modern trade sales group (focusing on sales made to supermarkets and cash and carries), a traditional trade sales group (focusing on sales made to bars, clubs, restaurants and hotels, and achieved primarily through local wholesalers) and a trade marketing group (focusing on marketing activities aimed at increasing demand at a trade level).

Modern trade sales currently represent approximately half of the Campari Group's total annual sales in Italy.

Traditional trade sales currently represents approximately the other half of the Campari Group's total annual sales in Italy. The Company's traditional trade sales force is responsible for visiting wholesalers and retailers directly, taking orders from wholesalers and promoting the Group's products. The trade marketing group supports the sales force in promoting the Group's products, providing marketing and merchandising materials and introducing new products at the local level.

Central Europe

The Central European unit consists of operations in Germany, Austria, Switzerland and Benelux, where the Group enjoys a significant presence with the sales, in particular, of *Aperol*, *Campari* and *Cinzano*.

Germany. In Germany, which represents 13.0 per cent. of the Group's total net sales for the year ended 31 December 2011, distribution of the Group's products is achieved through Campari Deutschland GmbH, a locally organised subsidiary, the portfolio of which includes *Aperol*, *Campari*, *Cinzano*, *SKYY Vodka* and *Ouzo 12*, and a network of agents working throughout the country. The Campari Group's top clients in Germany are the largest supermarket chains in the country.

Switzerland. In Switzerland, the Campari Group distributes all its products through its subsidiary, Campari Schweiz A.G., which has become a major distributor in the Swiss market. The Campari Group's portfolio in Switzerland includes *Campari*, *Aperol*, *Campari Soda*, *Cinzano*, *Cynar*, *Ouzo 12*, *SKYY Vodka* and *Crodino*.

Belgium. Established as a direct market in 2009, the Group distributes its portfolio with a strong focus on aperitifs.

Austria. In 2007, the Group launched a new Vienna-based trading company, Campari Austria GmbH, to manage the local market via a direct sales and marketing structure. The portfolio includes *Aperol*, *Campari* and *Campari Soda*.

Russia

Following the acquisition in 2011 of a controlling stake in Vasco (CIS) OOO, a wines and spirits distribution company based in Moscow with a consolidated presence in this market, the Group created a solid basis from which it developed a distribution platform, with the objective of marketing and selling the Group's brands at a national level in the Russian market, which represents 3.0 per cent. of the Group's total net sales for the year ended 31 December 2011. The transfer of the Campari Group's brands, mainly *Cinzano* and *Mondoro* sparkling wines, from their third party distributors in this market to Vasco (CIS) OOO (now Campari Russia OOO) commenced in 2011 and was completed by 1 January 2012.

International

Campari Group manages marketing and sales through Campari International S.A.M. in the rest of Europe, Middle East, Africa and GTR. With the exception of the Group's in-market distribution organisation in Ukraine, Campari International's customer base consists of third party distributors. This structure, based in Monaco and organised into four regions (Europe, Africa & Middle East and GTR), allows close coordination, ensuring a consistent global image capable of conveying the brands' strengths, dynamism and prestige.

Ukraine. The Campari Group established its own distribution network in Ukraine in 2008 following the acquisition of the *Odessa* company, owner of the sparkling wine brand *Odessa*.

North America

The North America business unit consists of two local distribution organisations, in the United States and Mexico. The business unit is also responsible for the sale of the Group's brands in the rest of North America (including Canada, Puerto Rico and the Caribbean) through third party distributors, served by the above two local distribution organisations.

United States. With 19.8 per cent. of total net sales for the year ended 31 December 2011, the United States is the Group's second largest market. The Campari Group established its platform in the United States with the 2002 acquisition of Skyy Spirits, LLC. This purchase gave the Group access to the world's largest spirits market through the production of SKYY products as well as distribution rights to third party brands. The SKYY brand was further strengthened in 2008 when a new product line of naturally flavoured vodkas, *SKYY Infusions*, was launched.

In line with its strategy to enhance its critical mass and strengthen its portfolio of premium and super premium brands in the key United States market, over the last few years, the Group completed a series of acquisitions in popular spirit categories, including *Cabo Wabo* tequila, *X-Rated Fusion Liqueur*, *Wild Turkey* bourbon and *American Honey* liqueur, *Frangelico*, *Carolans* and *Irish Mist*. With the agreement to acquire LdM, owner of the *Appleton* and *Wray & Nephew* rum brands, the Campari Group aims at creating the foundations for future growth in the popular rum category in the United States, Canada and Mexico.

In the United States, distribution of the Campari Group brands, including SKYY and *Wild Turkey* franchises, *Cabo Wabo* and *Espolón* tequilas, *X-Rated*, *Campari*, *Carolans*, *Frangelico*, *Irish Mist* and *GlenGrant* is carried out by Campari America which also distributes the other agency brands including *Bowmore* and *Auchetonshan* single malt Scotch whiskies, *Flor de Caña* rum and *Midori*. Campari America's distribution network spans the whole of the United States and also includes Canada and Puerto Rico. The team is supported by a sales administration department and a market strategy planning department.

Mexico. The purchase of Destiladora San Nicolas, S.A. de C.V (now Campari Mexico, S.A. de C.V) in 2008 enabled the Group to gain direct access to the Mexican market via an established production and distribution structure, and to strengthen its presence in a growing market for premium spirits. The acquired product portfolio included the tequila brand *Espolón* (*Espolón Blanco*, *Espolón Reposado* and *Espolón Añejo*), which has won several awards, and, after a brand re-launch, was successfully introduced in the United States market.

The sales force in Mexico is responsible also for the sale of other Group's brands, including SKYY 'ready-to-drinks', *SKYY Vodka* and *Campari* and covers a portion of the Caribbean.

South America

The South America business unit consists of two in-market distribution organisations, in Brazil and Argentina. The business unit is also responsible for the sale of the Group's brands in the rest of South America through third party distributors, served by the above two in-market distribution organisations.

The South American sales force structure consists of two in-market distribution organisations: Argentina and Brazil (including the rest of South America).

Brazil. In Brazil (representing 8.3 per cent. of the Group's total net sales for the year ended 31 December 2011), over the years the Group strengthened its presence with the 2001 acquisition of local Brazilian brandy and whisky brands from Diageo, followed by the 2011 acquisition of super premium cachaca brand *Sagatiba*. The Group recently further enhanced its critical mass with the successful introduction of *SKYY Vodka*.

Currently, the Campari Group's wholly owned local subsidiary, Campari do Brasil Ltda., distributes a diversified portfolio of brands, including *Campari*, *Dreher*, *Drury's*, *Old Eight*, *Cynar*, *SKYY Vodka*, *Sagatiba*, and *Cinzano* together with *Liebfraumilch*. The Campari do Brasil Ltda. network is organised by region and covers the vast territory and fragmented retail outlets of the Brazilian market.

Argentina. The Campari Group established its own distribution network in Argentina after the acquisition of the Argentinean company Sabia S.A. (now Campari Argentina S.A.) in 2008, whose assets consisted of one of the largest sales and distribution operations in Argentina, one production plant, and distribution licences for a broad portfolio of major national and international brands. This transaction represents a strategic opportunity for the Group to generate substantial synergies and to expand its own portfolio on the Argentine market which was substantially boosted by the acquisition of the aperitif *Cazalis* and the brandy *Reserva San Juan*, previously

distributed as agency brands, in 2010 and by the buy-back of the distribution rights of *Cinzano*, a key brand in this market, in 2011.

Asia-Pacific

After the 2009 acquisition of *Wild Turkey*, for which Australia is the second largest market on a global basis, a new business unit was created in this market in 2010, responsible for the management of the marketing, sales and distribution activities of the Group's brands, including the *Wild Turkey* range, *Campari*, *SKYY Vodka*, *Cinzano* and *Riccadonna* (previously handled by third-party distributors) in the Australian market.

The Asia Pacific business unit consists of two in-market distribution organisations, in Australia and China.

The business unit is also responsible for the sales and distribution of the Group's brands in the rest of Asia, including Japan and India, through third party distributors, served by Campari Australia's local sales organisation.

Australia. A new distribution platform was created in Australia (representing 5.1 per cent. of the Group's total net sales for the year ended 31 December 2011) in 2010 after the acquisition of *Wild Turkey*. The local organisation is responsible for the sales and distribution of the Group's brands, including the *Wild Turkey* range, *Campari*, *SKYY Vodka*, *Cinzano* and *Riccadonna*.

China. To coordinate its distribution platform in China, the Group established the Campari Beijing Trading Company in 2007, which has its corporate seat in Beijing with a main office in Shanghai. It distributes brands from the Campari Group's portfolio, including *Campari*, *SKYY Vodka* and *GlenGrant* as well as imported wines from *Sella&Mosca*, *Chateau Lamargue* and *Teruzzi&Puthod*.

Wines

In 2007 the Group's wine business unit became operational and subsequently a reorganisation of the Group's Italian wine companies, under one new company, Campari Wines S.r.l., was completed. The Wine business unit is responsible for the production, marketing, sale and distribution of the Group's wine brands (including *Sella&Mosca*, *Enrico Serafino* and *Teruzzi&Puthod*) in Italy as well as in the international markets. The Group has also greatly increased its scale in Italy and the key export markets with the recent addition of some selected agency brands.

The sales force of Campari Wines S.r.l. (formerly *Sella&Mosca Commerciale S.r.l.*) focuses on both the Italian market and export markets.

Product Supply Chain

In May 2009, the Campari Group created the Product Supply Chain (**PSC**) department with the objective of coordinating all product supply chain activities, including purchasing, manufacturing, logistics, quality and demand and supply planning for the Group. The fundamental objective of the PSC department is to set the required output volumes to best satisfy the expected level of sales. The PSC department seeks to achieve this with the continuous improvement of quality and service levels and, at the same time, the containment of costs through efficiencies, through the implementation of an integrated set of business processes (including sales, production, inventory, new product development plans) and technologies (IT systems). The main responsibilities of this recently created global department is to lead PSC operations aimed at ensuring efficiency and effectiveness in all processes, including planning, purchasing of raw materials, manufacturing and primary logistics. The PSC will also coordinate research and development activities, evaluate and manage industrial capital expenditure allocation and return on investment. Finally, it will establish and promote global standardisation of the Group's supply chain processes and coordinate the local PSC departments providing operational expertise and supporting organisational development.

