DAVIDE CAMPARI-MILANO S.p.A.

2011 ANNUAL REPORT

Contents

Highlights

	2011 € million	2010 € million	Change %	% change at constant exchange rates
Net sales	**1,274.2**	**1,163.0**	**9.6**	**10.2**
Contribution margin	505.5	463.6	9.0	9.3
EBITDA before non-recurring items	329.0	298.6	10.2	10.5
EBITDA	**325.8**	**295.3**	**10.3**	**10.6**
Result from recurring activities	298.7	272.8	9.5	9.6
Operating result	**295.5**	**269.5**	**9.7**	**9.7**
ROS %	**23.2%**	**23.2%**		
Profit before tax	250.6	232.9	7.6	7.2
Group net profit	**159.2**	**156.2**	**1.9**	**1.4**
Basic and diluted earnings per share (€)	0.27	0.27		
Average number of employees	2,278	2,207		

	31 December 2011 € million	31 December 2010 € million
Free cash flow	136.0	132.0
Acquisitions of companies and brands	26.0	149.6
Net debt	636.6	677.0
Shareholders' equity - Group and minorities	1,367.5	1,252.9
Fixed assets	1,810.5	1,783.4
Working capital and other net assets	193.5	146.5
ROI %	**16.3%**	**15.1%**

Corporate officers

Board of Directors [1]

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

Board of Statutory Auditors[2]

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

Independent auditors[3]

PricewaterhouseCoopers S.p.A.

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

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

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

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

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

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

Report on operations

Significant events during the year

Launch of Aperol Spritz

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

Acquisition of Vasco (CIS) OOO in Russia

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

Acquisition of Sagatiba Brasil S.A.

On 3 August 2011, the Campari Group finalised the acquisition of the entire share capital of Sagatiba Brasil S.A., which was directly and indirectly controlled by the businessman Marco de Moraes.
The business acquired includes the Sagatiba brand and its associated assets, including the storage facility for finished products.
The acquisition price, net of the cash acquired, was € 18.7 million, plus an annual earn-out payment for each of the next eight years after the closing, estimated at € 3.7 million at the acquisition date.
The implied multiple based on the total purchase price, including the expected value of the earn-out, is 13x 2012 EBITDA, as this is the first full year when the acquired business will be consolidated in the Group's financial statements.
Sagatiba, which the Campari Group started to market in Latin America in March 2010 on the basis of an earlier distribution agreement, was founded by businessman Marco de Moraes in 2004 and is the market leader in Brazil in the rapidly expanding premium *cachaça* segment.
In December 2011, the acquired company was merged into Brazilian subsidiary Campari do Brasil Ltda.

Acquisition of the Cazalis and Reserva San Juan brands in Argentina and launch of new production lines

On 10 May 2011, the Group finalised the acquisition of the aperitif Cazalis and the brandy Reserva San Juan in Argentina from Destiladora Internacional S.A. for US$ 1.5 million.
These brands were already distributed by Campari Argentina S.A., which will now commence production at its Capilla del Señor facility in 2012.
In October 2011, the production of Campari began at the same plant and is now integrated from an industrial perspective as well, following the Group's repurchase of the production and marketing rights for Cinzano in Argentina in July 2010.

Termination of the distribution of Russian Standard in Italy

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

Termination of the distribution of Cutty Sark in the US

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

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

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

Sale of Qingdao Sella & Mosca Winery Co Ltd

The shareholdings in Qingdao Sella & Mosca Winery Co Ltd were sold for a purchase price of € 0.3 million. Negotiations for the sale also included a waiver of the Group's receivables from the sold company. The capital gain on the transaction, including related costs, was not material at consolidated level.

Resolution to liquidate the joint venture International Marques V.o.f.

In November, the partners of the Dutch company International Marques V.o.f. decided to liquidate the joint venture.
The decision was announced in December to the parties involved and at 31 December 2011, the parent company DI.CI.E Holding B.V. made provision in its financial statements for the best estimate of its portion of the closing costs (€ 0.4 million). The joint venture will be wound up in the first half of 2012.
Negotiations are currently under way with external distributors on an agreement to sell the Group's brands on the Dutch market.

Simplifying the Group's structure

As part of the ongoing process of streamlining and simplifying the corporate structure of the Group, the merger of Zedda Piras S.p.A. into Sella & Mosca S.p.A. was completed in June 2011. As a result of the operation, the Group achieved greater operational efficiency due to the integration of the manufacturing and commercial activities of the two companies.
The merger took place via the absorption of Zedda Piras S.p.A. into Sella & Mosca S.p.A. and was carried out, pursuant to article 2501-quater of the Italian Civil Code, on the basis of the statements of financial position of the two companies at 1 January 2011.

In October, the Group sold its 75% equity interest in the holding company O-Dodeca B.V.
The amount received from the sale equated to 75% of the value of the investment in Kaloyiannis-Koutsikos Distilleries S.A., which was previously wholly owned by O-Dodeca B.V.
The transaction had no effect at consolidated level.

Old Smuggler Whisky Company Ltd and Glen Grant Distillery Company Ltd were also liquidated. The relevant assets were previously transferred to Glen Grant Ltd, which held the direct stake in the companies.
The above-mentioned transactions did not have any effect on the consolidated statement of financial position.

Group operating and financial results

Sales performance

Overall performance

The Group closed 2011 on an emphatically successful sales performance, meeting all the ambitious targets set at the end of 2010 despite the deterioration in the macroeconomic environment in the second half of the year.
Net sales came in at € 1,274.2 million, up by 9.6% overall, while organic growth on a same-structure basis and at constant exchange rates was 8.8%.
As the following table shows, the € 111.2 million in total sales growth registered for the year is the combination of external growth of € 16.6 million (+1.4%), negative exchange rate variations of € 7.8 million (-0.7%) and organic growth of € 102.4 million (+8.8%).

	€ million	% change on 2010
- Net sales 2011	1,274.2	
- Net sales 2010	1,163.0	
Total change	**111.2**	**9.6%**
of which		
organic growth	102.4	8.8%
external growth	16.6	1.4%
exchange rate effect	-7.8	-0.7%
Total change	**111.2**	**9.6%**

In terms of organic growth, the positive sales results registered by the Group's main brands in 2011 reflected an excellent overall performance by Aperol, double-digit growth in Wild Turkey and the Cinzano franchise and solid progress in sales of Campari.
With regard to markets, Germany, Australia, Argentina and Russia saw strong sales growth. Note that the excellent sales registered in Germany are due not only to the exponential growth of Aperol, but also to robust growth across the Group's entire portfolio, the result of sustained advertising pressure over a number of years.
Sales in Australia, Argentina and Russia in 2011 were also boosted by strong consumption of Group brands, as well as – in the first part of the year – a favourable basis of comparison with 2010 sales (due to changes in the distribution structure).
With regard to changes in organic sales growth during the year, the following table shows changes in the four quarters of 2011 and the comparison with growth rates in the four quarters of the previous year.
Specifically, double-digit growth was registered in the first and second quarters of the year, followed by growth of 7.3% and 5.2% in the third and fourth quarters respectively. As regards the final quarter, historically the most important, note that the organic growth of 5.2% seen in 2011 came on the back of very strong growth of 12.0% in the fourth quarter of 2010.

Organic growth - % change	**2011/2010**	**2010/2009**
First quarter	+10.5%	+14.5%
Second quarter	+13.6%	+4.3%
Third quarter	+7.3%	+3.7%
Fourth quarter	+5.2%	+12.0%
Total for the year	**+8.8%**	**+8.4%**

The table below shows the breakdown of external growth, which totals € 16.6 million, into the two components of growth attributable to Group brands, totalling € 22.8 million (relating to sales of the former C&C brands, acquired by the Group in October 2010), and external growth relating to third-party brands, which had an overall negative effect of € 6.2 million.
In third-party brands, the acquisition of Vasco (CIS) OOO on 1 March 2011 generated additional sales of € 10.9 million, while the termination of some major distribution contracts had a negative effect on external growth of € 18.2 million. This included the termination of the contract to distribute Tullamore Dew (€ 6.5 million) and Cutty Sark (€ 6.4 million) and a reduction in processing activities for third parties (€ 4.1 million).

2011 sales: breakdown of external growth	€ million
Former C&C brands: Carolans, Frangelico and Irish Mist	22.8
Sub-total - Group brands	**22.8**
Third-party brands in Russia (Vasco (CIS) OOO)	10.9
Other third-party brands, including Disaronno in Germany and new still wines	3.4
Termination of distribution of Tullamore Dew	-6.5
Termination of distribution of Cutty Sark	-6.4
Termination of distribution of other agency brands	-3.5
Co-packing: net balance of activities terminated (Frangelico production for C&C) and new agreements	-4.1
Sub-total - third-party brands	***-6.2***
Total external growth	**16.6**

Changes in average exchange rates had a negative impact of € 7.8 million (-0.7%) on sales in 2011 due to the contrasting trends in the currencies of the main countries in which the Group operates. The negative impact on sales in euro of the depreciation of the US dollar (-4.7%) and (to a lesser extent) of the Argentine peso (-9.7%) was partly offset by the increase in the value of the Australian dollar (+7.1%) and the Swiss franc (+12.0%). The change in the Brazilian real, meanwhile, was extremely limited (+0.4%) and therefore had no material effect.
There was a reversal in the EUR/US$ exchange rate trend in the second half of the year, however, prompted by pressure on the euro due to the debt crises in some of the EU's larger economies.
Specifically, the EUR/US$ spot exchange rate was US$ 1.294 at 31 December 2011, up 3.3% on the US$ 1.336 registered at 31 December 2010 and up 11.7% compared with USD 1.445 at 30 June 2011.
The table below compares the changes in exchange rates for the Group's most important currencies, both as a spot rate at 31 December and as an average figure for the period.

Exchange rates for the period	2011	2010	% change
US$ x € 1 average for the period	1.392	1.327	-4.7%
US$ x € 1 at 31 December	1.294	1.336	3.3%
BRL x € 1 average for the period	2.326	2.334	0.4%
BRL x € 1 at 31 December	2.416	2.218	-8.2%
CHF x € 1 average for the period	1.234	1.382	12.0%
CHF x € 1 at 31 December	1.216	1.250	2.9%
CNY x € 1 average for the period	8.995	8.981	-0.2%
CNY x € 1 at 31 December	8.159	8.822	8.1%
GBP x € 1 average for the period	0.868	0.858	-1.1%
GBP x € 1 at 31 December	0.835	0.861	3.0%
ARS x € 1 average for the period	5.743	5.188	-9.7%
ARS x € 1 at 31 December	5.568	5.310	-4.6%
AUD x € 1 average for the period	1.348	1.444	7.1%
AUD x € 1 at 31 December	1.272	1.314	3.2%
MXN x € 1 average for the period	17.279	16.753	-3.0%
MXN x € 1 at 31 December	18.051	16.548	-8.3%

Sales by region

Sales grew in all four macro-regions in 2011, with widely diverging rates of growth between one region and another: the highest rate of +39.2% was registered by the Rest of the world and duty free region, while the Italian market saw the lowest increase (+1.3%).
The table below provides a breakdown of absolute figures, trends and the sales mix by region, while the second table enables the sales performance for each region to be analysed by separating out the impact of organic growth, external growth and exchange rate movements.

	2011		2010		% change
	€ million	%	€ million	%	2011/2010
Italy	402.6	31.6%	397.3	34.2%	1.3%
Rest of Europe	328.1	25.7%	276.7	23.8%	18.6%
Americas	427.0	33.5%	405.3	34.8%	5.4%
Rest of the world and duty free	116.5	9.2%	83.7	7.2%	39.2%
Total	1,274.2	**100.0%**	1,163.0	**100.0%**	**9.6%**

Breakdown of % change	Total	organic growth	external growth	exchange rate effect
Italy	1.3%	1.4%	-0.1%	0.0%
Rest of Europe	18.6%	12.6%	5.3%	0.7%
Americas	5.4%	9.4%	-0.4%	-3.6%
Rest of the world and duty free	39.2%	28.3%	4.4%	6.5%
Total	**9.6%**	**8.8%**	**1.4%**	**-0.7%**

In **Italy**, 2011 sales came in at € 402.6 million, accounting for 31.6% of the Group total, compared with 34.2% in 2010. This relative decrease is the direct result of the Group's strategy of 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. In addition, Italian growth was extremely limited in 2011, particularly in the second half of the year, with the financial crisis weighing heavily on final consumption and, to a lesser extent, on the stock levels maintained by distributors.
Overall growth was 1.3%, or 1.4% excluding a minimal negative change in the basis of consolidation due to the termination of a distribution agreement.
The breakdown by business area of the organic growth of 1.4% registered in Italy is as follows:

Italy	€ million	organic growth 2011/2010
Spirits	266.2	3.9%
Wines	43.1	-6.6%
Soft drinks	93.4	-1.5%
Other sales	0.0	-100.0%
Total	**402.6**	**1.4%**

To sum up, growth was sustained by spirits (+3.9%), which offset contracting wine sales (-6.6%) and a slight drop in soft drinks (-1.5%). Among the spirits, the Aperol and Campari aperitifs reported excellent results, while Campari Soda contracted slightly, and whisky sales were also down.
Brand wines saw a fairly generalised drop in sales, but were certainly affected by the less than positive performance of Cinzano sparkling wines over the Christmas period.
Soft drinks, for which Italy represents 95% of Group sales, closed 2011 on a slight decline attributable to Crodino.