Purchasing

The Campari Group has identified the categories to be coordinated centrally based on the size of such categories and based on the existence of global suppliers with the capability to serve multiple geographic locations. Suppliers which are not coordinated centrally are handled by local PSC departments.

Manufacturing process

As is customary in the beverage industry, the Campari Group's products are manufactured both at owned facilities as well as through arrangements with third-party co-packers. The Group has eleven owned production facilities in eight different countries as well as three wineries in Italy and one in France. Also, the PSC manages more than 20 different co-packers around the world.

The Campari Group has over forty brands in its portfolios in categories ranging from aperitifs to white spirits to brown spirits, 'ready-to-drinks', soft drinks, still and sparkling wines as well as aromatized wines. Each has a specific production process with cycles ranging from a few hours to many years in the case of aged whiskies.

Logistics

The initial distribution (primary flow) of finished products from the manufacturing plant to the shipper is coordinated centrally while the secondary distribution from the shipper to the end-customer is managed locally.

Quality management

The Campari Group focuses on quality management, consumer safety and compliance with all relevant laws and regulations in connection with its products. The Campari Group's management systems are based on international ISO (*International Organization for Standardization*) and OHSAS (*Occupational Health&Safety Advisory Services*) standards covering quality, occupational health and safety, and environmental management (**QHSE**). The Group's QHSE management includes the supply chain process from raw materials and suppliers to production, distribution and consumption of its products. Each production site has a quality manual aligned to the Group's standards describing its processes, referring to product specific standards and regulatory requirements. The Group's systems are validated through internal and external audits to demonstrate compliance and drive continuous improvement.

Demand and Supply Planning

The Campari Group has a sales and operation planning process in place that is coordinated by the PSC department. Local business units contribute to the formulation of sales forecasts and local PSC departments define production plans and schedules with the aim of minimising stock levels of finished product and raw materials yet ensuring demand requirements are met.

Investments

Over the past few years, the Group completed a series of investment projects aimed at expanding its production capacity to meet the expected future demand of its products. Investments in new state-of-the-art facilities (bottling plants, distilleries and warehouses) and the expansion of existing facilities were completed, in particular, in Novi Ligure (Italy), Suape (Brazil), Capilla de Señor (Argentina), Lawrenceburg (Kentucky, United States) and Rothes (Scotland).

The table below summarises the Campari Group's total investments over the last five years as well as the extraordinary capital expenditures primarily aimed at improving the existing production capacity or the production efficiency.

Capital Expenditure*

Year ended 31 December	of which extraordinary	
	Total capex	capex
	(€ millions)	(€ millions)
2007.....	29.0	10.0
2008.....	32.6	21.2
2009.....	54.8	41.3
2010.....	59.7	38.5
2011.....	24.9	7.6

* Capital expenditure is defined as additions to net tangible assets, intangible assets with a finite life and biological assets, net of proceeds from the sale of assets, payments on account and capital grants. It should be noted that capital expenditure is not recognised as a measure of performance or liquidity under IFRS and should not be recognised as a performance measure derived in accordance with IFRS or any other generally accepted accounting principles. Capital expenditure (in this meaning) is used by management as a cash flow measure and is used to monitor the underlying performance of the business and operations. Capital expenditure is not indicative of the Group's historical results, liquidity or cash flows, nor is it meant to be predictive of future results, liquidity or cash flows. Since all companies do not calculate these measures in an identical manner, the Group's presentation may not be consistent with similar measures used by other companies. Therefore, undue reliance should not be placed on this data.

Moreover, the Group recently announced an investment plan for a new bottling plant in Lawrenceburg (United States) to create new bottling capacity for the Group's brands in the United States (total investment value of around USD 41 million) as well as a new plant in Scotland to handle the bottling of *GlenGrant* and *Old Smuggler* whiskies (total investment value of around GBP 4.9 million). Both projects, which are expected to be funded using internal financial resources, are aimed at managing the bottling activities for these two key businesses, currently outsourced to third party suppliers, in-house. The table below summarises the total planned capital expenditure over the next three years, which includes maintenance capital expenditure (any expenditure which is undertaken to maintain current operational levels) and extraordinary capital expenditure for these projects.

Planned Capital Expenditure

Year ended 31 December	of which expected extraordinary	
	Total capex	capex
	(€ millions)	(€ millions)
2012.....	49.8	22.7
2013.....	43.6	13.6
2014.....	32.0	2.0

The Campari Group's production facilities

As noted above, the Group currently has eleven production facilities in eight different countries (four in Italy, two in Brazil, and one in each of Greece, Scotland, Ukraine, the United States, Argentina and Mexico) as well as three wineries in Italy (*Sella&Mosca*, *Teruzzi&Puthod* and *Enrico Serafino*) and one in France (*Lamargue*).

Italy

Novi Ligure

The Group completed the construction of its largest-production facility, located in Northwest Italy, in 2003. The plant, which was a part of a broader plan to restructure the Group's industrial operations, produces spirits (mainly

Campari, Campari Soda, Cynar, Biancosarti, SKYY Vodka and Jägermeister), sparkling wines and *Cinzano* vermouths. The 58,000 square metre facility includes office space, laboratory and research and development centres, workshops, a power plant and alcohol tanks.

Crodo

The Crodo plant, constructed in 1968 in the Italian region of Piedmont near the Swiss border, produces *Crodino* (including the necessary extracts), *Campari Soda, Cinzano, Crodo* mineral waters (*Lisiel, Cesa* and *Valle D'Oro*) and fruit juice soft drinks, including *Lemonsoda, Oransoda* and *Pelmosoda*. The facility, which covers an area of 26,000 square metres, also includes office space, a quality control laboratory, workshops, a transformer room and a finished products warehouse where fruit juice soft drinks and mineral water are stored.

Canale

The Canale plant, which covers an area of 23,500 square metres, was acquired as part of the Group's acquisition of *Aperol* in 2003 and currently produces spirits *Aperol, Frangelico, Diesus* and *Barbieri* as well as wines *Mondoro, Riccadonna*, and *Sella&Mosca*.

Sella & Mosca, Alghero

At this facility, Sella & Mosca wines are produced predominantly from estate-grown grapes. The Sella&Mosca estate in Sardinia extends over 650 hectares (1,606 acres), of which 550 currently produce grapes for wine. Production facilities consist of three vinification lines. In Sella&Mosca cellars maturing and ageing of premium wines is carried out in traditional oak barrels and barriques. At Sella&Mosca the Group also manages a plant for the production of myrtle based liqueur, *Zedda Piras*.

Enrico Serafino, Alba

The winery covers about 6000 square meters and is equipped with the most modern technologies. There are two different vinification lines. In Enrico Serafino cellars maturing and ageing of premium wines is carried out in traditional oak barrels and barriques.

Teruzzi&Puthod, San Gimignano

The Teruzzi&Puthod winery is located in Tuscany and extends over 180 hectares, 94 of which are cultivated as vineyards. In Teruzzi&Puthod cellars maturing and ageing of premium wines is carried out in barriques and tonneaux.

Rest of Europe

Roths, Scotland

The 32,800 square metre production facility, which includes a distillery, was purchased as part of the *GlenGrant* acquisition in 2005. The popular Scotch whisky is the only product produced at Roth's. The Group recently completed the purchase of a warehouse to store and age whisky in nearby Burncrook, Scotland, which started operations in 2009.

Lamargue, France

Domaine Lamargue is a famous and prestigious winery in the south of France, situated on a terrain of roughly 8 hectares. In Domaine Lamargue cellars maturing and ageing of premium wines is carried out in barriques.

Volos, Greece

The Volos facility was refurbished in 2004 and now produces *Ouzo 12, Gold, Padrino (Sambuca)* and *Serkova (vodka)*, both third party brands manufactured under licence. The Volos facility, which covers an area of 8,700 square metres, is currently operating at approximately half its total capacity and could be expanded to include additional product offerings if necessary.

Odessa, Ukraine

The *Odessa* brands of sparkling wine are produced at this 16,500 square metre plant, which was acquired in 2009.

North America

Lawrenceburg, Kentucky

Following the *Wild Turkey* acquisition, in 2010 the Campari Group completed an investment in a new, state-of-the-art distillery costing approximately USD 50 million, USD 20 million of which was invested by the previous owners of *Wild Turkey* who had started the project in order to expand the production capacity. The new distillery, which covers an area of 12,400 square metres, doubled the distilling capacity to satisfy the growing demand for *Wild Turkey* products both in the United States and the international markets.

Guadalajara, Mexico

The tequila brands (*Cabo Wabo* and *Espolón*) are distilled and produced at this plant which covers an area of 9,416 square metres and was acquired in 2008 within the Destiladora San Nicolas, S.A. de C.V. (now Campari Mexico, S.A. de C.V.).

South America

Suape, Brazil

The Campari Group recently built a new plant in Pernambuco, northern Brazil. The new production facility, which covers an area of around 32,900 square metres, including cellars, bottling areas and warehouses, significantly increased local production capacity, in keeping with the Group's plans for significant expansion in Brazil and South America generally. The new plant supplements the main Sorocaba production facility, in the state of São Paulo, while the Jaboatão facility, also in Pernambuco, ceased operations in 2009.

Sorocaba, Brazil

This plant, which covers an area of 50,000 square metres, is located 100 kilometres outside of São Paulo, in Sorocaba. The Campari Group produces *Campari*, *SKYY Vodka*, *Cynar*, *Cinzano*, *Dreher*, *Drury's*, and *Old Eight* at this facility. The plant started the production of *Jägermeister* in 2002 under licence with the brand owner. The Campari Group also uses the facility for the storage and warehousing of products and the coordination of the external production of *Liebfraumilch*.