In the rest of **Europe**, 2011 was a very positive year: sales came in at € 328.1 million, reporting overall growth of 18.6%, of which 12.6% is attributable to organic growth, 5.3% to external growth and 0.7% to a positive exchange rate effect.
This solid double-digit organic growth reflected an excellent performance not only in Germany, but also in almost all the biggest European markets, particularly Russia, Austria, Belgium and France.
External growth in this region was mainly due to sales of Frangelico and the other former C&C brands (particularly in Spain), as well as sales of third-party brands carried out by Vasco (CIS) OOO in Russia, which has been consolidated since 1 March 2011.
The slight positive exchange rate effect was due to the increase in the value of the Swiss franc.
The breakdown by individual business area of the organic growth of 12.6% registered in Europe is as follows:

Rest of Europe	€ million	organic growth 2011/2010
Spirits	214.7	19.2%
Wines	98.2	1.2%
Soft drinks	4.6	29.1%
Other sales	10.6	3.3%
Total	**328.1**	**12.6%**

All four business segments saw organic growth compared with 2010. Spirits, in particular, grew by 19.2% due to the extraordinary performance of Aperol and robust growth by all brands in the segment.
The growth of 1.2% in wines was the result of widely varying trends for individual brands in the different countries: generally speaking, Cinzano sparkling wines did particularly well.

The launch of Crodino and Lemonsoda in some markets in the region helped to generate 29.1% organic growth in soft drinks, albeit in modest volumes.

Sales in the **Americas** totalled € 427.0 million, representing one-third of Group sales (33.5%) and increased by 5.4% compared with 2010.
At constant exchange rates and on a same-structure basis, the region as a whole saw organic growth of 9.4%, which, broken down by business area, shows a 6.6% increase in spirits, a critical segment representing over 90% of sales on the continent, as well as an interesting development in wines (+65.4%).

Americas	€ million	organic growth 2011/2010
Spirits	395.4	6.6%
Wines	27.2	65.4%
Soft drinks	0.1	-20.7%
Other sales	4.4	19.3%
Total	**427.0**	**9.4%**

For a full analysis of the Americas region, the first table below provides separate figures for the two main markets (US and Brazil) and the additional region of other countries on the American continent, while the second table gives a breakdown of the total percentage change in sales for each of these three sub-regions.

	2011		2010		% change
	€ million	%	€ million	%	2011/2010
US	252.0	59.0%	259.2	63.9%	-2.8%
Brazil	106.3	24.9%	97.3	24.0%	9.2%
Other countries	68.8	16.1%	48.8	12.1%	40.8%
Total Americas	427.0	100.0%	405.3	100.0%	5.4%

Breakdown of % change	Total	organic growth	external growth	exchange rate
US	-2.8%	3.3%	-1.9%	-4.2%
Brazil	9.2%	8.9%	0.0%	0.4%
Other countries	40.8%	42.9%	7.1%	-9.2%
Total Americas	5.4%	9.4%	-0.4%	-3.7%

The **United States**, which accounts for about 60% of sales on the American continent and about 20% of total Group sales, registered organic growth of 3.3%. However, the unfavourable effect of the depreciation of the US dollar (-4.2%) and negative external growth (-1.9%) completely cancelled out organic growth and resulted in an overall decline of 2.8%.
Growth in the core business in the US mainly reflected good results from the Wild Turkey franchise (with an outstanding performance by American Honey), while the SKYY brand closed 2011 largely in line with the previous year.
External growth was slightly negative, since the effect of the termination of distribution of Tullamore Dew and Cutty Sark was greater than the additional sales of Frangelico.

In **Brazil** (accounting for about 25% of sales in the Americas region and just over 8% of the Group total), sales grew by 9.2% in 2011, mostly due to strong organic growth (8.9%) and a slight positive exchange rate effect (0.4%).
This performance reflected good results from all the main brands – SKYY Vodka, Campari, Dreher and Cynar – with the sole exception being admix whiskies. Sales of the Sagatiba *cachaça*, which was acquired by the Group in August 2011, increased substantially in the March-December period compared with the same ten months of 2010: this comparison is possible since the Group began distributing Sagatiba as a third-party brand in March 2010.

Sales in **Other countries on the American continent**, which together account for 16.1% of the region's overall sales, are growing steadily and in 2011 represented 5.4% of the Group total. Overall growth in this sub-region was 40.8% (organic growth of 42.9%) and is mainly attributable to the three key markets of Argentina, Canada and Mexico.
In Argentina there were very good results for Campari and Old Smuggler, as well as more generally for the Group's entire product range and third-party brands, but the most significant contribution to growth came from Cinzano, which the Group started to distribute on 1 September 2010. It was previously distributed by third parties.

In Canada, sales of SKYY Vodka and Wild Turkey increased, while growth on the Mexican market is largely driven by the excellent performance of the ready-to-drink product SKYY Blue.
The external growth in this area (+7.1%) was mainly generated in Canada by sales of the former C&C brands, whereas the negative exchange rate effect (-9.2%) is primarily attributable to the Argentine peso.

Although the **Rest of the world and duty free** region remains small in comparison to the other regions, it significantly increased its share of total Group sales, rising from 7.2% last year to 9.2% in 2011.
This increase, which was the result of sales growth of 39.2%, is closely connected to the creation and strong performance of Campari Australia Pty Ltd. The new company became operational on 1 April 2010 and during 2010 gradually took over the direct distribution of all the Group's brands in the Australian market. It now ensures that the business is run more efficiently, including in New Zealand and all the markets in the Asia-Pacific region.
In assessing the full-year performance in this region, it should be noted that in the early months of 2011, the Asia-Pacific sub-region was hit by several natural disasters (flooding in north-eastern Australia and the earthquake and subsequent nuclear disaster in Japan), which had a significant impact on transport and consumption in general in these countries.
As regards the remainder of the Rest of the world and duty free region, sales grew strongly in South Africa and the duty free channel.
Total growth in the region of 39.2% reflected organic growth of 28.3%, a positive exchange rate effect of 6.5% on the back of the sharp rise in the value of the Australian dollar, and external growth of 4.4%, mainly due to sales of the former C&C brands, particularly Frangelico.
The following table shows the trends in organic growth in the individual business areas:

Rest of the world and duty free	€ million	organic growth 2011/2010
Spirits	99.0	35.6%
Wines	16.6	-2.4%
Soft drinks	0.2	63.5%
Other sales	0.7	47.9%
Total	**116.5**	**28.3%**

Spirits grew by 35.6%, mainly due to the excellent performance of the entire Wild Turkey franchise and particularly ready-to-drink products. Wines ended the year on a contraction of 2.4% due to a decline in sales of Riccadonna and Cinzano sparkling wines.

Sales by business area

The positive performance seen in 2011 (+9.6% overall) reflects robust growth in both spirits (+11.3%) and wines (+5.8%). These two segments combined represent over 90% of the Group's total sales.
Soft drinks, which make up 7.7% of the total, reported a slight decline, while the marginal other sales segment saw growth of 20.0%.
The two tables below show changes in sales by business area and a breakdown of the overall change in each business area by organic growth, external growth and the effect of exchange rate movements.

	2011		2010		% change
	€ million	%	€ million	%	2011/2010
Spirits	975.1	76.6%	876.4	75.4%	11.3%
Wines	185.1	14.5%	175.0	15.0%	5.8%
Soft drinks	98.2	7.7%	98.5	8.5%	-0.3%
Other sales	15.8	1.2%	13.1	1.1%	20.0%
Total	1,274.2	100.0%	1,163.0	100.0%	9.6%

Breakdown of % change	Total	organic growth	external growth	exchange rate
Spirits	11.3%	10.5%	1.5%	-0.8%
Wines	5.8%	5.6%	0.7%	-0.5%
Soft drinks	-0.3%	-0.4%	0.0%	0.1%
Other sales	20.0%	8.3%	13.4%	-1.7%
Total	9.6%	8.8%	1.4%	-0.7%

Spirits

Sales of spirits came in at € 975.1 million: overall growth of 11.3% was mainly due to good double-digit organic growth of 10.5% and external growth of 1.5%, while exchange rates had a slightly negative effect (-0.8%).
External growth was mainly determined by the sales of former C&C brands Carolans and Frangelico (acquired by the Group on 1 October 2010), as well as the negative impact of the termination of the distribution of Tullamore Dew (from 1 January 2011) and Cutty Sark (from 24 June 2011), both of which were distributed mainly in the US.

The performance of the Group's brands in 2011, which represent 88.1% of the total spirits segment (third-party brands make up the remaining 11.9%), is described below.

Campari grew by 5.6% at constant exchange rates (5.8% at actual exchange rates due to the appreciation of the Brazilian real and the Swiss franc).
The brand recorded an excellent sales performance, with double-digit growth in Italy and Brazil, its two key markets, and sales remaining broadly stable in Germany.
Of the other markets deemed important on account of their size and development potential, Argentina, France and the US posted good sales results.

The **SKYY** brand, which includes the SKYY infusions range, reported growth of 2.2% at constant exchange rates, although this represents a 1.7% decline at actual exchange rates due to the devaluation of the US dollar.
In the US, which represents over 80% of SKYY's business, sales grew slightly compared to the previous year, with a good performance by the SKYY Infusions range, which offset the slight contraction in the SKYY vodka core brand. Overall, this can be considered a satisfactory result in view of the very aggressive competitive environment in the US vodka market
In other markets, sales performances were generally good and particularly positive in Brazil, which has now become SKYY's second largest market little more than two years after the brand was launched.

Aperol sales grew by 38.9% (39.3% at actual exchange rates), with the period seeing a further acceleration on the remarkable growth rate achieved in recent years.
Italy, where the brand continues to see double-digit growth, now represents less than 50% of total sales, due to the brand's extraordinary growth in the other European markets, particularly Germany and Austria.
The figures relating to the growth in Aperol sales shown above do not include sales of Aperol Spritz, a new, single-serving product launched in Italy and Austria in the first part of the year. In Italy, distribution of the new brand in the off-trade channel has achieved the planned objectives and the initial sell-out data are very satisfactory.

Sales of **Campari Soda** declined by 2.1% (2.0% at actual exchange rates) compared with 2010.
In Italy, the brand is still the undisputed leader in the market for single-serving carbonated aperitifs, consumption of which has decreased, particularly in the on-trade channel and in traditional bars.

The **Wild Turkey** franchise, which also includes the ready-to-drink range and the American Honey liqueur, put in a very positive sales performance with growth of 25.4% at constant exchange rates (26.8% at actual exchange rates).
The Wild Turkey core brand, which grew by 7.0% overall (6.1% at actual exchange rates) recorded positive results in the key market of the US, and in Japan, but sales grew particularly strongly in Australia, where the Group's new commercial organisation (Campari Australia Pty Ltd.) only took over distribution of this brand on 1 July 2010.
The Wild Turkey ready-to-drink range, which is currently sold only in Australia and New Zealand, posted exceptional sales growth compared with 2010, thanks to the positive effects connected with the above-mentioned improvement in the distribution structure and the success obtained from the launch of 101, intended not only to extend but also to elevate the premium positioning of the range offered.
Finally, American Honey, which saw total sales growth of 33.5% (30.8% at actual exchange rates), recorded very satisfactory results both in the US, where the Group significantly increased its investment in advertising and promotions in 2011, and – once again – in Australia.

Sales of the **Brazilian brands** Old Eight, Drury's and Dreher posted growth of 4.8% (5.2% at actual exchange rates), due to a good result for Dreher and sales of the whiskies remaining largely stable.

Sales of **Glen Grant** saw modest growth of 0.9% at constant exchange rates (1.2% at actual exchange rates) in 2011. The brand's performance was determined by good sales figures in France, the positive development of the duty free channel and the expansion of distribution to many new markets, which are expected to offer good development potential, especially for the range of higher-priced, more aged products.

Sales in Italy, meanwhile, were not as strong as last year. This is still the brand's key market, where consumption trends in the whisky category remain negative.

Sales of **Old Smuggler** fell by 1.5% at constant exchange rates and by a more pronounced 6.6% at actual exchange rates, due to the sharp devaluation of the Argentine peso.
Moreover, in Argentina, the main market that accounts for over 50% of sales of this brand, sales increased compared with the previous year, but did not completely offset the decline reported in the other minor markets.

Ouzo 12 recorded sales growth of 2.1% (2.1% at actual exchange rates).
For some time this brand has seen sales growth in Germany but declining sales in Greece.

Sales of **Cynar** increased by 1.1% at constant exchange rates and by 2.9% at actual exchange rates (the difference is due to the rise in the value of the Brazilian real and the Swiss franc). Sales achieved on the Italian market were broadly in line with 2010, while positive performances were also noted in Brazil and Argentina.

Sales of **Cabo Wabo** declined by 7.1% at constant exchange rates (11.3% at actual exchange rates), due to a drop in shipments in the US (which accounts for over 90% of the brand's total sales). However, there was a corresponding rise in depletions (i.e. sales of US distributors), which confirms the success of the brand's repositioning in 2010.

Again in the tequila market, **Espolón** put in a good sales performance, with growth of 34.1% (29.1% at actual exchange rates) compared with 2010. This brand, which was included in the Group's portfolio at the end of 2008 following the acquisition of Destiladora San Nicolas, S.A. de C.V., was successfully relaunched on the US market in the premium tequila segment, at a lower price than Cabo Wabo, which belongs in the ultra premium segment.

Sales of **X-Rated Fusion Liqueur**, which are almost entirely concentrated in the US market, recorded a fall of 13.7% in local currency (17.4% at actual exchange rates). Here too, the figure for depletions is significantly better, albeit still in negative territory. This brand is currently being repositioned to appeal to a different type of consumer, which it is hoped will return the brand to a position of growth.

As regards the Group's other brands of spirits, which are almost entirely distributed on the Italian market, there was a general decline in sales: Zedda Piras (Mirto di Sardegna) (-10.1%), Aperol Soda (-7.8%) and Barbieri liqueurs (-11.9%).

Conversely, sales of third-party spirit brands distributed by the Group rose by 3.8% on a same-structure basis and at constant exchange rates compared with the previous year.
Overall, however, sales declined by 5.2%, due to the negative change in the exchange rate and, particularly, the termination of the distribution of Tullamore Dew and Cutty Sark.
The main brands saw the following trends (organic changes at constant exchange rates):
- growth of 1.3% for Jack Daniel's, distributed mainly in Italy and Argentina;
- a decline of 1.4% for Jägermeister, distributed in Italy;
- growth of 5.6% for the Scotch whiskies distributed in the US;
- growth of 10.6% for the Suntory brands, also mainly distributed in the US;
- strong growth of 24.0% for Licor 43, mainly distributed in Germany;
- a decline of 13.9% for Russian Standard, distributed in the Group's main European markets (distribution of this brand was terminated in Italy, based on an agreement signed on 30 April 2011).

Note that the former C&C brands acquired on 1 October 2010 from William Grant & Sons, i.e. **Carolans**, **Irish Mist** and **Frangelico**, were already distributed by the Group in certain key markets (e.g. Carolans in the US) prior to the acquisition; as such, sales of these brands were included in sales of third-party brands distributed by the Group, along with Tullamore Dew (distribution of which was transferred to the new owners, William Grant & Sons, on 1 January 2011).
Following this acquisition, therefore, it was deemed appropriate to report all additional sales of former C&C brands as external growth, i.e.:
- both sales in new markets (e.g. Frangelico in Spain) of brands previously distributed in other markets,
- and changes in sales of brands that had been converted from the status of "distributed brand" to Group brand in existing markets (e.g. Carolans in the US).
In contrast, the external growth figure naturally also includes the elimination of sales of Tullamore Dew, distribution of which has been terminated.

Based on this methodology (which is important, as it had a conservative effect on the definition of the Group's organic growth) the Group achieved total sales of former C&C brands amounting to € 56.2 million, whereas the equivalent figure for the year before, including Tullamore Dew, was € 35.9 million.

Wines

Sales of wines came to € 185.1 million in 2011 and account for 14.5% of the Group's total business. Sales grew by 5.8% compared with the previous year, largely as a result of organic growth (5.6%) and, to a lesser extent, external growth (0.7%), attributable to the distribution of new third-party wines on the Italian market; conversely, the exchange rate effect was slightly negative (-0.5%).

Sales of **Cinzano vermouth** increased by 23.9% at constant exchange rates (20.5% at actual exchange rates), partly as a result of two favourable effects, which are described below.
First, a strong boost was provided by sales in Argentina, where the Group started to sell the brand directly in September 2010, following the early termination of the third-party licence agreement. Second, sales in Russia posted solid growth, due both to the robust recovery in consumption and to particularly dynamic activity by a local distributor, which subsequently terminated its relationship with the Group on 31 December 2011.

Cinzano sparkling wines posted sales growth of 3.4% (3.7% at actual exchange rates), thanks to a good performance in Germany, which is by far the biggest market for these products, and in some smaller markets that have good development potential (US and Sweden). Conversely, sales in Italy and Russia declined on the previous year.

Riccadonna sales were broadly stable at constant exchange rates (-0.4%), due to diverging trends in the two main markets, namely a slight decline in Australia and modest growth in Italy. At actual exchange rates, however, total sales of this brand grew by 2.6%, due to the strengthening of the Australian dollar.
Note, however, that in Australia, and to a lesser extent New Zealand, Ricadonna sales in 2011 showed a very different trend during the year from 2010. In that year, sales had been very positive in the first half of the year and negative in the fourth quarter, as the distribution structure of Campari Australia Pty Ltd, which had only become fully operational in the latter part of 2010, stabilised.

Sales of **Mondoro** rose by 7.3% (7.0% at actual exchange rates) thanks to the positive result reported in Russia, the brand's main market by a long way, and the promising development of the Ukrainian market.

On the other hand, 2011 was again a difficult year for sales of **Odessa** sparkling wines in Ukraine, which fell by 31.4% (34.7% at actual exchange rates). In the next few months, the brand will benefit from a complete repositioning of the product in terms of both packaging and price. Odessa sparkling wines are also scheduled for launch on the Russian market through recently acquired trading company Vasco (CIS) OOO.

Sales of still wines decreased by 1.3% for **Sella & Mosca** and by 14.5% for **Teruzzi & Puthod**, while **Cantina Serafino** recorded modest sales growth of 1.6%.
In the wines segment, agency brands account for only 3.2% of total sales, but the strategy initiated last year of achieving growth by also expanding the portfolio to include the distribution of new third-party brands produced positive results in 2011. Important new agreements were also completed for 2012.

Soft drinks

In 2011, soft drinks, which account for 7.7% of the Group's business, achieved sales of € 98.2 million, down slightly by 0.4% (0.3% stripping out a marginally positive exchange rate effect) on the 2010 figure.

Sales of **Crodino**, the main brand in this segment, fell by 3.3% (3.1% at actual exchange rates). The brand retains its solid leadership in the Italian market for non-alcoholic, single-serving aperitifs, despite having to face aggressive commercial strategies employed by both direct competitors and low-price brands in 2011.

The **Lemonsoda** range of drinks recorded sales growth of 9.9%, thanks to successful product innovation, which in 2011 led to strong growth in the consumption of Mojito Soda and Lemonsoda Zero, line extensions launched in 2010.
In contrast, sales of mineral waters and other Crodo brand drinks were down.

Other sales

The **other sales** segment, which is marginal as it represents just 1.2% of the Group's total sales, reported a rise of 20.0%.

From March 2011, following the acquisition of Vasco (CIS) OOO in Russia, in addition to the sale of raw materials and semi-finished goods to third parties and co-packing activities on behalf of third parties, this segment also includes the sale of finished products that do not fall into the product categories that represent the Group's core business (spirits, wines and soft drinks).

These ‘new’ sales, together with sales relating to a new co-packing agreement in Greece, made up the external component of growth. In terms of organic growth, sales of malt distillate produced and sold in Scotland by Glen Grant Distillery Company Ltd. reported an increase.

Income statement

The Group's operating performance in 2011 can be seen as highly satisfactory as it indicates growth at all levels of profitability, even against the backdrop of a struggling global economy.
Specifically, the operating result rose in line with sales by 9.7%, due to solid organic growth of 7.2% as well as, to a lesser extent, the 2.5% positive contribution of external growth.

	2011		2010		Change
	€ million	%	€ million	%	%
Net sales	1,274.2	100.0	1,163.0	100.0	9.6
Cost of goods sold after distribution costs	(539.6)	-42.3	(496.2)	-42.7	8.7
Gross profit after distribution costs	734.6	57.7	666.8	57.3	10.2
Advertising and promotional costs	(229.1)	-18.0	(203.2)	-17.5	12.8
Contribution margin	505.5	39.7	463.6	39.9	9.0
Overheads	(206.8)	-16.2	(190.8)	-16.4	8.4
Result from recurring activities	298.7	23.4	272.8	23.5	9.5
Non-recurring income (charges)	(3.1)	-0.2	(3.3)	-0.3	-
Operating result	295.5	23.2	269.5	23.2	9.7
Net financial income (charges)	(43.2)	-3.4	(37.5)	-3.2	15.1
Non-recurring financial income (charges)	(1.9)	-0.1	1.9	0.2	-
Portion of profit (loss) relating to companies valued at equity	(0.4)	0.0	(0.6)	-0.1	-
Income (charges) relating to put options and earn-outs	0.5	0.0	(0.3)	0.0	-
Profit before tax and minority interests	250.6	19.7	232.9	20.0	7.6
Taxes	(90.9)	-7.1	(76.2)	-6.6	19.2
Net profit	159.8	12.5	156.7	13.5	1.9
Minority interests	(0.6)	0.0	(0.5)	0.0	-
Group net profit	159.2	12.5	156.2	13.4	1.9
			-		
Total depreciation and amortisation	(30.3)	-2.4	(25.8)	-2.2	17.4
EBITDA before non-recurring items	329.0	25.8	298.6	25.7	10.2
EBITDA	325.8	25.6	295.3	25.4	10.3

Net sales totalled € 1,274.2 million in 2011; sales by region, business and brand were analysed in the preceding section.
Sales rose by 9.6% compared with 2010, comprising an organic component of 8.8%, external growth of 1.4% and negative exchange rate differences of 0.7%.

The cost of goods sold, up 8.7% in absolute terms, fell by 40 basis points as a percentage of sales, from 42.7% in 2010 to 42.3%% in 2011.
This slight improvement is largely due to a favourable sales mix, and in particular to the excellent performance of spirits in 2011, as this segment offers much higher profit margins than wines and soft drinks. Within the spirits segment, an additional specific mix effect relating to the former C&C brands had a very positive impact (as discussed below in the section "Profitability by business area").
As regards changes in the individual cost components for production, savings (relating to personnel costs per unit of production and indirect industrial costs) and rises (for raw materials and utilities) largely balanced each other out. Regarding the component of the cost of goods sold relating purely to distribution costs, on the other hand, 2011 saw a significant increase in this item as a percentage of sales, which can be attributed to major changes in the distribution organisation in Australia, Russia and Argentina: in Australia as a result of the gradual start-up of direct distribution through Campari Australia Pty during 2010; in Russia following the acquisition of Vasco (CIS) OOO in March 2011; and in Argentina, purely as a consequence of the integration of the Cinzano business.

Gross profit, which came in at € 734.6 million, grew by 10.2%, rising slightly faster than sales (+9.6%) due to the lower increase in the cost of goods sold (+8.7%).

Advertising and promotional costs, which rose by 12.8% in absolute terms, increased as a percentage of sales (from 17.5% in 2010 to 18.0% in 2011), in line with the Group's objective to increase advertising investment compared with the previous year.

The **contribution margin** for 2011 came to € 505.5 million, representing an overall advance of 9.0% on 2010, broken down as follows:
- organic growth of 6.5%;
- external growth of 2.8%;
- a negative exchange rate effect of 0.2%.

Overheads, i.e. the costs of the sales organisations and general and administrative costs, increased by 8.4% overall, and were lower as a proportion of sales, down from 16.4% in 2010 to 16.2% in 2011 (20 basis points).
The overall increase in overheads does, however, include significant external growth of 3.3%, caused mainly by the consolidation of Vasco (CIS) OOO and Sagatiba Brasil S.A., acquired in 2011, and the start-up of commercial operations in Australia, which only took place in the second quarter of 2010.
As the exchange rate effect was -0.5%, overheads rose by 5.5% on the previous year on a same-structure basis and at constant exchange rates.

The **result from recurring activities** was € 298.7 million, up 9.5% compared with 2010. Stripping out external growth (+2.5%) and exchange rate effects (-0.1%), organic growth in this item was 7.1%.

Non-recurring income and charges showed a net charge of € 3.1 million, mainly comprising restructuring charges of € 2.4 million, provisions for risks and non-recurring charges of € 2.1 million, impairment and capital losses on sales of assets of € 3.0 million and, on the positive side, income of € 4.6 million from gains on asset disposals.

The **operating result** for the period was € 295.5 million, up 9.7% compared with 2010; excluding external growth (+2.5%) and a negative exchange rate effect (-0.1%), organic growth was 7.2%.
The ROS (return on sales, i.e. operating result as a percentage of net sales) came in at 23.2%, the same as for 2010.

Depreciation and amortisation totalled € 30.3 million in the period, a 17.4% increase versus 2010 (€ 25.8 million).
Specifically, this item reflects the completion of substantial extraordinary industrial investments, aimed at increasing the efficiency and capacity of the Group's industrial structure, as well as major investments in applications aimed at enhancing and integrating the systems in use.
Depreciation and amortisation also includes the portion relating to the repurchase of Cinzano's distribution rights in Argentina in the second half of 2010.

EBITDA before non-recurring income and charges increased by 10.2% (+10.5% at constant exchange rates) to € 329.0 million, while **EBITDA** rose by 10.3% (+10.6% at constant exchange rates) to € 325.8 million.

Net financial charges for 2011 stood at € 43.2 million, a rise of € 5.7 compared with the € 37.5 million recorded in 2010.
The rise in interest payments is due in part to the Group's higher average debt level as a result of acquisitions (particularly the former C&C brands in the last quarter of 2010 for € 128.5 million and Vasco (CIS) OOO and Sagatiba Brasil S.A., which were acquired in 2011 for a total outlay of € 24.4 million), and partly to the progressive increase in interest rates.
The average cost of the Group's net debt in 2011 (6.67%) includes a significant negative carry resulting from an average return on short-term cash investment that is significantly lower than the gross cost of debt, which is largely medium to long term.

The income statement also shows **non-recurring financial charges** of € 1.9 million, relating to interest on tax disputes, while in 2010 this item included income in the same amount from capital gains realised on financial receivables.

The Group's portion of **profits or losses of companies valued at equity** showed a negative balance of € 0.4 million, compared with a negative balance of € 0.6 million in 2010.

During the first quarter of 2011, the Group sold its stake in the joint venture Focus Brands Trading (India) Private Limited, which operated in India until the end of 2010. The Group's portion of losses from companies valued at equity in 2011 therefore relates solely to the Dutch commercial joint venture International Marques V.o.f. In November 2011, the decision was taken to close this company, and this decision will be implemented in the first half of 2012.

Income relating to put options and earn-outs in 2011 amounted to € 0.5 million, while in 2010 a charge of € 0.3 million was recorded. The figures for 2011 are due to an update of the estimate of earn-outs relating to the acquisitions of Cabo Wabo, Campari Mexico S.A. de C.V. (formerly Destiladora San Nicolas S.A. de C.V.) and Campari Argentina S.A. (formerly Sabia S.A.).

Profit before tax and minority interests grew by 7.6% (7.2% at constant exchange rates) compared with 2010, to € 250.6 million.

Income **taxes** (deferred and current) were € 90.9 million, which was higher than the 2010 figure in both absolute terms and as a percentage of pre-tax profit, rising from 32.7% to 36.3% in 2011. In 2011, taxes also include a non-recurring charge of € 4.7 million relating to the resolution of a tax dispute.
This item also includes a component for deferred taxes (€ 20.1 million in 2011) reported for the purposes of cancelling out the effect of the tax-deductibility of amortisation on goodwill and brands permitted under local legislation.

Net profit before minority interests was € 159.8 million, an advance of 1.9% on 2010 (+1.4% at constant exchange rates).

Minority interests were € 0.6 million, broadly in line with 2010.