Capilla de Señor, Argentina

The Capilla de Señor plant, which covers an area of around 21,500 square metres, was acquired within the acquisition of Sabia S.A. in 2008. The Group started to locally produce *Cinzano* in this plant after the buy-back of its distribution rights in Argentina. This plant also produces *Old Smuggler* as well as some agency brands distributed locally.

New bottling plants

On 23 February 2012, the Group announced an investment plan for a new bottling plant on the *Wild Turkey* site in Lawrenceburg, Kentucky (United States). The investment will total around USD 41 million, net of economic incentives of USD 2.35 million, approved by the Kentucky government to support the creation of new jobs. The aim of the investment is to create new bottling capacity for the Group's brands in the United States, including the entire *Wild Turkey* range and the *SKYY* line. The opening of the new plant - investment for which will be spread over three years – is scheduled for the autumn of 2013. This investment will enable the Group to bottle the full *Wild Turkey* and *SKYY* product lines in the United States. The production capacity of the plant is expected to be able to support future demand for the Group's products in North America, in response to the growth in popularity of *Wild Turkey*, *American Honey*, *Russell's Reserve*, *Rare Breed Bourbon* and *SKYY Vodka* in both the United States and the rest of the world.

The Group has also decided to build a new plant in Scotland to handle the bottling of *Glen Grant* whiskies in-house. The new line is set to be operational in the second half of 2013 with the total value of the investment currently estimated at GBP 4.9 million.

Financing

As at 30 June 2012, the Campari Group's total outstanding indebtedness was €1,035.9 million, with cash and cash equivalents totalling €380.2 million, resulting in net indebtedness of €655.7 million. Indebtedness is defined as (i) the sum of bonds, other non-current liabilities (excluding other non-financial liabilities), payables to banks and other financial payables less the sum of (ii) other non-current assets (excluding equity investments in other companies, security deposits, receivables from employee benefit funds and other non-current tax receivables) and short-term financial receivables. It should be noted that indebtedness is not recognised as a measure of performance or liquidity under IFRS and should not be recognised as a performance measure derived in accordance with IFRS or any other generally accepted accounting principles. Indebtedness is used by management to monitor the underlying performance of the business and operations. Indebtedness is not indicative of the Group's historical results, liquidity or cash flows, nor is it meant to be predictive of future results, liquidity or cash flows. Since all companies do not calculate these measures in an identical manner, the Group's presentation may not be consistent with similar measures used by other companies. Therefore, undue reliance should not be placed on this data.

The total purchase price for 100 per cent. of LdM's share capital is USD 414,754,200 (or approximately € 330.0 million converted at the spot exchange rate as at 3 September 2012, the date the acquisition was announced) on a cash free/debt free basis, see "*Recent Events – Agreement to acquire a controlling stake in Lascelles deMercado*" below. The acquisition will be fully financed using the net proceeds of the issue of the Notes. See "*General Information – Use of Proceeds*".

Legal Organisational Structure

The Issuer is the parent company of the Campari Group.

The table below lists the companies included in the basis of consolidation at 30 June 2012.

Name, activity	Head office	Share Capital at 30 June 2012		% owned by the Parent Company		
		Currency	Amount	Direct	Indirect	Direct shareholder
Parent Company						
Daive Campari-Milano S.p.A. , manufacturing, trading and holding company	Via Franco Sacchetti 20, Sesto San Giovanni	€	58,080,000	–	–	–
Fully consolidated companies						
<i>Italy</i>						
Sella&Mosca S.p.A. , manufacturing, trading and holding company	Località I Piani, Alghero	€	15,726,041	100.00	–	–
Sella&Mosca Commerciale S.r.l. , trading company	Località I Piani, Alghero	€	100,000	–	100.00	Sella & Mosca S.p.A.
Turati Ventisette S.r.l. , dormant company	Via Franco Sacchetti 20, Sesto San Giovanni	€	20,000	100.00	–	–
<i>Europe</i>						
Campari Austria GmbH , trading company	Naglergasse 1/Top 13 A, Vienna	€	500,000	–	100.00	DI.C.I.E Holding B.V.
Campari Benelux S.A. , finance and trading company	Avenue de la Métrologie, 10, Brussels	€	246,926,407	26.00	74.00	Glen Grant Ltd. (39%), DI.C.I.E Holding B.V. (35%)
Campari Deutschland GmbH , trading company	Bajuwarenring 1, Oberhaching	€	5,200,000	–	100.00	DI.C.I.E Holding B.V.
Campari France , manufacturing company	15 ter, Avenue du Maréchal Joffre, Nanterre	€	2,300,000 ⁽¹⁾	–	100.00	DI.C.I.E Holding B.V.

Name, activity	Head office	Share Capital at 30 June 2012		% owned by the Parent Company		
		Currency	Amount	Direct	Indirect	Direct shareholder
Campari International S.A.M. , trading company	7 Rue du Gabian, Monaco	€	70,000,000	–	100.00	DI.CI.E Holding B.V.
Campari Schweiz A.G. , trading company	Lindenstrasse 8, Baar	€	500,000	–	100.00	DI.CI.E Holding B.V.
Campari Odessa Sparkling Wine Company , manufacturing and trading company	36, Frantsuzky Boulevard, Odessa	UAH	158,041,016	–	99.95	DI.CI.E Holding B.V.
DI.CI.E. Holding B.V. , holding company	Luna Arena, Herikerbergweg 114, Zuidoost, Amsterdam	€	15,015,000	100.00		
Glen Grant Distillery Company Ltd. , manufacturing and trading company	Glen Grant Distillery, Rothes, Morayshire	GBP	0 ⁽¹⁾	–	100.00	Glen Grant Ltd.
Glen Grant Ltd. , holding company	Glen Grant Distillery, Rothes, Morayshire	GBP	24,949,000	–	100.00	DI.CI.E Holding B.V.
Kaloyiannis – Koutsikos Distilleries S.A. , manufacturing and trading company	6 & E Street, A' Industrial Area, Volos	€	8,884,200	–	75.00	DI.CI.E Holding B.V.
Lamargue S.a.r.l. , trading company	Domaine de la Margue, Saint Gilles	€	750,000	–	100.00	Société Civile du Domaine de Lamargue
Société Civile du Domaine de Lamargue , manufacturing and trading company	Domaine de la Margue, Saint Gilles	€	6,793,200	–	75.00	Sella & Mosca S.p.A.
TJ Carolan & Son Ltd. , trading company	Ormond Building, Suite 1.05, 31-36 Upper Ormond Quay, Dublin	€	2,600	76.92	23.08	DI.CI.E Holding B.V.
Varhol B.V. , holding company	Luna Arena, Herikerbergweg 114, Zuidoost, Amsterdam	€	90,000	–	80.00	DI.CI.E Holding B.V.
Campari RUS OOO , trading company	2nd Yuzhnoportoviy proezd 14/22, Moscow	RUB	10,000,000	–	80.00	Vahrol B.V.
Americas						
Camargen S.R.L. , trading company ⁽³⁾	Avenida Corrientes, 222 – 3rd floor, Buenos Aires	ARS	11,750,000	–	100.00	DI.CI.E. Holding B.V. (95%), Campari do Brasil Ltda. (5%)
Campari Argentina S.A. , manufacturing and trading company	Avenida Corrientes, 222 – 3rd floor, Buenos Aires	ARS	125,213,590	–	100.00	DI.CI.E. Holding B.V. (95%), Campari do Brasil Ltda. (5%)
Campari do Brasil Ltda. , manufacturing and trading company	Alameda Rio Negro 585, Edificio Demini, Conjunto 62, Alphaville - Barueri - SP	BRC	239,778,071	100.00		
Campari Mexico, S.A. de C.V. , manufacturing and trading company	Av. Americas 1592 3er iso ol. Country Club, Guadalajara, Jalisco	MXN	294,945,500	–	100.00	DI.CI.E Holding B.V.
Gregson's S.A. , trademark holder	Andes 1365, Piso 14, Montevideo	UYU	175,000	–	100.00	Campari do Brasil Ltda

Name, activity	Head office	Share Capital at 30 June 2012		% owned by the Parent Company		
		Currency	Amount	Direct	Indirect	Direct shareholder
Red Fire Mexico, S. de R.L. de C.V. , trading company	Camino Real Atotonilco 1081, Arandas, Jalisco	MXN	1,254,250	–	100.00	DI.C.I.E. Holding B.V. (99.80%), Campari Mexico S.A. de C.V. (0.2%)
Redfire, Inc. , holding company	State of Delaware, City of Wilmington, County of New Castle (operational headquarters: One Beach Street, Suite 300, San Francisco)	USD	566,321,274 ⁽¹⁾	100.00		
Campari America (Skyy Spirits, LLC) , manufacturing and trading company	State of Delaware, City of Wilmington, County of New Castle (operational headquarters: One Beach Street, Suite 300, San Francisco)	USD	54,897,463	–	100.00	Redfire, Inc.
<i>Other</i>						
Campari (Beijing) Trading Co. Ltd. , trading company	Xingfu Dasha Building, block B, room 511, n° 3 Dongsanhuan BeiLu, Chaoyang District, Beijing	RMB	65,300,430	–	100.00	DI.C.I.E Holding B.V.
Campari Australia Pty Ltd. , trading company	Level 10, Tower B, 207 Pacific Highway, St Leonards, Sydney	AU\$	21,500,000	–	100.00	DI.C.I.E Holding B.V.
Campari Japan Ltd. , trading company	6-17-15, Jingumae Shibuya-ku, Tokyo	JPY	3,000,000	–	100.00	DI.C.I.E Holding B.V.
Other investments		Share Capital at 30 June 2012		% owned by the Parent Company		
Name, location, activity		Currency	Amount	Indirect shareholder	Direct	Valuation method
International Marques V.o.f. , trading company	Nieuwe Gracht 11, Haarlem	€	210,000	33.33	DI.C.I.E Holding B.V.	Equity

(1) company in liquidation

(2) including capital contributions

(3) incorporation into Campari Argentina S.A. in progress

Shareholding Structure

The table below shows the major shareholders at 30 June 2012.