Group net profit rose 1.9% in 2011 compared with the previous year, to € 159.2 million (+1.3% at constant exchange rates) and represents a net margin on sales of 12.5%; this figure is slightly lower than that for the previous year (13.4%) due to higher financial charges and a higher tax burden.
Group adjusted net income, net of one-off items classified in EBIT, financial income (charges) and income taxes, amounts to € 167.5 million and the net profit margin on sales is 13.1%.

Profitability by business area

The Campari Group's main unit of analysis is business segment, i.e. spirits, wines, soft drinks and other sales. A summary of the financial results for each of these four business areas is therefore shown below.
The income statement figure used by the Group to represent the profitability of its business areas is the contribution margin, which is the margin generated by sales after the cost of goods sold (including all logistics costs) and advertising and promotional costs.
In 2011, the contribution margin was € 505.5 million, up 9.0% on 2010.
The two tables below show the year-on-year performance of the four business segments in respect of net sales and contribution margin, and as a proportion of the Group's total sales.
Spirits are the Group's most important business, accounting for 76.6% of total sales and 82.3% of the overall contribution margin. This segment, which has a higher net profit margin (42.7%) than the Group's average (39.7%), shows higher year-on-year growth in sales (11.3%) and contribution margin (10.9%) than the Group as a whole (9.6% and 9.0% respectively).
Wines are the Group's second largest business, accounting for 14.5% of total sales and 9.8% of the overall contribution margin. This segment, which has a lower net profit margin (26.7%) than the Group's average, shows lower year-on-year growth in sales (5.8%) and contribution margin (5.2%) than the Group as a whole.
Lastly, soft drinks, the third largest business, accounting for 7.7% of total sales and 7.3% of the overall contribution margin, has a net profit margin (36.8%) that is lower than the Group's average but higher than that of wines.
Sales of soft drinks were broadly stable in 2011 (-0.3%), while its contribution margin fell by 5.9%.

Net sales	2011 € million	%	2010 € million	%	% change 2011/2010
Spirits	975.1	76.6%	876.4	75.4%	11.3%
Wines	185.1	14.5%	175.0	15.0%	5.8%
Soft drinks	98.2	7.7%	98.5	8.5%	-0.3%
Other sales	15.8	1.2%	13.1	1.1%	20.0%
Total	**1,274.2**	**100.0%**	**1,163.0**	**100.0%**	**9.6%**

Contribution margin	2011 € million	% of total	2010 € million	% of total	2011/2010 % change
Spirits	416.3	82.3%	375.4	81.0%	10.9%
Wines	49.3	9.8%	46.9	10.1%	5.2%
Soft drinks	36.8	7.3%	39.1	8.4%	-5.9%
Other sales	3.1	0.6%	2.2	0.5%	37.3%
Total	**505.5**	**100.0%**	**463.6**	**100.0%**	**9.0%**

Contribution margin/net sales %	2011	2010
Spirits	42.7%	42.8%
Wines	26.6%	26.8%
Soft drinks	37.%	39.7
Other	19.6%	17.0%
Total	**39.7%**	**39.9%**

Spirits

In 2011, the spirits segment achieved excellent results: sales growth of 11.3% corresponded to double-digit growth in both gross profit (11.9%) and the contribution margin (10.9%). Specifically, the contribution margin in 2011 was € 416.3 million, equivalent to 42.7% of sales in the segment.

	2011 € million	% of sales	2010 € million	% of sales	2011/2010 % change
Net sales	975.2	100.0%	876.4	100.0%	11.3%
Gross profit after distribution costs	614.4	63.0%	549.0	62.6%	11.9%
Contribution margin	**416.3**	**42.7%**	**375.4**	**42.8%**	**10.9%**

Analysis of growth	% change Total	organic growth	external growth	exchange rate effect
Net sales	11.3%	10.5%	1.5%	-0.7%
Gross profit after distribution costs	11.9%	9.2%	3.2%	-0.5%
Contribution margin	**10.9%**	**7.7%**	**3.5%**	**-0.3%**

The second table above shows the three components of total growth separately: organic growth, external growth and exchange rate effect.

As regards the performance of the organic component, the gross margin shows healthy growth (9.2%), albeit less than that achieved by sales (10.5%). This more than proportional increase in the cost of goods sold in the segment, which relates purely to the organic component, is due to a slightly unfavourable sales mix; the particularly positive sales figures for Aperol and the Wild Turkey franchise were offset by the performance of SKYY, which posted lower growth than the segment average, and Campari Soda, which fell slightly.

The contribution margin of the spirits segment saw organic growth of 7.7%, lower than that recorded for gross profit due to the significant increase in advertising and promotional costs for all the main brands.

Conversely, an analysis of external growth shows that gross profit rose more than sales (3.2% versus 1.5%), as a result of two main correlated effects. First, net external growth in 2011 includes both the additional sales relating to the acquisition of the former C&C brands and lower sales relating to distribution agreements that had been terminated (chiefly Cutty Sark and Tullamore Dew). Since sales relating to acquisitions have a much higher level of profitability than those relating to distribution agreements, which are typically less profitable, deconsolidating the latter will clearly have a positive impact on gross profit in relative terms. The second effect also relates to the former C & C brands and particularly to Carolans. In 2011, the average product cost fell significantly compared with the first nine months of 2010, as these brands were already sold in important markets by the Group, but only through distribution contracts, which offer lower profit margins.

Exchange rate effects on the sales and profitability of spirits were extremely marginal (0.3% on the contribution margin), as the appreciation and depreciation of the main currencies largely cancelled each other out.

Wines

The Group's wine brands saw an increase in sales of 5.8%, accompanied by broadly similar, albeit slightly lower, growth in gross profit and contribution margin, equal to 4.6% and 5.2% respectively.
Moreover, the segment's profitability is still at the same level as the previous year. Although the contribution margin increased to € 49.3 million, as a proportion of sales it remained at 26.7%.

	2011		2010		2011/2010
	€ million	% of sales	€ million	% of sales	% change
Net sales	185.1	100.0%	175.0	100.0%	5.8%
Gross profit after distribution costs	69.4	37.5%	66.4	37.9%	4.6%
Contribution margin	**49.3**	**26.7%**	**46.9**	**26.8%**	**5.2%**

Analysis of growth	% change			
	Total	organic growth	external growth	exchange rate effect
Net sales	5.8%	5.6%	0.7%	-0.5%
Gross profit after distribution costs	4.6%	4.7%	-0.4%	0.3%
Contribution margin	**5.2%**	**5.4%**	**-0.7%**	**0.5%**

An analysis of the income statement for the wines segment shows that the changes relating to external growth and exchange rates were marginal and contrary to each other. Consequently, on a same-structure basis, the segment as a whole posted organic sales growth of 5.6%, and an increase in gross profit of 4.7% and in the contribution margin of 5.4%.
The more modest growth in gross profit, in comparison with sales growth, is mainly due to an unfavourable sales mix: sales of Cinzano vermouth, which has a lower profit margin, reported higher growth than the segment.
Advertising expenditure in the segment increased in absolute terms, but was slightly lower as a percentage of sales in 2011 than in the previous year. This means that the contribution margin saw higher organic growth (5.4%) than gross profit.
The figures relating to external growth are extremely marginal in absolute terms and are therefore immaterial.

Soft drinks

As regards the profitability of this business area, sales fell slightly by 0.3% in 2011. However, both gross profit and the contribution margin fell by significantly more (3.9% and 5.9% respectively). Specifically, the contribution margin fell to 37.5% and, as a proportion of sales, was 220 basis points lower than the previous year's figure.
Two-thirds of the segment's sales are accounted for by Crodino, which saw a 3.3% decline in sales, and one-third by the Lemonsoda range of drinks, which had a strong 2011 with sales growth of 9.9%. Since Crodino products have a much higher profit margin than the Lemonsoda drinks, the two diverging sales trends caused a decline in gross profit for the segment. Moreover, increased advertising and promotional spending to support Crodino caused the contribution margin to fall further.

Income statement: soft drinks	2011		2010		2011/2010
	€ million	% of sales	€ million	% of sales	% change
Net sales	98.2	100.0%	98.5	100.0%	-0.3%
Gross profit after distribution costs	47.3	48.1%	49.2	49.9%	-3.9%
Contribution margin	**36.8**	**37.5%**	**39.1**	**39.7%**	**-5.9%**

Other sales

This minor segment includes a variety of different activities, such as bottling for third parties, the sale of semi-finished goods and, from 2011, the sale of finished products that do not fall into the other three product categories (spirits, wines and soft drinks).
2011 saw growth in sales (20.0%) and in the contribution margin (37.3%), which came in at € 3.1 million.

	2011		2010		2011/2010
	€ million	% of sales	€ million	% of sales	% change
Net sales	15.8	100.0%	13.1	100.0%	20.0%
Gross profit after distribution costs	3.6	22.5%	2.2	17.1%	58.7%
Contribution margin	**3.1**	**19.5%**	**2.2**	**17.1%**	**37.3%**

Analysis of growth	% change			
	Total	organic growth	external growth	exchange rate effect
Net sales	20.0%	8.3%	13.4%	-1.7%
Gross profit after distribution costs	58.7%	44.8%	19.6%	-5.7%
Contribution margin	**37.3%**	**35.8%**	**7.2%**	**-5.7%**

Restated statement of cash flows

The table below shows a simplified and restated statement of cash flows (see the section containing the financial statements for the full statement of cash flows).
The main reclassification is the exclusion of cash flows relating to changes in short-term and long-term debt, and in investments in marketable securities: in this way, the total cash flow generated (or used) in the period corresponds to the change in net debt.

	2011 € million	2010 € million	Change € million
Operating profit	295.5	269.5	26.0
Depreciation and amortisation	30.3	25.8	4.5
EBITDA	325.8	295.3	30.5
Other non-cash items	5.0	9.4	(4.4)
Changes in non-financial assets and liabilities	(0.3)	5.5	(5.8)
Taxes paid	(68.0)	(50.0)	(18.1)
Cash flow from operating activities before changes in working capital	262.5	260.2	2.3
Change in net operating working capital	(60.1)	(29.6)	(30.5)
Cash flow from operating activities	202.5	230.6	(28.2)
Net interest paid	(41.6)	(38.9)	(2.7)
Cash flow used for investment	(24.9)	(59.7)	34.8
Free cash flow	136.0	132.0	3.9
Acquisitions	(26.0)	(149.6)	123.6
Other changes	(20.9)	2.2	(23.1)
Dividend paid out by Parent Company	(34.6)	(34.6)	(0.0)
Total cash flow used in other activities	(81.5)	(182.0)	100.5
Exchange rate differences and other changes	(9.7)	(9.7)	0.0
Change in net debt due to operating activities	44.7	(59.7)	104.4
Change in payables for exercise of put option and potential earn-out payment (*)	(4.3)	13.5	(17.8)
Change in net debt = total net cash flow for the period	**40.4**	**(46.2)**	**86.6**
Net debt at the start of the period	(677.0)	(630.8)	(46.2)
Net debt at the end of the period	(636.6)	(677.0)	40.4

(*): This item, which is a non-cash item, is included in order to reconcile the change in net debt due to operating activities with the overall change in net debt

Net cash flow in 2011 was positive at € 40.4 million, compared with a negative € 46.2 million in 2010. The biggest effect on the figure comes from the Group's investment in acquisitions; in 2011 this totalled € 26.0 million, compared with € 149.6 million in the previous year.

Free cash flow of € 136.0 million was generated in 2011; cash flow from operating activities was € 202.5 million, which was partly offset by the payment of net financial interest of € 41.6 million and net investment of € 24.9 million. The most significant items of free cash flow were as follows:

- EBITDA (operating profit and amortisation/depreciation) of € 325.8 million, € 30.5 million higher than in 2010;
- tax of € 68.0 million, an increase of € 18.1 million on the previous year;
- a change in operating working capital of € 60.1 million, an increase of € 30.5 million compared to the previous year (for more information on this item, see the section "Operating working capital" below);
- net interest payable of € 41.6 million;
- investment spending of € 24.9 million, significantly lower compared with the previous year (€ 59.7 million), which includes the completion of the significant extraordinary industrial investments (e.g. construction of the new Wild Turkey distillery and the new facility in Brazil); net investments in 2011, totalling € 24.9 million, relate to the investments described in this report of € 40.3 million, less receipts from the sale of assets and capital grants totalling € 15.4 million. Further detail of spending during the year can be found in the section entitled "Investments" below.

Cash flow used in other activities was € 81.5 million, compared with € 182.0 million in 2010.
The lower figure for cash outlay was due to two contrasting factors. Firstly, acquisitions for the year totalled € 26.0 million, whereas the same figure for 2010 was € 149.6 million. In 2011, the figure comprised cash outlay of € 24.4 million for acquiring Vasco (CIS) OOO and Sagatiba Brasil S.A., € 1.1 million for acquiring the Cazalis and Reserva San Juan brands in Argentina, and an earn-out payment of € 0.5 million on previous acquisitions. Secondly, purchases and sales of own shares to service stock option plans involved a net outlay of € 21.3 million, whereas in 2010 this activity generated cashflow of € 1.7 million.
The dividend paid by the Parent Company of € 34.6 million remained unchanged from the previous year.

Exchange rate differences and **other changes** had a negative effect of € 9.7 million in both 2011 and 2010, and mainly relate to exchange rate differences.

The increase in **payables relating to the exercise of put options and earn-out payments**, totalling € 4.3 million, is largely due to payables recorded following company acquisitions made during the year. Specifically, a put option valued at € 1.8 million was agreed on 20% of the remaining shares of Vasco (CIS) OOO, and an earn-out valued at € 3.7 million was agreed on Sagatiba Brasil S.A. Smaller changes were recorded for the earn-outs paid during the year (€ 0.6 million), updates to the estimates of the value of future earn-out payables (€ 0.5 million), exchange rate differences and the effects of discounting these payables to present values.

Investments

In 2011 investments reported in the financial statements totalled € 40.3 million, of which:
- € 33.0 million was spent on tangible assets;
- € 0.6 million was spent on biological assets;
- € 6.7 million was spent on intangible assets with a finite life.

The total figure for Group investments in 2011 is high, as a result of the following important one-off projects that were completed during the year:
- completion of the new Rare Breed distillery in Kentucky for € 3.2 million; this project, which is linked to the acquisition of Wild Turkey, was started by the Pernod Ricard Group and, at the time the deal was closed in May 2009, the stage of completion reached equated to around US$ 20 million. The project was completed for a total investment of around US$ 51.1 million;
- the continuation of the project to modernise the maturing inventory warehouses of Glen Grant Distillery Ltd for € 0.7 million; this investment, initiated in 2008 and extended beyond what was originally planned, will make it possible to reduce the costs associated with the ageing process for Scotch whisky, which was previously fully outsourced;
- the completion of the investment programme initiated in 2010 to extend the Capilla del Señor plant in Argentina, for € 3.7 million; the project, which is worth around € 6.3 million in total, enabled the Group to start producing Cinzano vermouth locally in the second half of 2011.

The remaining amount spent on tangible assets during the year (€ 25.4 million) was incurred by the Group's plants for recurring activities; in 2011, recurring investment also included € 7.9 million for barrels for the ageing process.
Investments in biological assets totalling € 0.6 million were made by Sella & Mosca S.p.A. on vineyards in Tuscany.
Lastly, investment in intangible assets with a finite life during the year, totalling € 6.7 million, also included € 5.2 million relating to new projects to streamline and upgrade the IT systems currently in use.

Breakdown of net debt

The Group's consolidated net debt stood at € 636.6 million at 31 December 2011, an improvement on the figure of € 677.0 million posted at 31 December 2010.
The events during the year and the cash flows that impacted the level of net debt have been addressed in detail in the "Statement of cash flows" section above.
The table below shows the changes in the structure of debt between the start and the end of the year, compared to that for the previous year.

	31 December 2011 € million	31 December 2010 € million	Change
Cash and cash equivalents	414.2	259.7	154.5
Payables to banks	(144.9)	(38.4)	(106.5)
Real estate lease payables	(3.0)	(3.4)	0.3
Short-term portion of private placement	(83.7)	(6.2)	(77.5)
Other financial receivables and payables	(10.7)	(10.7)	(0.1)
Short-term net cash position	171.8	201.0	(29.2)
Payables to banks	(0.1)	(0.4)	0.3
Real estate lease payables	(1.4)	(4.4)	3.0
Private placement and bond (*)	(798.5)	(869.0)	70.5
Other financial receivables and payables	(0.5)	(0.7)	0.2
Medium-/long-term net debt	(800.6)	(874.5)	74.0
Debt relating to operating activities	(628.8)	(673.6)	44.7
Payables for the exercise of put options and potential earn-out payments	(7.8)	(3.4)	(4.3)
Net debt	(636.6)	(677.0)	40.4

(*): including the relevant derivatives

In terms of structure, the short-term net cash position came in at € 171.8 million at 31 December 2011, down € 29.2 million on the position at the end of 2010.
During the year, the remainder of the private placement carried out by Redfire Inc. in 2002, totalling US$ 108.3 million (equivalent to € 83.7 million at 31 December 2011) was reclassified under short-term debt due to expire in July 2012.
The Parent Company's leases, totalling € 3.0 million, which were repaid and closed in February 2012, were also reclassified as short-term debt.

The medium- to long-term component, almost exclusively made up of bonds in issue, showed a debt position of € 800.6 million, € 74.0 million less than at 31 December 2010 due to the above-mentioned reclassifications.
It should be noted, however, that exchange rate fluctuations that took place between the two dates under comparison, and particularly the revaluation in the US dollar, caused consolidated net debt to worsen by € 9.3 million.

Group net debt also includes a financial payable of € 7.8 million, relating to the possible future exercise of put options by third parties and future earn-out payments.
The changes in these payables compared with 2010 were discussed in the previous section on the statement of cash flows.

Restated statement of financial position

The Group's summary statement of financial position is shown in the table below in restated format, to highlight the structure of invested capital and financing sources.

	31 December 2011 € million	31 December 2010 € million	Change € million
Fixed assets	1,810.5	1,783.4	27.0
Other non-current assets and liabilities	(157.1)	(131.9)	(25.2)
Operating working capital	442.5	376.8	65.7
Other current assets and liabilities	(91.9)	(98.5)	6.7
Total invested capital	2,004.0	1,929.9	74.2
Shareholders’ equity	1,367.5	1,252.9	114.6
Net debt	636.6	677.0	(40.4)
Total financing sources	2,004.0	1,929.9	74.2

Capital invested at 31 December 2011 amounted to € 2,004.0 million, up by € 74.2 million compared with 31 December 2010. The most significant changes relate to fixed assets, which rose by € 27.0 million due to the net effect of investments and asset sales during the year; operating working capital, which increased by € 65.7 million (please see the previous section); and other non-current liabilities, which rose due to changes in deferred taxes.

The Group’s financial structure reflected a reduction in the debt-to-equity ratio at the end of the period, which fell to 46.6% from 54.0% at 31 December 2010.

Operating working capital

Operating working capital at 31 December 2011 was € 442.5 million, an increase of € 65.7 million versus 31 December 2010.
Working capital as a percentage of net sales for the previous 12 months was 34.7% at 31 December 2011, slightly higher than the 32.4% recorded at 31 December 2010.

Excluding the positive exchange rate effects of € 0.3 million and external growth, represented by the acquisitions of Vasco (CIS) OOO and Sagatiba Brasil S.A. (€ 5.3 million), organic working capital growth was € 60.1 million, as shown in the statement of cash flows above.

	31 December 2011 € million	31 December 2010 € million	Change € million	exchange rate differences € million	external growth € million	organic growth € million
Trade receivables	278.0	269.4	8.6	(1.6)	5.3	4.9
Inventories	331.3	294.9	36.4	1.9	1.7	32.8
Trade payables	(166.8)	(187.4)	20.7	0.0	(1.7)	22.3
Operating working capital	**442.5**	**376.8**	**65.7**	**0.3**	**5.3**	**60.1**
Sales in the previous 12 months	1,274.2	1,163.0	111.3			
Working capital as % of sales in the previous 12 months	34.7	32.4				

The significant increase is attributable mainly to an increase in the value of inventories and a reduction in payables to suppliers, while the increase in trade receivables was fairly low, with this item decreasing as a percentage of sales from 23.2% in the previous year to 21.8% at 31 December 2011.

The increase in inventories was attributable in large part (€ 23.8 million) to products due to undergo the ageing process in the Group’s two distilleries in Scotland and Kentucky: this means that an amount that could be classed as invested capital is included in working capital for technical reasons.

More generally, the start of the Group's operations in Australia and Russia required significant working capital, due partly to the difficulties in obtaining supplies in these markets.

Regarding trade payables, since at the start of the fourth quarter of 2011 the Group received advance supplies of some raw materials, the suppliers were paid before 31 December 2011, resulting in a decrease in these payables compared with the previous year.

Investor information

International economy

2011 saw a generalised slowdown in the global economy. Sovereign debt tensions in the euro zone, which intensified and took on systemic proportions in the second half of the year, and continuing uncertainty over the process of consolidating public finances in the US, had negative repercussions on the outlook for growth in developed economies. The prices of government securities in many euro zone countries were affected by uncertainty over management of the crisis at EU level and co-ordination between governments, despite substantial corrections of imbalances in public finances by national governments. The deteriorating outlook for the global economy fuelled this uncertainty. Risk aversion rose among investors, who increasingly turned towards defensive securities such as US and German government bonds.

The yield spread between Italian and German 10-year government bonds reached 550 basis points in November, its highest level since the introduction of the euro. The gap narrowed somewhat in early December on news of further swingeing measures to correct the public accounts, before gradually widening again as concerns grew about the systemic aspects of the crisis.

While there was a general weakening of developed economies, the major developed economies outside the euro zone saw increased economic activity in the second half of 2011. In the US, GDP was boosted by a recovery in consumption and private investment, which offset the negative effects of destocking. Japanese production rebounded strongly after contracting in the first half-year, on the back of stronger consumption and an upturn in exports. In the UK GDP accelerated, driven by an accumulation in inventories due to stagnating consumption and negative net exports. Although continuing to see strong levels of growth, the key emerging economies slowed slightly as restrictive economic policy measures implemented in the first half of the year took effect.

Despite signs of strengthening in the first half of 2011 (albeit with wide divergence between countries) the euro zone economy weakened in the latter part of the year, prompting a downwards revision in the growth outlook for 2012 as well. In this context, the euro system loosened monetary conditions, cutting official interest rates twice, to 1.0%, and introducing further robust measures to support bank lending to households and businesses, which has been hampered by increasing difficulties in raising funding.

In Italy, economic indicators in early spring pointed to a slight strengthening of growth. However, in the second half of the year, slowing global trade and the intensification of the sovereign debt crisis had a negative effect on economic activity, driving up borrowing costs. Disposable income was also eroded by corrective manoeuvring in public finances, which was nevertheless necessary to avoid more serious consequences for the economy and financial stability. Despite this, business competitiveness improved slightly due to the depreciation of the euro, while the recovery in employment that began in the final quarter of 2010 came to a standstill in the final months of 2011. Inflationary pressure eased, in a context of moderate costs and weak demand, although consumer prices felt the effects of indirect taxation.

Meanwhile, intense uncertainty persists over the outlook for growth, both in Italy and in the rest of the euro zone. For the Italian economy to recover, a return to normality on the financial markets and the stabilisation of yields on government bonds will still be critical. The government's efforts to clean up the country's finances will also shorten the timescale for an Italian recovery, as will the responses to the crisis agreed within Europe that are designed to stimulate investor confidence, thereby reducing financing costs for all economic stakeholders (public sector, banks, businesses and households), and the introduction of appropriate structural measures. Ambitious policies to restore confidence and ensure normal market conditions are also seen as essential at European level and therefore to be desired.

Financial markets

The difficult climate on the financial markets in the spring of 2011 became violently turbulent over the summer. High risk aversion hit financial market performance, with stock markets dropping steeply, yields on securities from the safest sovereign issuers falling and wider spreads in the bond segment, including on corporate bonds. The divergence between yields on government paper in the euro zone compared with German *Bunds* reached its highest level since the introduction of the euro in Greece, Portugal, Italy, Spain, Belgium and France, despite ECB purchases of government bonds in massive quantities. Measures to shore up liquidity implemented by the Central Bank at the end of December to counteract the risk of a crisis in the banks' funding capacity helped to reduce the level of perceived risk somewhat. In the autumn, stock markets regained some of the ground lost during the summer, benefiting from a better-than-expected earnings performance by US listed companies. In the emerging economies, financial conditions deteriorated due to a worsening growth outlook and persisting uncertainty over the consequences of the European sovereign debt crisis.

Overall, in 2011 the FTSE MIB and FTSE Italia All-Share indices registered declines of 25.2% and 24.3% respectively. The MSCI Europe index closed the year down 10.0%, while in the US the S&P500 was unchanged.

With regard to exchange rates, the euro's rise against the major currencies in the first half of the year came to an end: the higher returns on short-term euro-denominated assets pushed the euro to appreciate but were offset by the growing tensions in the sovereign bond market. In the final part of 2011 the euro fell against the dollar, sterling and yen. By the end of 2011 it had depreciated against these three currencies by 3.3%, 3.0% and 7.8% respectively compared with the end of 2010.

Spirits sector

In 2011 the DJ Stoxx 600 Food & Beverage benchmark index rose by 5.4% and outperformed the DJ Stoxx 600 by 16.7%. All the European companies in the beverage segment outperformed the market. These securities were perceived as a safe haven by investors in a highly risk-averse market. In addition, expectations of long-term positive structural growth through exposure to emerging markets, in the context of a global market slowdown, justify the premium enjoyed by these stocks compared with the rest of the market.

Stock market expectations of the beverage sector's performance were boosted in 2011 by factors such as exposure to emerging markets, particularly China, Latin America and eastern Europe, which have a higher growth profile than the market average due to an increasing propensity to consume premium international products, driven by higher levels of disposable income and a positive demographic trend. The first signs of recovery in demand in the important US market, as demonstrated by higher volumes and a more favourable sales mix and pricing, had a positive effect. Moreover, expectations of more rapid consolidation in the industry are improving valuations in the sector, due to the belief that further M&A transactions will increase the exposure of spirits companies to new growth opportunities. Finally, there is still an element of investor scepticism towards exposure to western European markets, based on fears of the potential negative effects on consumption of austerity measures introduced by governments in some countries.

Davide Campari Milano S.p.A. share

In the economic and market conditions described above, the Davide Campari-Milano S.p.A. share, listed on the FTSE MIB index of the Italian stock market, rose by 5.6% in absolute terms in 2011 compared with the closing price at 31 December 2010.

As regards overall return, i.e., including dividends, the Campari share posted a performance of 6.9% for cash dividends and dividends reinvested in Campari shares. With respect to the leading Italian stock market indices, Campari shares outperformed the FTSE MIB and the FTSE Italia All-Share indices by 30.8% and 29.9% respectively. The share also outperformed the DJ Stoxx 600 Food & Beverage index by 0.3% and the MSCI Europe index by 15.7%.