Shareholder ⁽¹⁾	No. of ordinary shares	% of share capital
Alicros S.p.A.....	296,208,000	51.00%
Cedar Rock Capital ⁽²⁾	63,935,156	11.01%
Morgan Stanley Investment Management Limited.....	11,868,704	2.04%
Independent Franchise Partners LLP.....	11,754,665	2.02%

(1) Shareholders who have notified Consob and Davide Campari-Milano S.p.A. that they have shareholdings greater than 2% (pursuant to article 117 of Consob Regulation 11971/99 on notification of significant holdings).

(2) Andrew Brown, Chief Investment Officer of Cedar Rock Capital Ltd., informed Consob in accordance with article 120 of the TUF.

The Company's shares are listed on the *Mercato Telematico Azionario*, the screen-based market of the Italian Stock Exchange.

Davide Campari-Milano S.p.A. is controlled by Alicros S.p.A. as 51 per cent. majority shareholder. The mother of the Company's Chairman Luca Garavoglia, Mrs. Rosa Anna Magno Garavoglia, controls, directly or indirectly, approximately 60 per cent. of the voting rights in Alicros S.p.A., and is thus the controlling shareholder of Davide Campari-Milano S.p.A. Under the Terms and Conditions of the Notes, the Notes may be redeemed at the option of the Noteholders following a Change of Control in the circumstances described in Condition 6.3. See "*Terms and Conditions of the Notes – Condition 6.3 (Redemption at the Option of the Holders upon a Change of Control)*".

Corporate Governance

The Company has adopted the provisions of the Italian Code of Conduct for Listed Companies (*Codice di Autodisciplina delle Società Quotate*) (the **Code**) as its model for corporate governance. The Code was prepared with reference to the 'Format for corporate governance and ownership structure reporting' issued by the Italian Stock Exchange in February 2012. The aim of the Code is to provide the market and shareholders with information pursuant to article 123-bis of Legislative Decree 58 of 24 of February 1998, as well as a complete disclosure on the corporate governance model used by the Company and on specific compliance matters.

The Company has a traditional administration and control model, consisting of a management body, the Board of Directors and a control body, the Board of Statutory Auditors. In accordance with Article 14 of its Articles of Association (the **Articles of Association**) the Company is run by a Board of Directors comprising between three and fifteen members, appointed by the ordinary shareholders' meeting, which also decides on the number of members. The Board of Directors has full ordinary and extraordinary administrative powers to manage the Company and to achieve its corporate purpose. The Board of Directors is responsible for setting out strategic and management guidelines for the Company and the Group and for monitoring general performance, as well as defining and applying the Company's corporate governance rules and examining internal audit procedures.

The Board of Statutory Auditors is responsible for ensuring that the law and the Articles of Association are observed and that the principles of correct administration are applied, and in particular, that the system of internal control and organisational, administrative and accounting procedures are adequate and properly functioning. It also ensures that the corporate governance rules in force at the Company are applied correctly. Article 27 of the Articles of Association states that the Board of Statutory Auditors must comprise three permanent auditors and three alternate auditors.

The shareholders' meeting is responsible for, *inter alia*, approving (i) at ordinary sessions, the annual accounts, the appointment and dismissal of members of the Board of Directors and the appointment of members of the Board of Statutory Auditors, establishing the remuneration of members of the Board of Directors and Statutory Auditors, engaging external auditors and granting responsibilities to members of the Board of Directors and Statutory Auditors, and (ii) at extraordinary sessions, approving changes to the Articles of Association.

The Group observes the principle of correctness, loyalty, honesty and impartiality in carrying out its business. To this end the Company adopted a Code of Ethics in 2004, setting out the above principles and defining the mission and values according to which the Group's employees should operate.

Management and Supervisory Bodies

Board of Directors

The current Board of Directors was appointed by the Company's ordinary shareholders' meeting of 30 April 2010 and will serve for the three fiscal years ending 31 December 2010, 31 December 2011 and 31 December 2012. The current members of the Board of Directors are set out below, together with an indication of their principal activities outside the Company as at the date of this Prospectus in accordance with the criteria on the independence of directors contained in the Code.

Name	Position	Principal activities outside the Company
Luca Garavoglia	Chairman	Member of the Board of Directors of RCS MediaGroup S.p.A.
Robert Kunze-Concewitz	Managing Director and Chief Executive Officer	None
Paolo Marchesini	Managing Director and Chief Financial Officer	None
Stefano Saccardi	Managing Director and General Counsel and Business Development Officer	None
Eugenio Barcellona	Non-executive Director	Member of the Board of Directors of Angelini Finanziaria S.p.A. and Fondazione Angelini
Karen Guerra	Non-executive Director	Member of the Board of Amcor Ltd., Samlerhuset B.V. and Swedish Match AB
Marco P. Perelli Cippo	Non-executive Director	None
Enrico Corradi	Non-executive Director	Sole director of Eredi Savioli S.r.l.; Fulton S.r.l.; Fincorrad S.r.l.; Rio Arianna S.r.l. Chairman of the Board of Directors of Credem Private Equity S.G.R. S.p.A.; Gabriel Fiduciaria S.p.A.; Motion Equity Partners S.r.l. Vice Chairman of the Board of Directors of Max Mara Fashion Group S.r.l. Member of the Board of Directors of Banca Euromobiliare S.p.A.; Credito Emiliano Holding S.p.A.; Euromobiliare Fiduciaria S.p.A.; Gallo S.p.A.; Manifattura Emiliana Pelli S.p.A.; Argo Tractors S.p.A.; P. Fiduciaria S.r.l.; Nomen Fiduciaria S.r.l.; Simon Fiduciaria S.p.A.; Traps S.r.l.; Franzini Annibale S.p.A. Chairman of the Board of Statutory Auditors of Ronzoni & Partner S.r.l.; Fenera Holding S.p.A.; Intertraco S.p.A.; Manifatture del Nord S.r.l. Permanent Auditor of Alleanza Immobiliare SpA.; Comer Industries S.p.A.; Diffusione Tessile S.r.l.; Fintorlonia S.p.A.; Gea Procomac S.p.A.; Grisendi Edilizia S.r.l.; Imax S.r.l.; Manifatture Lunigiane S.r.l.; Marella S.r.l.; Marina Rinaldi S.r.l.
Thomas Ingelfinger	Non-executive Director	Member of the Board of Beiersdorf S.p.A.

The business address of each of the members of the Board of Directors is Via Sacchetti 20, 20099 Sesto San Giovanni (Milan), Italy.

Board of Statutory Auditors

The members of the Board of Statutory Auditors appointed by the ordinary shareholders' meeting of 30 April 2010 for the three fiscal years ending 31 December 2010, 31 December 2011 and 31 December 2012 are listed below:

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

Conflicts of interest

There are no potential conflicts of interest between the duties of members of the Board of Directors and Board of Statutory Auditors to the Company and their private interests or other duties.

Employees

As at 31 December 2011, the Group had approximately 2,300 employees. A summary of the Group's employees by sector, category and region for 2011 and for 2010 is provided in the table below.

	2011	2010
Business sector		
Production	857	930
Sales and distribution	968	878
General	452	399
Total	2,278	2,207
Category		
Managers	137	132
Office staff	1,316	1,229
Manual workers	825	846
Total	2,278	2,207
Region		
Italy	789	807
Abroad	1,489	1,400
Total	2,278	2,207

In all the various countries where the Group has subsidiaries, its dealings with employees are regulated and protected by collective labour agreements and/or the regulations in force locally. Any reorganisation or restructuring, where this becomes essential for strategic reasons, is undertaken on the basis of the plans agreed with employee representatives.

Trademarks and Intellectual Property

The Campari Group has obtained registrations in significant markets for the material trademarks primarily used in its business. The Group believes that its brands and trademarks are of great strategic importance to its business. Accordingly, the Campari Group strives to protect them and is seeking to register them in countries where they

are not currently recorded. The Group has protected its most important trademarks in all relevant markets. The Campari Group licenses its products in a manner that protects its proprietary processes and formulas. For example, the Campari Group provides ready-made pre-mix components but does not disclose the Group's product recipes to its licensees.

Legal Proceedings

The Company and its subsidiaries are defendants in legal proceedings arising in the ordinary course of business. While any litigation has an element of uncertainty, save as disclosed below the Company does not expect that the outcome of any such proceeding, either individually or in aggregate, will have a significant effect upon the Group's financial position or profitability.

The Company is in dispute with the Brazilian tax authorities, which have contested the classification of products sold by Campari do Brasil Ltda. for production tax (IPI) purposes, levying additional taxes and penalties totalling BRL 117.2 million (or €45.4 million converted at the spot exchange rate as at 30 June 2012) and accrued interest at BRL 48.5 million (or €18.8 million converted at the spot exchange rate as at 30 June 2012). In March 2012, a ruling was issued in favour of the Company, however the formulation of the ruling does not provide the Company sufficient legal safeguards against future litigation relating to the same dispute. The Company is therefore intending to appeal the ruling in order to obtain a ruling that fully protects the Company against any future disputes. In view of the outcome of the case and based on the advice of its lawyers, the Group believes that there is no reason to make any specific provision for such matter in its financial statements.

The Company is involved in a further dispute with the Brazilian tax authorities related to a tax inspection report brought to the Company's attention in February 2012 in connection with the payment of a local tax on the consumption of goods and services in respect of sales made by Campari do Brasil Ltda. to a single customer in 2007 and 2008. The amount stipulated, including penalties and interest, totalled BRL 53.6 million (or €20.8 million converted at the spot exchange rate as at 30 June 2012). The dispute is pending before the administrative court in Brazil and is not expected to be settled in the near future. Based on the advice of external legal consultants who have appealed against the finding of the Brazilian tax authorities, the Group believes the outcome of the dispute will be favourable for the Company and that it is unnecessary at present to make any specific provisions for such matter in its financial statements.

Regulation

General

The production, storage, transportation, distribution and sale of the Group's spirits and wines products are subject to extensive governmental regulation throughout the Group's markets and particularly in the United States, Russia, Western Europe and Japan. Such regulations frequently establish a definition of "alcoholic beverages", determine the type of alcohol and additional products that can be used in the production process, regulate packaging and labels, promulgate the procedures that must be followed in importing alcoholic beverages and establish licensing requirements necessary for manufacturing and selling alcoholic beverages in the relevant country.

Sales and advertising

Various jurisdictions prohibit or restrict the sale of spirits and wines in whole or in part. For example, in some of the Campari Group's markets, governmental regulations require that the Group's products be sold only through government monopolies, restrict the times during which sales can be made or limit the retail outlets permitted to sell alcohol to consumers. Regulations in a number of markets, including the United States, Russia, South America and Japan, require that containers of alcoholic beverages bear specific written warning statements. The Campari Group is also subject to regulations concerning the type of advertising that it may use to market its brands. There has been discussion and legislation introduced to ban or significantly restrict television advertising of alcoholic beverages in the United States, France, Russia and a number of other jurisdictions.

Taxation

In most countries, spirits and wines are subject to national excise taxes and customs duties as well as local and other taxes. In some countries, locally produced brands or brands that contain locally produced ingredients are granted preferential tax treatment. Proposals to increase existing taxes or impose new taxes in various jurisdictions are made and implemented from time to time.

Environmental

The Group's industrial activities do not carry any specific risks relating to the environmental policy; however its industrial management has implemented dedicated procedures relating to safety and qualitative controls in the area of environmental pollution and the disposal of solid waste and waste water. The activities are carried out in compliance with the regulations in force in the countries in which the Group operates.

The Group is exposed to risks relating to its responsibility to ensure that its products are safe for consumption. It has therefore put in place procedures aimed at ensuring that products manufactured in Group plants are compliant and safe in terms of quality and hygiene, in accordance with the laws and regulations in force, and voluntary certification standards. In addition the Group has defined guidelines to be implemented if quality is accidentally compromised, such as withdrawing and recalling products from the market.

Recent Events

Agreement to acquire a controlling stake in Lascelles deMercado

On 3 September 2012, Campari announced it had signed an agreement (the **Agreement**) with members of the CL Financial Limited group of companies (**CLF**) to acquire an 81.4 per cent. stake in Lascelles deMercado Co. Limited (**LdM**), a holding company based in Kingston, Jamaica and listed on the Jamaica Stock Exchange. Pursuant to the Agreement, at the time of the closing of the acquisition of LdM, LdM will comprise its spirits business, which includes principally its Jamaican rum range, including *Appleton Estate*, *Appleton Special* and *White, Wray & Nephew* and *Coruba*, the related upstream supply chain, as well as its local consumer products distribution business (the **Acquired Business**). All other LdM assets that are not in the scope of the Acquired Business (principally LdM's insurance business, its transportation assets, as well as securities in other companies) are currently being divested and will not form part of the Acquired Business. All net proceeds from such divestitures will be paid to LdM's current shareholders through an extraordinary dividend(s).

Campari's acquisition of LdM will be made through a formal tender offer to the LdM board of directors and public shareholders to acquire all outstanding ordinary and preference shares pursuant to Jamaican law. Pursuant to the Agreement, CLF have committed to tender their 81.4 per cent. stake in this tender offer. The remaining LdM shareholders may or may not participate in the tender offer, which will be carried out in accordance with Jamaican law.

The total purchase price for 100 per cent. of LdM's share capital is USD 414,754,200 (or approximately €330.0 million converted at the spot exchange rate as at 3 September 2012, the date the acquisition was announced) on a cash free/debt free basis. The completion of the acquisition of CLF's stake in LdM and the formal tender offer process are subject to customary closing conditions and are expected to take place in the fourth quarter of 2012.

As a result of the acquisition of LdM, Campari will enter the rum category, which is currently experiencing significant international expansion driven by increasing consumer demand for aged, spiced and high-proof rums. This acquisition will also be a significant step in the development of Campari as a leading international spirits business, significantly growing the business outside of Italy as well as strengthening its largest and most profitable business, the Spirits segment.

Through the acquisition, Campari intends to develop its critical mass in the key *Appleton* markets of the United States, Canada, Mexico, and acquire a leading franchise in Jamaica, laying the foundations for future international growth through the potential to leverage its strong distribution capabilities.

The Acquired Business includes a portfolio of premium and overproof rums (including a significant inventory of aged rums), including Appleton Estate (super premium aged and produced for shipping), *Appleton Special and White* (a blend specially produced for mixing), *Wray & Nephew White Overproof*, *Coruba* and a strong portfolio of Jamaican wine and spirit brands. In the 12 months ended 30 September 2011, the rum and spirits portfolio achieved total sales volumes of 3.5 million 9 litre cases.

LdM's upstream supply chain operations consist of agriculture facilities, including sugar cane fields, two distilleries, one sugar factory, nine farms and 18 warehouses, all located in Jamaica, as well as a significant inventory of aged rum which Campari intends to utilise to support the global expansion of the Acquired Business. The Acquired Business also includes local merchandising operations focused on the warehousing, sales, marketing and distribution of a wide range of third party consumer products.

The following table sets forth certain unaudited pro forma consolidated financial information which has been derived from the Unaudited Pro Forma Consolidated Financial Information incorporated by reference in this Prospectus. The Unaudited Pro Forma Consolidated Financial Information was prepared for information purposes only to reflect the Company's acquisition of LdM through a formal tender offer to the LdM Board of Directors and public shareholders and the associated financing for such acquisition (the **Transaction**) based on available information and certain assumptions described in the notes to the Unaudited Pro Forma Consolidated Financial Information that the Group believes are reasonable. As described above, pursuant to the Agreement, CLF have committed to tender their 81.4 per cent. stake in the tender offer but there can be no assurance that the remaining shareholders will participate in the tender offer. For the purposes of the Unaudited Pro Forma Consolidated Financial Information, it has been assumed that all shareholders will participate and therefore 100 per cent. of the tender offer will be subscribed.

The Unaudited Pro Forma Consolidated Financial Information was prepared to simulate the main effects of the Transaction on the Group's consolidated statement of financial position and consolidated income statement, using accounting principles consistent with the historical financial information of the Group, as if the Transaction had occurred in the period to which it relates. In particular, the pro forma consolidated income statement contained in the Unaudited Pro Form Consolidated Financial Information and set out in the following table was prepared assuming the Transaction had occurred on 1 July 2011.

The Unaudited Pro Forma Consolidated Financial Information is presented for illustrative purposes only and, because of its nature, addresses a hypothetical situation and, therefore, does not represent the Group's actual financial results. It may not, therefore, give a true picture of the Group's financial position or results of operations, nor is it indicative of the results that may, or may not, be expected to be achieved in the future. It should be noted that the Unaudited Pro Forma Consolidated Financial Information does not purport to predict or estimate the future results of the Group and should not be used for this purpose.

The information set forth below should be read together with the Unaudited Pro Forma Consolidated Financial Information which is incorporated by reference in this Prospectus.

Investors are cautioned against placing undue reliance on the information set forth below and on the Unaudited Pro Forma Consolidated Financial Information. See "*Risk Factors – The unaudited pro forma consolidated financial information for the twelve months ended 30 June 2012 is for informational purposes only*".

	12 months ended 30 June 2012		
	CAMPARI	Acquired	CAMPARI
	GROUP ⁽¹⁾	Business ⁽²⁾	GROUP
		Pro Forma ⁽³⁾	
	<i>(€ millions)</i>		
Net sales	1,303.4	206.2	1,509.6
Cost of goods sold	(552.1)	(133.7)	(685.8)
Gross profit	751.3	72.5	823.8
Advertising and promotional costs	(226.6)	(13.2)	(239.8)
Contribution margin	524.7	59.3	584.0
Overheads	(222.3)	(42.5)	(264.8)
Operating result	302.4	16.8	319.2

	12 months ended 30 June 2012		
	CAMPARI	Acquired	CAMPARI
	GROUP ⁽¹⁾	Business ⁽²⁾	GROUP
		Pro Forma ⁽³⁾	
	<i>(€ millions)</i>		
Operating result	302.4	16.8	319.2
Depreciation and amortisation	30.7	3.9	34.6
EBITDA ⁽⁴⁾	333.1	20.7	353.8

1. Campari Group historical information relates to the income statement information of the Campari Group for the twelve months ended 30 June 2012.
2. Acquired Business relates to the income statement information of the Acquired Business for the twelve months ended 30 June 2012. A full explanation of the basis of preparation of such information is included in the Unaudited Pro Forma Consolidated Financial Information.
3. Campari Group Pro Forma reflects the Campari Group historical information for the twelve months ended 30 June 2012, adjusted to reflect the results of operations for the Acquired Business for the twelve months ended 30 June 2012. A full explanation of all adjustments is included in the Unaudited Pro Forma Consolidated Financial Information.
4. EBITDA is defined as profit for the period before taxes, income/(charges) relating to put options and earn-outs, share in profit (loss) of companies valued at equity, financial income and charges and depreciation and amortisation. It should be noted that EBITDA is not recognised as a measure of performance or liquidity under IFRS and should not be recognised as an alternative to operating income or net profit or any other performance measures derived in accordance with IFRS or any other generally accepted accounting principles. EBITDA is used by management to monitor the underlying performance of the business and operations. EBITDA is not indicative of the Group's historical operating results, nor is it meant to be predictive of future results. Since all companies do not calculate these measures in an identical manner, the Group's presentation may not be consistent with similar measures used by other companies. Therefore, undue reliance should not be placed on this data.