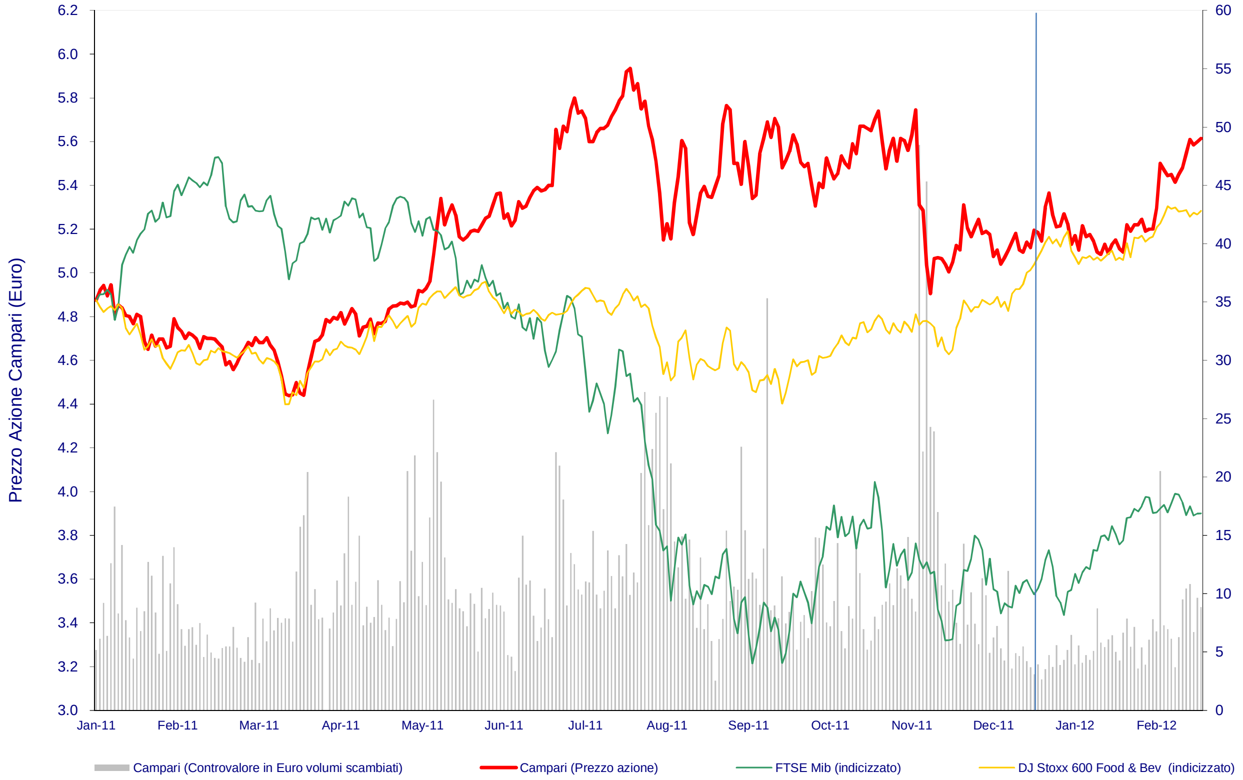
The lowest closing price over the period of € 4.44 was recorded on 16 March 2011. The highest closing price over the period, recorded on 26 July 2011, was € 5.94, which is also the share's highest ever closing price since it was listed on the stock exchange in 2001.

The average daily trading volume for Campari shares was 2.0 million in 2011, with an average daily value of € 10.6 million.

At 31 December 2011, Campari’s market capitalisation was € 3.0 billion.

The performance of the Campari share in 2011 benefited from the announcement of very positive results for the full year 2010 and the first three quarters of 2011, with all performance indicators showing strong growth. These results were achieved thanks to the good performance of the main brands (especially aperitifs in the main European markets) and to sustained growth in key markets, partly due to recent investment in upgrading the distribution platform. However, the share was also affected, particularly in the second half of the year, by difficult conditions on the financial markets and macroeconomic concerns related to exposure to the Italian market and to the austerity measures recently introduced by the Italian government.

Performance of the Campari share and the main benchmark indices since 1 January 2011



Ten years on the stock exchange

On 6 July 2011, the Campari Group celebrated the tenth anniversary of its flotation in 2001.

During this period, Campari has enhanced its portfolio of assets to become one of the major companies in the global beverage industry with a portfolio of 45 premium and super premium brands sold in 190 countries.

It has continuously achieved solid double-digit growth, comprising organic and external growth in equal measure. The Campari Group almost tripled its sales and profitability from 2000 to 2010: sales increased from € 434 million to € 1,164 million, EBITDA from € 106 million to € 299 million, and net profit from € 53 million to € 156 million.

The Campari stock has mirrored the company's sound operating performance since the listing, achieving the best performance in the global spirits industry as well as the best performance of all IPOs in Italy since 2001. It has also posted one of the strongest growth rates in the FTSE MIB index since 2001.

A shareholder that had purchased one Campari share in the 2001 IPO for € 1.55[1] could have sold the same share for € 5.145 on 31 December 2011, with an increase in absolute terms of 231.9%, or 12.1% a year; in terms of overall return, i.e. including dividends, the increase would have been 265.0%, or 275.3% if the dividends had been reinvested: this performance corresponds to an overall return (including dividends) since the IPO of 13.1% a year and 13.4% if the dividends were reinvested.

Moreover, in relative performance terms, Campari outperformed the FTSE MIB (the blue chip index of the Italian stock exchange, which has included Campari, the only beverage company listed in Italy, since 2009) by 291.8%, and the DJ STOXX 600 Food & Beverage by 182.0%.

In terms of trading, the average daily value of the Campari share rose from € 1.2 million in 2001[2] to € 10.6 million in 2011.

[1] A share split in the ratio of 10 shares for each share became effective on 9 May 2005. A bonus share issue involving the issue of one new share for each share held took effect on 10 May 2010.

[2] In 2001, the average daily value excluded the first week of trading after the IPO.

Shareholder base

The table below shows the major shareholders at 31 December 2011.

Shareholder [1]	No. of ordinary shares	% of share capital
Alicros S.p.A.	296,208,000	51.00%
Cedar Rock Capital	62,822,263	10.82%
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).

Following notification received after the reporting date, the total number of Davide Campari-Milano S.p.A. shares held by Cedar Rock Capital at the date of approval of these draft financial statements to 31 December 2011 was 63,284,460, or 10.90% of the share capital.

Dividend

The Board of Directors that approves these draft financial statements is also required to vote on a proposal to pay a dividend for 2011 of € 0.07 per share (an increase of 16.7% compared with the dividend paid for 2010).
The dividend will be paid on 24 May 2012 (coupon no. 9 should be detached on 21 May 2012), except on own shares.

Information on the Davide Campari-Milano S.p.A. stock and valuation indicators

The table below shows how the performance of the Davide Campari-Milano S.p.A. stock has evolved since it was listed.

Stock information [1]		**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**	**2002**	**2001**
Reference share price												
Price at end of period	€	5.15	4.87	3.65	2.40	3.28	3.76	3.12	2.37	1.93	1.50	1.32
Maximum price	€	5.94	4.99	3.71	3.30	4.21	4.05	3.39	2.39	1.93	1.89	1.55
Minimum price	€	4.44	3.51	1.94	1.93	3.25	3.14	2.24	1.79	1.37	1.27	1.09
Average price	€	5.17	4.15	2.82	2.78	3.77	3.66	2.86	2.02	1.65	1.58	1.36
Capitalisation and volumes												
Average daily trading volume [2]	million	2.0	1.9	1.6	1.3	1.5	1.2	1.0	0.9	0.8	1.1	1.4
Average daily trading value [2]	€	10.6	7.6	4.5	3.7	5.8	4.4	2.8	1.7	1.3	1.7	2.1
Stock market capitalisation	€ million	2,988	2,828	2,118	1,394	1,904	2,183	1,812	1,374	1,118	871	**767**
Dividend												
Dividend per share [3]	€	0.06	0.06	0.055	0.055	0.050	0.050	0.050	0.044	0.044	0.044	-
Shares with dividend rights	million	576.7	576.6	576.4	578.7	580.8	562.7	562.1	560.8	560.8	560.8	-
Total dividend [3] [4]	€	34.6	34.6	31.7	31.8	29.0	28.1	28.1	24.7	24.7	24.7	-

[1] Share information prior to the dates on which changes to the amount of share capital occurred have been adjusted to take account of the new composition of share capital as described below:
- bonus share issue via the issue of 290,400,000 new shares with a nominal value of € 0.10 each to be provided free of charge to shareholders in the ratio of one new share for each share held, which came into effect on 10 May 2010
- ten-for-one share split effective as at 9 May 2005

[2] Initial Public Offering on 6 July 2001 at the price of € 1.55 per share. The average daily volume after the first week of trading was 845,200 shares in 2001; the average daily value after the first week of trading was € 1,145,000 in 2001.
[3] Dividend classified on the basis of the year in which it was paid out.
[4] Total dividend distributed excluding own shares.

The table below shows the evolution of the main valuation indicators used by the Campari Group since the stock market listing.

Indicator [1]		IAS/IFRS							Italian accounting standards			
		2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Shareholders' equity per share	€	2.35	2.16	1.80	1.64	1.51	1.37	1.19	1.08	0.95	0.83	0.74
Price/book value	x	2.19	2.26	2.02	1.46	2.17	2.74	2.61	2.20	2.04	1.82	1.78
Earnings per share (EPS)[2]	€	0.27	0.27	0.24	0.22	0.22	0.21	0.21	0.17	0.14	0.15	0.11
P/E (price/earnings)	x	18.7	18.0	15.3	11.0	15.19	18.26	14.86	13.70	14.0	10.1	12.1
Payout ratio (dividend/net profit)[3]	%	22.1	25.2	25.1	25.4	24.8	23.8	29.0	30.9	28.5	38.9	
Dividend yield (dividend/price)[3][4]	%	1.2	1.6	2.3	1.7	1.3	1.6	2.1	2.3	2.9	3.3	

[1] Share information prior to the dates on which changes to the amount of share capital occurred have been adjusted to take account of the new composition of share capital as described below:
- bonus share issue via the issue of 290,400,000 new shares with a nominal value of € 0.10 to be provided free of charge to shareholders in the ratio of one new share for each share held, which came into effect on 10 May 2010
- ten-for-one share split effective as at 9 May 2005

[2] For the 2004–2010 financial years, this is calculated using the weighted average number of ordinary shares outstanding as defined in IAS 33.

[3] Proposed dividend for the 2011 financial year.

[4] Dividend yield calculated on the share price at the end of the previous year.

[5] Estimated payout ratio for the 2011 financial year (calculated on the basis of the proposed dividend and number of shares outstanding on the date of the approval of the draft financial statements at 31 December 2011).

Investor relations

During 2011, the company continued its communication measures aimed at investors, analysts and financial markets around the world with a view to providing complete, accurate and timely information on its operations, while complying with the relevant confidentiality requirements for certain types of information.
Numerous meetings with institutional investors were organised in the main financial centres in Europe and outside Europe, including in the US, Canada and for the first time, Australia and Brazil.
Information on the Group, particularly in relation to the financial results, corporate developments, corporate governance and stock exchange information is published, along with regular updates, on the website (http://www.camparigroup.com in the 'Investors' section).
Information of interest to shareholders and investors is available on the website, and may also be requested by sending an e-mail to investor.relations@campari.com.

Operating and financial results of the Parent Company Davide Campari-Milano S.p.A.

Operating performance

	2011		2010		Change
	€ million	%	€ million	%	%
Net sales	**545.5**	**100.0%**	**493.4**	**100.0%**	**10.6%**
Cost of goods sold	(266.3)	-48.8%	(263.5)	-53.4%	1.1%
Gross profit	**279.2**	**51.2%**	**229.9**	**46.6%**	**21.4%**
Advertising and promotional costs	(62.0)	-11.4%	(63.5)	-12.9%	-2.4%
Contribution margin	**217.2**	**39.8%**	**166.4**	**33.7%**	**30.5%**
Overheads	(73.6)	-13.5%	(71.8)	-14.6%	2.5%
Operating result	**143.6**	**26.3%**	**94.6**	**19.2%**	**51.8%**
Financial income and charges	(31.8)	-5.8%	(26.4)	-5.4%	20.5%
Dividends	125.0	22.9%	47.5	9.6%	163.2%
Profit before tax	**236.8**	**43.4%**	**115.7**	**23.4%**	**104.7%**
Taxes	(45.7)	-8.4%	(33.2)	-6.7%	37.7%
Profit for the year	**191.1**	**35.0%**	**82.5**	**16.7%**	**131.6%**

The year ending 31 December 2011 closed with a net profit of € 191.1 million, a significant increase on the previous period.
Net sales totalled € 545.5 million, up by 10.6% on the previous year. These mainly include sales to other Group companies (€ 174.9 million) and sales of products made directly on the Italian market (€ 370.3 million), which rose by 2% on the previous year.
The mix of products sold meant it was possible to achieve a higher contribution margin than the previous year, after advertising and promotional costs, of 39.8%, thanks to a drop in product costs, distribution expenses and advertising and promotional costs.

The increase in overheads, albeit lower than net sales growth, was mainly affected by the increase in sales costs and general and administrative costs, which was partly due to the strengthening of the structure in certain specific areas of the organisation and to investment in the IT system and in business intelligence and business process management. The rise was partly offset by a decrease in other operating income and costs as a result of lower provisions for risks relating to loans, reduced charges for tax risks and the posting of income from the sale of assets.

Financial charges increased by 20.5% compared with the previous year, mainly due to the higher cost of debt in 2011.

For more detailed information on the financial situation, please refer to the notes to the annual financial statements of Davide Campari-Milano S.p.A on financial income and charges, cash and cash equivalents and the reconciliation with net debt.
Taxes were higher for 2011 than the previous year due mainly to the higher taxable income generated in 2011.

Restated statement of financial position

Fixed assets	1,468.8	1,469.8	-1.0
Other non-current assets and liabilities	(30.1)	(34.6)	4.5
Operating working capital	89.3	73.9	15.4
Other current assets and liabilities	(38.5)	(32.5)	(6.0)
Total invested capital	**1,489.5**	**1,476.6**	**12.9**
Shareholders' equity	773.4	635.6	137.8
Net debt	716.1	841.0	(124.9)
Total financing sources	**1,489.5**	**1,476.6**	**12.9**

The overall increase in invested capital (and in total financing sources) was € 12.9 million at 31 December 2011.

Fixed assets recorded an overall decrease of € 1.0 million, generated mainly by the combination of the fall in net tangible assets and the increase in value of equity investments, which was largely attributable to the capitalisation of the Group's subsidiary Campari do Brasil LTDA. Depreciation and amortisation for the year amounted to € 15.0 million.