OVERVIEW FINANCIAL INFORMATION OF THE ISSUER

The tables below set out an overview of the consolidated financial information of the Campari Group as at and for the years ended 31 December 2011 and 2010, and as at and for the six months ended 30 June 2012 and 2011.

The financial information set out below is derived from and should be read in conjunction with, and is qualified in its entirety by reference to the full audited consolidated annual financial statements of the Issuer as at and for the years ended 31 December 2011 and 2010, and the unaudited consolidated half-yearly financial statements of the Issuer as at and for the six months ended 30 June 2012, in each case together with the accompanying notes and auditors' reports, all of which are incorporated by reference in this Base Prospectus.

The Issuer has prepared its consolidated annual financial statements and its half-yearly financial information in accordance with International Financial Reporting Standards, as adopted by the European Union. PricewaterhouseCoopers S.p.A., auditors to the Issuer, have audited the annual consolidated financial statements of the Issuer as at and for the years ended 31 December 2011 and 2010, and have performed a limited review on the half-yearly financial information of the Issuer as at and for the six months ended 30 June 2012 in accordance with Article 81 of CONSOB Regulations No. 11971 of 14 May 1999, as amended.

CONSOLIDATED ANNUAL INCOME STATEMENTS

	For the year ended 31 December	
	2011	2010
	<i>(€ millions, except per share data)</i>	
Net sales	1,274.2	1,163.0
Cost of goods sold	(539.6)	(496.2)
Gross profit	734.6	666.8
Advertising and promotional costs	(229.1)	(203.2)
Contribution margin	505.5	463.6
Overheads	(210.0)	(194.1)
<i>of which: non-recurring</i>	(3.1)	(3.3)
Operating Result	295.5	269.5
Financial income and charges	(45.1)	(35.7)
<i>of which: non-recurring</i>	(1.9)	1.9
Share in profit (loss) of companies valued at equity	(0.4)	(0.6)
Income (charges) relating to put options and earn-outs	0.5	(0.3)
Profit before tax	250.6	232.9
Taxes	(90.9)	(76.2)
Profit for the period	159.8	156.7
Profit attributable to:		
Parent Company shareholders	159.2	156.2
Minority interests	0.6	0.5
	159.8	156.7
Basic earnings per share (€)	0.27	0.27
Diluted earnings per share (€)	0.27	0.27

CONSOLIDATED ANNUAL BALANCE SHEETS

	As at 31 December	
	2011	2010
	<i>(€ millions)</i>	
ASSETS		
Non-current assets		
Net tangible fixed assets	320.6	325.7
Biological assets	17.4	18.1
Investment property	0.6	0.6
Goodwill and brands	1,448.6	1,409.1
Intangible assets with a finite life	21.0	18.8
Investments in affiliates and joint ventures	–	–
Deferred tax assets	6.5	8.4
Other non-current assets	17.1	6.7
Total non-current assets	1,831.8	1,787.4
Current assets		
Inventories	331.3	294.9
Trade receivables	278.0	269.4
Short-term financial receivables	1.8	1.6
Cash and cash equivalents	414.2	259.7
Current tax receivables	17.8	5.8
Other receivables.....	23.9	21.1
Total current assets	1,066.9	852.5
Non-current assets held for sale.....	2.3	11.2
Total assets	2,901.0	2,651.1

CONSOLIDATED ANNUAL BALANCE SHEETS (continued)

	As at 31 December	
	2011	2010
	(€ millions)	
LIABILITIES AND SHAREHOLDERS' EQUITY		
Shareholders' equity		
Share capital.....	58.1	58.1
Reserves	1,305.6	1,191.8
Parent Company's portion of shareholders' equity	1,363.7	1,249.9
Minorities' portion of shareholders' equity.....	3.7	3.0
Total shareholders' equity	1,367.5	1,252.9
Non-current liabilities		
Bonds	787.8	846.3
Other non-current liabilities.....	37.1	34.3
Defined benefit plans	8.8	9.8
Provision for risks and charges.....	7.1	19.6
Deferred tax liabilities	144.4	114.0
Total non-current liabilities	985.2	1,024.0
Current liabilities		
Payables to banks.....	144.9	38.4
Other financial payables	103.2	22.9
Trade payables	166.8	187.4
Current payables to tax authorities	34.6	28.7
Other current liabilities	98.9	96.8
Total current liabilities	548.4	374.2
Total liabilities and shareholders' equity	2,901.0	2,651.1

UNAUDITED CONSOLIDATED HALF-YEARLY INCOME STATEMENTS

For the six months ended 30 June

	2012 (Unaudited)	2011 (Unaudited)
	<i>(€ millions, except per share data)</i>	
Net sales	618.3	589.1
Cost of goods sold	(255.1)	(242.6)
Gross profit	363.2	346.5
Advertising and promotional costs	(103.3)	(105.8)
Contribution margin	259.9	240.7
Overheads	(116.1)	(103.8)
<i>of which: non-recurring</i>	<i>(3.6)</i>	<i>(2.1)</i>
Operating result	143.8	136.9
Financial income and charges	(21.0)	(21.5)
<i>of which: non-recurring</i>	<i>(0.1)</i>	–
Share in profit (loss) of companies valued at equity	–	0.1
Income (charges) relating to put options and earn-outs	(0.1)	–
Profit before tax	122.7	115.4
Taxes	(44.5)	(39.9)
Profit for the period	78.2	75.5
Profit attributable to:		
Parent Company shareholders	77.9	75.3
Minority interests	0.3	0.3
	78.2	75.5
Basic earnings per share (€)	0.14	0.13
Diluted earnings per share (€)	0.13	0.13

UNAUDITED CONSOLIDATED HALF-YEARLY BALANCE SHEETS

	As at 30 June 2012 (Unaudited) (€ millions)	As at 31 December 2011
ASSETS		
Non-current assets		
Net tangible fixed assets	319.5	320.6
Biological assets	17.1	17.4
Investment property	0.5	0.6
Goodwill and brands	1,465.9	1,448.6
Intangible assets with a finite life	21.0	21.0
Investments in affiliates and joint ventures	0.0	0.0
Deferred tax assets	8.7	6.5
Other non-current assets	19.7	17.1
Total non-current assets	1,852.4	1,831.8
Current assets		
Inventories	379.6	331.3
Trade receivables	305.5	278.0
Short-term financial receivables	7.7	1.8
Cash and cash equivalents	380.2	414.2
Current tax receivables	13.8	17.8
Other receivables	25.7	23.9
Total current assets	1,112.5	1,066.9
Non-current assets held for sale	1.1	2.3
Total assets	2,966.0	2,901.0

UNAUDITED CONSOLIDATED HALF-YEARLY BALANCE SHEETS (continued)

	As at 30 June 2012 (Unaudited) (€ millions)	As at 31 December 2011
LIABILITIES AND SHAREHOLDERS' EQUITY		
Shareholders' equity		
Share capital.....	58.1	58.1
Reserves	1,357.3	1,305.6
Parent Company's portion of shareholders' equity	1,415.4	1,363.7
Minorities' portion of shareholders' equity.....	4.0	3.7
Total shareholders' equity	1,419.4	1,367.5
Non-current liabilities		
Bonds	803.7	787.8
Other non-current liabilities.....	22.1	37.1
Defined-benefit plans.....	8.7	8.8
Provision for risks and future liabilities	7.3	7.1
Deferred tax liabilities	155.9	144.4
Total non-current liabilities	997.7	985.2
Current liabilities		
Payables to banks.....	124.0	144.9
Other financial payables	111.6	103.2
Trade payables	196.4	166.8
Current payables to tax authorities	23.9	34.6
Other current liabilities	92.9	98.9
Total current liabilities	548.8	548.4
Total liabilities and shareholders' equity	2,966.0	2,901.0

TAXATION

Republic of Italy

The statements herein regarding taxation are based on the laws in force in Italy as of the date of this Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all of the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. Prospective purchasers of the Notes are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Notes.

Tax treatment of Notes

Legislative Decree No. 239 of 1 April 1996, as subsequently amended, (**Decree 239**) provides for the applicable regime with respect to the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price) from Notes falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*), issued, *inter alia*, by Italian listed companies.

Italian resident Noteholders

Where an Italian resident Noteholder is (a) an individual not engaged in an entrepreneurial activity to which the Notes are connected (unless he has opted for the application of the *risparmio gestito* regime – see under “Capital gains tax” below); (b) a non-commercial partnership; (c) a non-commercial private or public institution; or (d) an investor exempt from Italian corporate income taxation, interest, premium and other income relating to the Notes, are subject to a withholding tax, referred to as “*imposta sostitutiva*”, levied at the rate of 20 per cent. In the event that the Noteholders described under (a) and (c) above are engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* applies as a provisional tax.

Where an Italian resident Noteholder is a company or similar commercial entity, or a permanent establishment in Italy of a foreign company to which the Notes are effectively connected, and the Notes are deposited with an authorised intermediary, interest, premium and other income from the Notes will not be subject to *imposta sostitutiva*, but must be included in the relevant Noteholder’s income tax return and are therefore subject to general Italian corporate taxation (and, in certain circumstances, depending on the “status” of the Noteholder, also to the regional tax on productive activities (**IRAP**)).

Under the current regime provided by Law Decree No. 351 of 25 September 2001 converted into law with amendments by Law No. 410 of 23 November 2001 (**Decree 351**), as clarified by the Italian Revenues Agency (*Agenzia delle Entrate*) through Circular No. 47/E of 8 August 2003, payments of interest, premiums or other proceeds in respect of the Notes made to Italian resident real estate investment funds established pursuant to Article 37 of Legislative Decree No. 58 of 24 February 1998 or pursuant to Article 14-bis of Law No. 86 of 25 January 1994, are subject neither to *imposta sostitutiva* nor to any other income tax in the hands of a real estate investment fund.

If the investor is resident in Italy and is an open-ended or closed-ended investment fund or a SICAV (an investment company with variable capital) established in Italy and either (i) the fund or SICAV or (ii) their manager is subject to the supervision of a regulatory authority (the **Fund**), and the relevant Notes are held by an authorised intermediary, interest, premium and other income accrued during the holding period on such Notes will not be subject to *imposta sostitutiva*, but must be included in the management results of the Fund. The Fund will not be subject to taxation on such results but a substitute tax of 20 per cent. will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders (the **Collective Investment Fund Substitute Tax**).

Where an Italian resident Noteholder is a pension fund (subject to the regime provided for by Article 17 of the Legislative Decree No. 252 of 5 December 2005) and the Notes are deposited with an authorised intermediary, interest, premium and other income relating to the Notes and accrued during the holding period will not be subject

to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to an 11 per cent. substitute tax.

Pursuant to Decree 239, *imposta sostitutiva* is applied by banks, SIMs, fiduciary companies, SGRs, stockbrokers and other entities identified by a decree of the Ministry of Finance (each an **Intermediary**).

An Intermediary must (a) be resident in Italy or be a permanent establishment in Italy of a non-Italian resident financial intermediary and (b) intervene, in any way, in the collection of interest or in the transfer of the Notes. For the purpose of the application of the *imposta sostitutiva*, a transfer of Notes includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant Notes or in a change of the Intermediary with which the Notes are deposited.

Where the Notes are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by any entity paying interest to a Noteholder.

Non-Italian resident Noteholders

Where the Noteholder is a non-Italian resident without a permanent establishment in Italy to which the Notes are connected, an exemption from the *imposta sostitutiva* applies provided that the non-Italian resident beneficial owner is either (a) resident, for tax purposes, in a country which allows for a satisfactory exchange of information with Italy; or (b) an international body or entity set up in accordance with international agreements which have entered into force in Italy; or (c) a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or (d) an institutional investor which is resident in a country which allows for a satisfactory exchange of information with Italy, even if it does not possess the status of taxpayer in its own country of residence.

The *imposta sostitutiva* will be applicable at the rate of 20 per cent. (or at the reduced rate provided for by the applicable double tax treaty, if any) to interest, premium and other income paid to Noteholders who are resident, for tax purposes, in countries which do not allow for a satisfactory exchange of information with Italy.

Please note that according to the Law No. 244 of 24 December 2007 (**Budget Law 2008**) a Decree still to be issued will introduce a new “white list” replacing the current “black list” system, so as to identify those countries which allow for a satisfactory exchange of information.

In order to ensure gross payment, non-Italian resident Noteholders must be the beneficial owners of the payments of interest, premium or other income and (a) deposit, directly or indirectly, the Notes with a resident bank or SIM or a permanent establishment in Italy of a non-Italian resident bank or SIM or with a non-Italian resident entity or company participating in a centralised securities management system which is in contact, via computer, with the Ministry of Economy and Finance and (b) file with the relevant depository, prior to or concurrently with the deposit of the Notes, a statement of the relevant Noteholder, which remains valid until withdrawn or revoked, in which the Noteholder declares to be eligible to benefit from the applicable exemption from *imposta sostitutiva*. Such statement, which is not requested for international bodies or entities set up in accordance with international agreements which have entered into force in Italy nor in case of foreign Central Banks or entities which manage, *inter alia*, the official reserves of a foreign State, must comply with the requirements set forth by Ministerial Decree of 12 December 2001, as subsequently amended.

Capital gains tax

Any gain obtained from the sale or redemption of the Notes would be treated as part of the taxable income (and, in certain circumstances, depending on the “status” of the Noteholder, also as part of the net value of the production for IRAP purposes) if realised by an Italian company or a similar commercial entity (including the Italian permanent establishment of foreign entities to which the Notes are connected) or Italian resident individuals engaged in an entrepreneurial activity to which the Notes are connected.

Where an Italian resident Noteholder is (i) an individual holding the Notes not in connection with an entrepreneurial activity, (ii) a non commercial partnership, (iii) a non commercial private or public institution, any capital gain realised by such Noteholder from the sale or redemption of the Notes would be subject to an *imposta sostitutiva*, levied at the current rate of 20 per cent. Noteholders may set off losses with gains.

In respect of the application of *imposta sostitutiva*, taxpayers may opt for one of the three regimes described below.

Under the tax declaration regime (*regime della dichiarazione*), which is the default regime for Italian resident individuals not engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains, net of any incurred capital loss, realised by the Italian resident individual Noteholder holding the Notes not in connection with an entrepreneurial activity pursuant to all sales or redemptions of the Notes carried out during any given tax year. Italian resident individuals holding the Notes not in connection with an entrepreneurial activity must indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual tax return and pay *imposta sostitutiva* on such gains together with any balance income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years.

As an alternative to the tax declaration regime, Italian resident individual Noteholders holding the Notes not in connection with an entrepreneurial activity may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale or redemption of the Notes (the *risparmio amministrato* regime). Such separate taxation of capital gains is allowed subject to (a) the Notes being deposited with Italian banks, SIMs or certain authorised financial intermediaries (including permanent establishments in Italy of foreign intermediaries) and (b) an express election for the *risparmio amministrato* regime being timely made in writing by the relevant Noteholder. The depository is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of the Notes (as well as in respect of capital gains realised upon the revocation of its mandate), net of any incurred capital loss, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Noteholder or using funds provided by the Noteholder for this purpose. Under the *risparmio amministrato* regime, where a sale or redemption of the Notes results in a capital loss, such loss may be deducted from capital gains subsequently realised, within the same securities management, in the same tax year or in the following tax years up to the fourth. Under the *risparmio amministrato* regime, the Noteholder is not required to declare the capital gains in the annual tax return.

Any capital gains realised by Italian resident individuals holding the Notes not in connection with an entrepreneurial activity who have entrusted the management of their financial assets, including the Notes, to an authorised intermediary and have opted for the so-called “*risparmio gestito*” regime will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 20 per cent. substitute tax, to be paid by the managing authorised intermediary. Under the *risparmio gestito* regime, any depreciation of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Under the *risparmio gestito* regime, the Noteholder is not required to declare the capital gains realised in the annual tax return.

Any capital gains realised by a Noteholder who is an Italian real estate fund to which the provisions of Decree 351 as subsequently amended apply will be subject neither to *imposta sostitutiva* nor to any other income tax at the level of the real estate investment fund.

Any capital gains realised by a Noteholder which is a Fund will not be subject to *imposta sostitutiva*, but will be included in the result of the relevant portfolio. Such result will not be taxed with the Fund, but subsequent distributions in favour of unitholders of shareholders may be subject to the Collective Investment Fund Substitute Tax.

Any capital gains realised by a Noteholder who is an Italian pension fund (subject to the regime provided for by article 17 of the Legislative Decree No. 252 of 5 December 2005) will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 11 per cent. substitute tax.

Capital gains realised by non-Italian resident Noteholders, not having a permanent establishment in Italy to which the Notes are connected, from the sale or redemption of Notes traded on regulated markets are neither subject to the *imposta sostitutiva* nor to any other Italian income tax.

Capital gains realised by non-Italian resident Noteholders from the sale or redemption of Notes not traded on regulated markets are not subject to the *imposta sostitutiva*, provided that the effective beneficiary: (a) is resident in a country which allows for a satisfactory exchange of information with Italy; or (b) is an international entity or body set up in accordance with international agreements which have entered into force in Italy; or (c) is a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or (d) is an institutional investor which is resident in a country which allows for a satisfactory exchange of information with Italy, even if it does not possess the status of taxpayer in its own country of residence.

Please note that, according to the Budget Law 2008, a Decree still to be issued should introduce a new 'white list' replacing the current 'black list' system, so as to identify those countries which (i) allow for a satisfactory exchange of information; and (ii) do not have a more favourable tax regime.

If none of the conditions above is met, capital gains realised by non-Italian resident Noteholders from the sale or redemption of Notes not traded on regulated markets are subject to the *imposta sostitutiva* at the current rate of 20 per cent.

In any event, non-Italian resident individuals or entities without a permanent establishment in Italy to which the Notes are connected that may benefit from a double taxation treaty with Italy providing that capital gains realised upon the sale or redemption of Notes are to be taxed only in the country of tax residence of the recipient, will not be subject to *imposta sostitutiva* in Italy on any capital gains realised upon the sale or redemption of Notes.

Inheritance and gift taxes

Pursuant to Law Decree No. 262 of 3 October 2006, converted into Law No. 286 of 24 November 2006, as subsequently amended, the transfers of any valuable asset (including shares, notes or other securities) as a result of death or donation are taxed as follows:

- (i) transfers in favour of spouses and direct descendants or direct ancestors are subject to an inheritance and gift tax applied at a rate of 4 per cent. on the value of the inheritance or the gift exceeding, for each beneficiary, €1,000,000;
- (ii) transfers in favour of relatives to the fourth degree or relatives-in-law to the third degree are subject to an inheritance and gift tax at a rate of 6 per cent. on the entire value of the inheritance or the gift. Transfers in favour of brothers/sisters are subject to the 6 per cent. inheritance and gift tax on the value of the inheritance or the gift exceeding, for each beneficiary, €100,000; and
- (iii) any other transfer is, in principle, subject to an inheritance and gift tax applied at a rate of 8 per cent. on the entire value of the inheritance or the gift.

Transfer tax

Following the repeal of the Italian transfer tax, as from 31 December 2007, contracts relating to the transfer of securities are subject to the following registration tax: (i) public deeds and notarised deeds are subject to fixed registration tax at a rate of €168.00; (ii) private deeds are subject to registration tax only in the case of voluntary registration.