Other non-current assets and liabilities showed a net liability balance of € 30.1 million at 31 December 2011, compared with a liability balance of € 34.6 million at 31 December 2010; this decline was largely due to lower allocations to risk provisions.

The increase of € 15.4 million in **operating working capital** shown in the statement of financial position, which was due mainly to the increase in receivables from related parties and a drop in payables to suppliers, was partly offset by a drop in inventory stocks.

Other current assets and liabilities showed a net negative balance of € 38.5 million, an increase of € 6 million on the previous period.

The company's **financial structure** benefited from a reduction in net debt of € 115.5 million, due to a drop in current financial payables to related parties, net of an increase in the value of bond issues. However, net debt improved by € 124.9 overall, which also includes the increase in the value of the derivative to hedge the euro-denominated bond.
In addition, the capital base was considerably strengthened following an increase in shareholders' equity of € 137.8 million.

Report on corporate governance and ownership structure

In accordance with legal obligations, the Board of Directors annually approves the Report on corporate governance and ownership structure.
As well as information pursuant to article 123-ter of legislative decree 58 of 24 February 1998, this report contains a general description of the corporate governance system adopted by the Group, providing information on compliance with the Code of Conduct, including the main governance practices applied as well as the characteristics of the internal control and risk management systems, also relating to the financial reporting process. This Report is available online at www.camparigroup.com, in the Corporate Governance section.

Organisation, management and control model pursuant to Legislative Decree 231 of 8 June 2001

From 1 January 2009, the Parent Company decided to adopt an Organisation, Management and Control Model pursuant to Legislative Decree 231 of 8 June 2001 on the administrative responsibility of legal entities, for the purposes of ensuring ethical and transparent conduct as an appropriate way to reduce the risk of the offences specified in the legislative decree being committed. The Parent Company also established a Supervisory Body charged with the task of monitoring compliance with the Model and proposing any changes that might be necessary following amendments to the relevant legislation.
In 2011, the Supervisory Body therefore proposed to the Company's Board of Directors that the Model should be updated in light of the changes introduced by Legislative Decree 121 of 7 July 2011 regarding the protection of the environment through criminal law, and created a plan to look specifically at procedures to prevent the crimes of receiving, laundering and using illegally-obtained money, goods or other benefits.
For further information, please see the report on corporate governance and ownership structure published on www.camparigroup.com in the "Investors" section.

Transactions with related parties

The procedures for transactions with related parties approved by the Company's Board of Directors on 11 November 2010, which came into force on 1 January 2011, can be viewed at www.camparigroup.com, in the "Investors" section.
An overview of these procedures is provided in the report on corporate governance and ownership structure.

Risk management

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 difficulties), export and import quotas, and limits or curbs on investment, advertising or limitations on the repatriation of dividends.

Risks relating to the Company's dependence on licences for the use of third-party brands and licences granted to third parties for use of the Group's brands

At 31 December 2011, 10.2% of the Group's consolidated net sales came from production and/or distribution under licence of third-party products.
Should any of these licensing agreements be terminated for any reason or not renewed, this could have a negative effect on the Group's activities and operating results.

Risks relating to market competition

The Group operates in the alcoholic and soft drinks segments, which is fiercely competitive and attracts a large number of players.
The main competitors are large international groups involved in the current wave of mergers and acquisitions, which are operating aggressive strategies at global level.

The Group's competitive position vis-à-vis the most important global players, which often have greater financial resources and benefit from a more highly diversified portfolio of brands and geographic locations, means that its exposure to market competition risks is particularly significant.

Risks relating to the Company's dependence on consumer preference and propensity to spend

An important success factor in the drinks industry is the ability to interpret consumer preferences and tastes – particularly those of young people – and to continually adapt sales strategies to anticipate market trends and strengthen and consolidate the product image.
If the Group's ability to understand and anticipate consumer tastes and expectations and to manage its own brands were to cease or decline significantly, this could considerably affect its activities and operating results.
Moreover, the unfavourable economic situation in certain markets is dampening the confidence of consumers, making them less likely to buy drinks.

Risks relating to legislation in the drinks industry

Activities relating to the alcoholic and soft drinks industry – production, distribution, export, import, sales and marketing – are governed by complex national and international legislation, often drafted with somewhat restrictive aims.
The requirement to make the legislation governing the health of consumers, particularly young people, ever more stringent could in the future lead to the adoption of new laws and regulations aimed at discouraging or reducing the consumption of alcoholic drinks. Such measures could include restrictions on advertising or tax increases for certain product categories.
Any tightening of regulations in the main countries in which the Group operates could lead to a fall in demand for its products.

Tax risks

At the reporting date, a tax dispute relating to the IPI (manufacturing tax) was pending with the Brazilian legal authorities. Also in Brazil, following the end of the year, a tax inspection report was received in regard to the payment of ICMS (the tax on the consumption of goods and services).
No provisions have been made for these tax risks based on current assumptions.

With reference to the Parent Company, a number of lawsuits were pending in relation to the tax period 2004. Some concern incorporated companies, for which sufficient risk provisions have already been made.

For additional details, see note 40 - Provisions for risks and charges, in the consolidated financial statements and note 34 - Provisions for risks and charges, in the Parent Company's financial statements.

Risks relating to environmental policy

The Group's industrial activities do not carry any specific risks relating to 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.
These activities are carried out in compliance with the regulations in force in the countries in which the Group operates.

Risks relating to product compliance and safety

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 to ensure 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.

Risks relating to employees

In the various countries where the Group has subsidiaries, its dealings with employees are regulated and protected by collective labour agreements and the regulations in force locally.
Any reorganisation or restructuring undertaken, where this becomes essential for strategic reasons, is defined on the basis of plans agreed with employee representatives.
Moreover, the Group has implemented specific procedures to monitor safety in the workplace, and it is worth noting that the accident rate at Group plants is very low and that any accidents that do happen tend to be minor.

Exchange rate and other financial risks

Around 48.1% of the Group's consolidated net sales in 2011 came from outside the European Union.
With the growth in the Group's international operations in areas outside the euro zone, a significant fluctuation in exchange rates could hit the Group's activities and operating results, particularly in relation to the US dollar, Australian dollar and Brazilian real.

For more information about financial risks, see note 45 - Nature and extent of risks arising from financial instruments.

Other information

Structure of the Campari Group

For information on changes to the Group's structure in 2011, see note 2 of the notes to the consolidated financial statements, "Basis of consolidation".

Holding and purchase of own shares and shares of the controlling shareholder

At 31 December 2011, the Parent Company held 3,346,565 own shares with a nominal value of € 0.10, equal to 0.58% of share capital. The Company sold 8,470,615 own shares and purchased 9,540,000 own shares during the year.
These own shares are to be used in stock option plans as described in detail in later sections of this Annual Report. In addition, after 31 December 2011 and until publication of the Parent Company's financial statements was authorised, further sales of shares for the exercise of stock options were carried out totalling 903,110 own shares. The Company therefore holds 2,443,455 own shares.

However, during the period Group companies did not hold, and do not currently hold, either directly or indirectly, any shares of the controlling shareholder.

Adaptation plan pursuant to articles 36 and 39 of the "Market Regulations"

In accordance with articles 36 and 39 of Consob Regulation 16191 of 29 October 2007 and subsequent amendments concerning 'conditions for listing shares of companies that control companies established and governed by laws of non-EU countries', the Parent Company has made the necessary disclosures and identified the significant subsidiaries defined in accordance with paragraph 2 of article 36 of the above-mentioned Regulation, and verified that the conditions set out in paragraphs a), b) and c) of article 36 have been met.

Personal data protection code

The Parent Company complies with Legislative Decree 196 of 30 June 2003, the Personal Data Protection Code, and specifically declares that it has established appropriate preventive security measures including with regard to information obtained as a result of technological advancements, the nature of the data and specific handling procedures in order to minimise risks associated with the intentional or unintentional destruction or loss of the data, unauthorised access or handling, or use of the data for purposes other than those for which it was collected.
The Company has prepared a Security Planning Document in accordance with Appendix B of Legislative Decree 196 of 30 June 2003.

Research and development activities

Group companies carried out research and development activities solely in relation to ordinary manufacturing and trading activities; costs were therefore fully expensed during the period.

Events taking place after the end of the year

Continuation of the process to streamline the Group's structures

As part of the ongoing process to streamline the Group's structure, on 1 January 2012, Rare Breed Distilling LLC and Cabo Wabo LLC were merged into Skyy Spirits LLC, which changed its name to Campari America.

On the same date, Argentine subsidiary Camargen S.R.L. was merged into Campari Argentina S.A.

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 (USA). The investment will total around US$ 41 million, net of economic incentives of US$ 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 US, 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 autumn 2013. This investment will enable the Group to bottle the full Wild Turkey and Skyy product lines in the US. The production capacity of the plant, which is designed to handle initial production of up to four million nine-litre cases a year, will 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 US 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 coming in at GBP 4.9 million.

Conclusions on 2011 and outlook

The results achieved in 2011 confirm that the Group's business is extremely sound, as shown by a more than satisfactory performance in its key product/market combinations, which were boosted by significant investment, both in advertising and promotion and in new distribution structures.

Specifically, in the last quarter of the year, despite an unexpected and sudden decline in confidence on the capital markets regarding the sustainability of the public debt of some major countries, which had negative repercussions on end customers and consumers, the Group confirmed the steady progress of the results obtained in the first three quarters of the year, and also maintained strict discipline in credit management.

The excellent performance of Aperol, which again saw sustained growth and more marked internationalisation, together with the positive results obtained by the main growth drivers – the aperitifs portfolio on the European market, SKYY Vodka on international markets, and Wild Turkey in the US and Australia, as well as the innovative projects that have been launched – enabled the Group to achieve undeniably positive results in line with forecasts in 2011.

Specifically, the operating result increased by 9.7% in 2011 compared with the previous year, remaining unchanged as a percentage of net sales (23.2%), despite the planned 50 basis-point increase in advertising and promotional spending as a percentage of sales to 18%.
This result was achieved thanks to an improvement in gross profit and a reduction in overheads as a percentage of sales, even though 2011 was negatively affected by investments made to strengthen sales and marketing structures, particularly in Russia.

Looking ahead to 2012, we expect that the main product/market combinations will continue to perform well, despite the ongoing crisis on the capital markets and the consequent change in the macroeconomic environment, and that the Group will again be able to achieve satisfactory results.
However, the first quarter of the year is likely to be negatively affected by the following factors:

- an unfavourable basis of comparison with an exceptional first quarter of 2011 (in which sales grew by 15.4% compared with the first quarter of 2010);
- a negative effect on costs, resulting from the launch phase of the new distribution organisation in Russia;
- a slowdown in sales in Italy, which was expected following the implementation of an even more stringent credit control policy compared with the first quarter of 2011 (when the signs of the financial crisis were not yet evident) and the consequent postponement of planned promotional activity before the summer;
- a slow start in Brazil, following the increase in prices introduced in January;
- possible effects relating to the non-renewal of a commercial agreement with an important customer in Germany.

We also believe that the sales and profit lost in the first quarter as a result of these effects can naturally be recovered in the remaining and undoubtedly more significant part of the year. As regards the medium to long term, in light of the fact that risks and opportunities remain broadly balanced, the Group is optimistic that it will achieve satisfactory results.

Information on data disclosed

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

Definition of alternative performance indicators

This annual financial report presents and comments upon certain financial indicators and restated financial statements (in relation to the statement of financial position and statement of cash flows) that are not defined by the IFRS. These indicators, which are described below, are used to analyse the Group's business performance in the “Highlights” and “Report on operations” sections.

Financial indicators used to measure Group operating performance.

Contribution margin: calculated as the difference between net sales, the cost of goods sold (in its materials, production and distribution cost components) and advertising and promotional costs.

Result from recurring activities: the operating result for the period before non-recurring income and charges, as defined in the Consob communication of 28 July 2006 (DEM 606423), which include, for example, capital gains/losses from equity investment disposals and restructuring costs.

EBITDA: the operating result before depreciation and amortisation of tangible and intangible fixed assets.

EBITDA before non-recurring income and charges: EBITDA as defined above, calculated before non-recurring income and charges as described above.

ROS (return on sales): the ratio between the operating result and net sales for the period.

ROI (return on investment): the ratio between the operating result for the period and fixed assets at the end of the period (see the definition of fixed assets below).

Restated statement of financial position

The items included in the restated statement of financial position are defined below as the algebraic sum of specific items contained in the financial statements:

Fixed assets: calculated as the algebraic sum of:
- Net tangible fixed assets
- Biological assets
- Investment property
- Goodwill and brands
- Intangible assets with a finite life
- Non-current assets held for sale
- Investments in affiliates and joint ventures

Other non-current assets and liabilities: calculated as the algebraic sum of:
- Deferred tax assets
- Other non-current assets, net of financial assets (classified under net debt)
- Deferred tax liabilities
- Defined benefit plans
- Provision for risks and charges
- Other non-current liabilities, net of financial liabilities (classified under net debt)

Operating working capital: calculated as the algebraic sum of:

- Inventories
- Trade receivables
- Trade payables

Other current assets and liabilities: calculated as the algebraic sum of:

- Current tax receivables
- Other current receivables, net of financial assets (classified under net debt)
- Current payables to tax authorities
- Other current payables, net of financial liabilities (classified under net debt)

Net debt: calculated as the algebraic sum of:

- Cash and cash equivalents
- Non-current financial assets, posted to other non-current assets
- Current financial assets, posted to other receivables
- Payables to banks
- Other financial payables
- Bonds
- Non-current financial liabilities, posted to other non-current liabilities

Restated statement of cash flows

Free cash flow: a cash flow that measures the Group's self-financing capacity, calculated on the basis of cash flow from operations, adjusted for net interest paid and cash flow used in investments, net of income from realising fixed assets.

Reconciliation of the Parent Company and Group net profit and shareholders' equity

Pursuant to the Consob communication of 28 July 2006, the table below shows a reconciliation between the net profit for the period and shareholders' equity for the Group and the Parent Company Davide Campari-Milano S.p.A.