Stamp duty

Pursuant to Article 19(1) of Decree No. 201 of 6 December 2011 (**Decree 201**), a proportional stamp duty applies on an annual basis to any periodic reporting communications which may be sent by a financial intermediary to a Noteholder in respect of any Notes which may be deposited with such financial intermediary. The stamp duty applies at a rate of 0.1 per cent. for the year 2012 and at 0.15 per cent. for subsequent years; this stamp duty is determined on the basis of the market value or – if no market value figure is available – the nominal value or redemption amount of the Notes held. The stamp duty can be no lower than €34.20 and, for the year 2012 only, it cannot exceed €1,200.

Under a preliminary interpretation of the law, it may be understood that the stamp duty applies both to Italian resident and non-Italian resident Noteholders, to the extent that Notes are held with an Italian-based financial intermediary.

Wealth Tax on securities deposited abroad

Pursuant to Article 19(18) of Decree 201, Italian resident individuals holding the Notes outside the Italian territory are required to pay an additional tax at a rate of 0.1 per cent. for 2011 and 2012, and at 0.15 per cent. for subsequent years.

This tax is calculated on the market value of the Notes at the end of the relevant year or – if no market value figure is available – the nominal value or the redemption value of such financial assets held outside the Italian territory. Taxpayers are entitled to an Italian tax credit equivalent to the amount of wealth taxes paid in the State where the financial assets are held (up to an amount equal to the Italian wealth tax due).

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income (the **EU Savings Directive**), Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to, or collected by such a person for, an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the EU Savings Directive which, if implemented, may amend or broaden the scope of the requirements described above.

Implementation in Italy of the Savings Directive

Italy has implemented the EU Savings Directive through Legislative Decree No. 84 of 18 April 2005 (**Decree 84**). Under Decree 84, subject to a number of important conditions being met, in the case of interest paid to individuals which qualify as beneficial owners of the interest payment and are resident for tax purposes in another Member State, Italian qualified paying agents shall report to the Italian Tax Authorities details of the relevant payments and personal information on the individual beneficial owner and shall not apply the withholding tax. Such information is transmitted by the Italian Tax Authorities to the competent foreign tax authorities of the State of residence of the beneficial owner.

Luxembourg

The following information is of a general nature only and is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. The information contained within this section is limited to Luxembourg withholding tax issues and prospective investors in the Notes should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

Withholding tax

Non-resident Noteholders

Under Luxembourg general tax laws currently in force and subject to the laws of 21 June 2005, as amended (the **Laws**) mentioned below, there is no withholding tax on payments of principal, premium or interest made to non-resident Noteholders, nor on accrued but unpaid interest in respect of the Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Notes held by non-resident Noteholders.

Under the Laws implementing the EC Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments and ratifying the treaties entered into by Luxembourg and certain dependent and associated territories of EU Member States (the **Territories**), payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the immediate benefit of an individual beneficial owner or a residual entity, as defined by the Laws, which is a resident of, or established in, an EU Member State (other than Luxembourg) or one of the Territories, will be subject to a withholding tax unless the relevant recipient has adequately instructed the relevant paying agent to provide details of the relevant payments of interest or similar income to the fiscal authorities of his/her/its country of residence or establishment, or, in the case of an individual beneficial owner, has provided a tax certificate issued by the fiscal authorities of his/her country of residence in the required format to the relevant paying agent. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Notes coming within the scope of the Laws will be subject to a withholding tax at a rate of 35 per cent.

Resident Noteholders

Under Luxembourg general tax laws currently in force and subject to the law of 23 December 2005, as amended (the **Law**) mentioned below, there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident Noteholders, nor on accrued but unpaid interest in respect of Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Notes held by Luxembourg resident Noteholders.

Under the Law, payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the benefit of an individual beneficial owner who is a resident of Luxembourg will be subject to a withholding tax of 10 per cent. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Notes coming within the scope of the Law will be subject to withholding tax at a rate of 10 per cent.

SUBSCRIPTION AND SALE

The Joint Lead Managers have, in a subscription agreement dated 23 October 2012 (the **Subscription Agreement**) and made between the Issuer and the Joint Lead Managers upon the terms and subject to the conditions contained therein, jointly and severally agreed to subscribe for the Notes at their issue price of 99.068 per cent. of their principal amount. The Issuer has also agreed to reimburse the Joint Lead Managers for certain of its expenses incurred in connection with the management of the issue of the Notes. The Joint Lead Managers are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issue of the Notes.

United Kingdom

Each Joint Lead Manager has further represented, warranted and undertaken that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

United States of America

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

Each Joint Lead Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes, (a) as part of their distribution at any time or (b) otherwise, until 40 days after the later of the commencement of the offering and the issue date of the Notes, within the United States or to, or for the account or benefit of, U.S. persons, and that it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

In addition, until 40 days after commencement of the offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Republic of Italy

The offering of the Notes has not been registered with the *Commissione Nazionale per le Società e la Borsa* (**CONSOB**) (the Italian Securities Exchange Commission) pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of the Prospectus or of any other document relating to the Notes be distributed in the Republic of Italy, except:

- (i) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the **Financial Services Act**) and Article 34-ter, first paragraph, letter b) of CONSOB Regulation No. 11971 of 14 May 1999 (as amended from time to time) (**Regulation No. 11971**); or
- (ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-ter of Regulation No. 11971.

Any offer, sale or delivery of the Notes or distribution of copies of the Prospectus or any other document relating to the Notes in the Republic of Italy under (i) or (ii) above must be:

- (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of 29 October 2007 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the **Banking Act**);
- (b) in compliance with Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may require information on the issue or the offer of securities in the Republic of Italy; and
- (c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or any other Italian authority.

Any investor purchasing the Notes is solely responsible for ensuring that any offer or resale of the Notes by such investor occurs in compliance with applicable Italian laws and regulations.

General

Each Joint Lead Manager has agreed that it will obtain any consent, approval or permission which is required for the offer, purchase or sale of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such offers, purchases or sales and it will comply with all such laws and regulations. Persons into whose hands this Prospectus comes are required by the Issuer and the Joint Lead Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Prospectus or any other offering material relating to the Notes, in all cases at their own expense.

GENERAL INFORMATION

Authorisation

The creation and issue of the Notes has been authorised by resolutions of the Board of Directors of the Issuer dated 27 September 2012.

Listing and Admission to Trading

Application has been made to the CSSF to approve this document as a prospectus. Application has also been made to the Luxembourg Stock Exchange for the Notes to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC).

Expenses Related to Admission to Trading

The total expenses related to admission to trading are estimated at €4,345.00.

Use of Proceeds

The net proceeds of the issue of the Notes will be used by the Issuer for the acquisition of LdM, as further described in "*Recent Events – Agreement to acquire a controlling stake in Lascelles deMercado*" and for general corporate purposes.

Legal and Arbitration Proceedings

Save as disclosed in this Prospectus at page 56, there are no governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Issuer is aware), which may have, or have had during the 12 months prior to the date of this Prospectus, a significant effect on the financial position or profitability of the Issuer and its Subsidiaries.

Significant/Material Change

Since 31 December 2011 there has been no material adverse change in the prospects of the Issuer and its Subsidiaries and, since 30 June 2012, there has been no significant change in the financial or trading position of the Issuer and its Subsidiaries.

Auditors

The consolidated financial statements of the Issuer and its subsidiaries as at and for the years ended 31 December 2011 and 2010, incorporated by reference in this Prospectus, have been audited by PricewaterhouseCoopers S.p.A., independent accountants, as stated in their reports incorporated by reference herein.

PricewaterhouseCoopers S.p.A. is registered under No. 43 in the Special Register (*Albo Speciale*) maintained by CONSOB and set out at Article 161 of Legislative Decree No. 58 of 24 February 1998 (as amended) and in the Register of Accountancy Auditors (*Registro dei Revisori Contabili*), in compliance with the provisions of Legislative Decree of 27 January, 1992, No. 88.

Documents on Display

For so long as the Notes remain outstanding, copies of the following documents (together, where appropriate, with English translations thereof) may be inspected during normal business hours at the offices of the Agent at Winchester House, 1 Great Winchester Street, London EC2N 2DB:

- (a) the by-laws (*Statuto*) of the Issuer;
- (b) the Subscription Agreement;

- (c) the Agency Agreement;
- (d) the audited consolidated financial statements of the Issuer as at and for the years ended 31 December 2011 and 2010 and the unaudited consolidated financial statements of the Issuer as at and for the six months ended 30 June 2012; and
- (e) the unaudited pro forma consolidated financial information as at and for the twelve months ended 30 June 2012.

Potential Conflicts of Interest

The Joint Lead Managers and their respective affiliates engage, and may in the future engage, in investment banking, commercial banking (including the provision of loan facilities) and other related transactions with the Issuer and its affiliates and may perform services for them, in each case in the ordinary course of business.

Certain of the Joint Lead Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer and its affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Joint Lead Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or the issuer's affiliates. Certain of the Joint Lead Managers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Joint Lead Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Issuer's securities, including potentially the Notes offered hereby. Any such short positions could adversely affect future trading prices of the Notes offered hereby. The Joint Lead Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. For the avoidance of doubt, in this Prospectus the term 'affiliates' includes also parent companies.

Yield

On the basis of the issue price of the Notes of 99.068 per cent. of their principal amount, the gross yield of the Notes is 4.659 per cent. on an annual basis.

Legend Concerning U.S. Persons

The Notes and any Coupons appertaining thereto will bear a legend to the following effect: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code".

ISIN and Common Code

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN is XS0848458179 and the common code is 084845817.

The address of Euroclear is Euroclear Bank S.A./N.V., 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L 1855 Luxembourg.

REGISTERED OFFICE OF THE ISSUER

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Italy

JOINT LEAD MANAGERS

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Italy

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Winchester House
1 Great Winchester Street
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United Kingdom

Merrill Lynch International
2 King Edward Street
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United Kingdom

AGENT AND PAYING AGENT

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

LEGAL ADVISERS

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