-	31 dicembre 2011		31 dicembre 2010	
-	Shareholders' equity	Profit	Shareholders' equity	Profit
	€ million	€ million	€ million	€ million
Figures from the annual financial statements of Davide Campari-Milano S.p.A.	773,4	191,1	635,6	82,5
Elimination of carrying value of consolidated shareholdings:				
Difference between carrying value and pro-rata value of shareholders' equity of equity investments	607,1		631,6	
Pro-rata results of subsidiaries		165,1		326,9
Portion of Group net profit attributable to minorities	(3,7)	(0,6)	(3,0)	(0,5)
Elimination of the effects of transactions between consolidated companies:				
Elimination of intra-group dividends		(203,5)		(249,2)
Elimination of intra-group profits and capital gains	(13,0)	7,0	(14,4)	(3,5)
Figures from the consolidated financial statements (figures attributable to the Group)	**1.363,7**	**159,2**	**1.249,9**	**156,2**
Shareholders' equity and net profit attributable to minorities	3,7	0,6	3,0	0,5
Shareholders' equity and net profit consolidated	1.367,5	159,8	1.253	156,7

Campari Group

Consolidated financial statements for the year ending 31 December 2011

Financial statements

Consolidated income statement

	Notes	2011 € million	*of which: related parties* € million	2010 € million	*of which: related parties* € million
Net sales	10	**1,274.2**	**3.5**	**1,163.0**	**3.3**
Cost of goods sold	11	(539.6)	-	(496.2)	(1.2)
Gross profit		**734.6**	**3.5**	**666.8**	**2.1**
Advertising and promotional costs		(229.1)	(1.0)	(203.2)	(1.2)
Contribution margin		**505.5**	**2.4**	**463.6**	**0.9**
Overheads	12	(210.0)	0.2	(194.1)	0.1
of which: non-recurring	13	(3.1)	-	(3.3)	(1.0)
Operating result		**295.5**	**2.6**	**269.5**	**1.0**
Financial income and charges	18	(45.1)	-	(35.7)	-
of which: non-recurring	18	(1.9)	-	1.9	-
Share in profit (loss) of companies valued at equity	8	(0.4)	0.0	(0.6)	(0.6)
Income (charges) relating to put options and earn-outs	19	0.5	-	(0.3)	-
Profit before tax		**250.6**	**2.6**	**232.9**	**0.4**
Taxes	20	(90.9)	-	(76.2)	-
Profit for the period		**159.8**	**2.6**	**156.7**	**0.4**
Profit attributable to:					
Parent Company shareholders		159.2		156.2	
Minority interests		0.6		0.5	
		159.8		**156.7**	
Basic earnings per share (€)	21	0.27		0.27	
Diluted earnings per share (€)	**21**	0.27		0.27	

Consolidated statement of comprehensive income

	2011 € million	2010 € million
Net profit (A)	**159.8**	**156.7**
Cash flow hedge		
Profit (loss) for the period	(5.2)	5.7
Less: profits (losses) reclassified to the separate income statement	0.8	0.8
Net gains (losses) from cash flow hedging	(6.0)	4.9
Tax effect	1.4	(1.4)
Cash flow hedge	**(4.6)**	**3.5**
Conversion difference	8.2	72.6
Other comprehensive income (losses) (B)	3.6	76.2
Total comprehensive income (A+B)	**163.4**	**232.9**
Attributable to:		
Parent Company shareholders	162.8	232.4
Minority interests	0.6	0.5

Consolidated statement of financial position

	Notes	31 December 2011	*of which: related parties*	31 December 2010	*of which: related parties*
		€ million	€ million	€ million	€ million
ASSETS					
Non-current assets					
Net tangible fixed assets	22	320.6	-	325.7	-
Biological assets	23	17.4	-	18.1	-
Investment property	24	0.6	-	0.6	-
Goodwill and brands	25	1,448.6	-	1,409.1	-
Intangible assets with a finite life	27	21.0	-	18.8	-
Investments in affiliates and joint ventures	8	0.0	-	0.0	-
Deferred tax assets	20	6.5	-	8.4	-
Other non-current assets	28	17.1	-	6.7	-
Total non-current assets		**1,831.8**	**-**	**1,787.4**	**-**
Current assets					
Inventories	29	331.3	-	294.9	-
Trade receivables	30	278.0	0.8	269.4	1.4
Short-term financial receivables	31	1.8	-	1.6	-
Cash and cash equivalents	33	414.2	-	259.7	-
Current tax receivables	32	17.8	0.2	5.8	0.2
Other receivables	30	23.9	0.0	21.1	-
Total current assets		**1,066.9**	**1.0**	**852.5**	**1.6**
Non-current assets held for sale	34	2.3	-	11.2	-
Total assets		**2,901.0**	**1.0**	**2,651.1**	**1.6**
LIABILITIES AND SHAREHOLDERS' EQUITY					
Shareholders' equity					
Share capital	35	58.1	-	58.1	-
Reserves	35	1,305.6	-	1,191.8	-
Parent Company's portion of shareholders' equity		1,363.7	-	1,249.9	-
Minorities' portion of shareholders' equity	36	3.7	-	3.0	-
Total shareholders' equity		**1,367.5**	**-**	**1,252.9**	**-**
Non-current liabilities					
Bonds	37	787.8	-	846.3	-
Other non-current liabilities	37	37.1	-	34.3	-
Defined benefit plans	39	8.8	-	9.8	-
Provision for risks and charges	40	7.1	-	19.6	-
Deferred tax liabilities	20	144.4	-	114.0	-
Total non-current liabilities		**985.2**	**-**	**1,024.0**	**-**
Current liabilities					
Payables to banks	38	144.9	-	38.4	-
Other financial payables	38	103.2	-	22.9	-
Trade payables	41	166.8	-	187.4	-
Current payables to tax authorities	43	34.6	18.8	28.7	17.1
Other current liabilities	41	98.9	4.2	96.8	3.8
Total current liabilities		**548.4**	**23.0**	**374.2**	**20.9**
Total liabilities and shareholders' equity		**2,901.0**	**23.0**	**2,651.1**	**20.9**

Consolidated statement of cash flows

	Notes	2011 € million	2010 € million
Operating result		295.5	269.5
Adjustments to reconcile operating profit and cash flow:			
Depreciation and amortisation	14	30.3	25.8
Gains on sales of fixed assets		(4.0)	(0.2)
Write-downs of tangible fixed assets		2.6	0.5
Accruals of provisions		1.7	5.8
Utilisation of provisions		(7.2)	(3.6)
Other non-cash items		12.0	6.9
Change in net operating working capital (*)		(60.1)	(29.6)
Other changes in non-financial assets and liabilities		(0.3)	5.5
Taxes paid	20	(68.0)	(50.0)
Cash flow from (used in) operating activities		**202.5**	**230.6**
Purchase of tangible and intangible fixed assets	22-23	(40.3)	(65.7)
Capital grants received	42	1.3	1.6
Capitalised interest expenses		(0.0)	(1.0)
Gains from disposals of tangible fixed assets		14.1	4.6
Changes in receivables and payables from investments			0.8
Acquisition of brands and rights	25	(1.6)	(12.6)
Acquisition of companies or investments in subsidiaries	8	(24.4)	(137.0)
Interest income		4.5	5.4
Net change in securities		(0.0)	164.7
Cash flow from (used in) investing activities		**(46.8)**	**(39.1)**
Other repayment of medium- and long-term debt		(3.9)	(3.9)
Net change in short-term bank debt		106.2	21.3
Interest expenses		(46.1)	(44.3)
Change in other financial payables and receivables		(0.0)	0.1
Purchase and sale of own shares		(21.3)	1.7
Dividend paid out by Parent Company	35	(34.6)	(34.6)
Cash flow from (used in) financing activities		**(6.1)**	**(66.3)**
Effect of exchange rate differences on net operating working capital		(0.3)	(18.7)
Other exchange rate differences and other changes in shareholders' equity		5.2	23.6
Exchange rate differences and other changes in shareholders' equity		**4.9**	**4.9**
Net change in cash and cash equivalents: increase (decrease)		**154.5**	**130.0**
Cash and cash equivalents at start of period	33	259.7	129.6
Cash and cash equivalents at end of period	33	414.2	259.7

(*): for an analysis of changes in operating working capital, see the section "Operating working capital" in the Report on operations.

Statement of changes in shareholders' equity

	Notes	Attributable to Parent Company shareholders					Minority interests	Total shareholders' equity
		Share capital	Legal reserve	Retained earnings	Other reserves	Total		
		€ million	€ million	€ million	€ million	€ million	€ million	€ million
Balance at 1 January 2011		**58.1**	**5.8**	**1,151.5**	**34.5**	**1,249.9**	**3.0**	**1,252.9**
Dividend payout to Parent Company shareholders	35	-	-	(34.6)	-	**(34.6)**	-	(34.6)
Creation of reserves		-	5.8	(5.8)	-	**-**	-	-
Purchase of own shares	35	-	-	(50.1)	-	**(50.1)**	-	(50.1)
Sale of own shares	35	-	-	28.9	-	**28.9**	-	28.9
Change in basis of consolidation		-	-	(0.1)	-	**(0.1)**	0.1	-
Stock options	35	-	-	8.1	(0.9)	**7.1**	-	7.1
Profit for the period		-	-	159.2	-	**159.2**	0.6	159.8
Other comprehensive income (losses)	35	-	-	(0.2)	3.8	3.6	-	3.6
Total comprehensive income		-	-	159.0	3.8	**162.8**	0.6	163.3
						-		
Balance at 31 December 2011		**58.1**	**11.6**	**1,256.9**	**37.4**	**1,363.7**	**3.7**	**1,367.5**

	Attributable to Parent Company shareholders					Minority interests	Total shareholders' equity
	Share capital	Legal reserve	Retained earnings	Other reserves	Total		
	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Balance at 1 January 2010	**29.0**	**5.8**	**1,054.3**	**(45.6)**	**1,043.5**	**2.5**	**1,046.0**
Bonus share capital increase	29.0	-	(29.0)	-	**-**	-	-
Dividend payout to Parent Company shareholders	-	-	(34.6)	-	**(34.6)**	-	(34.6)
Purchase of own shares	-	-	(9.3)	-	**(9.3)**	-	(9.3)
Sale of own shares	-	-	11.0	-	**11.0**	-	11.0
Stock options	-	-	3.1	3.9	**7.0**	-	7.0
Profit for the period	-	-	156.2	-	**156.2**	0.5	156.7
Other comprehensive income (losses)	-	-	(0.2)	76.2	**76.1**	-	76.1
Total comprehensive income	-	-	156.0	76.2	**232.3**	0.5	232.8
					-		
Balance at 31 December 2010	**58.1**	**5.8**	**1,151.5**	**34.5**	**1,249.9**	**3.0**	**1,252.9**

Notes to the consolidated financial statements

1. General information

Davide Campari S.p.A. is a company listed on the Italian stock market, with registered office at Via Franco Sacchetti 20, 2099 Sesto San Giovanni (Milan), Italy.
The Company is registered with the Milan companies register and REA (business administration register) under no. 1112227.
Davide Campari-Milano S.p.A. is controlled by Alicros S.p.A.
The Group operates in 190 countries, boasting a leading position on the Italian and Brazilian markets and prime positions in the US, Germany and continental Europe, and has an extensive product portfolio in three segments: spirits, wines and soft drinks.
The spirits segment boasts internationally-recognised brands such as Campari, Carolans, SKYY Vodka and Wild Turkey, as well as brand leaders in local markets including Aperol, Cabo Wabo, CampariSoda, Cynar, Frangelico, Glen Grant, Ouzo 12, X-Rated Fusion Liqueur, Zedda Piras and Brazilian brands Dreher, Old Eight and Drury's.
In the wines segment, apart from Cinzano, which is well-known all over the world, the main regional brands are Liebfraumilch, Mondoro, Odessa, Riccadonna, Sella & Mosca and Teruzzi & Puthod.
Lastly, the soft drinks segment covers the extended ranges of Crodino and Lemonsoda, which are leading brands on the Italian market.
The consolidated financial statements of the Campari Group for the year ending 31 December 2011 were approved on 12 March 2012 by the Board of Directors of the Parent Company Davide Campari-Milan S.p.A., which has authorised their publication.
The Board of Directors reserves the right to amend the financial statements should any significant events occur that require changes to be made, up to the date of the shareholders' meeting of the Parent Company.
The financial statements are presented in euro, the reference currency of the Parent Company and many of its subsidiaries.

2. Preparation criteria

The consolidated financial statements for the year ending 31 December 2011 were prepared in accordance with the international financial reporting standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Union. These also include all the revised international accounting standards (IAS) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor, the Standing Interpretations Committee (SIC).
The financial statements were prepared under the historical cost convention as modified by the revaluation of certain items as stated in the accounting policy: financial derivatives, biological assets and new acquisitions were reported at fair value.
The carrying value of assets and liabilities subject to fair value hedging transactions, which would otherwise be recorded at cost, has been adjusted to take account of the changes in fair value attributable to the risk being hedged.
Unless otherwise indicated, the figures reported in these notes are expressed in million euro.

Consolidation principles

The consolidated financial statements include the financial statements of the Parent Company and the Italian and foreign companies over which the Parent Company exercises direct or indirect control, as defined in IAS 27 - Consolidated and Separate Financial Statements.
These accounting statements, based on the same financial year as the Parent Company and drawn up for the purposes of consolidation, have been prepared in accordance with the international accounting standards adopted by the Group.
Joint ventures and companies over which the Group exercises a significant influence are accounted for by the equity method.

Form and content

In accordance with the format selected by the Group, the income statement is classified by function, and the statement of financial position shows current and non-current assets and liabilities separately.
We consider that this format will provide a more meaningful representation of the items that have contributed to the Group's results and its assets and financial position.
In the income statement, the operating result line is shown before and after non-recurring income and charges such as capital gains/losses on the sale of equity investments, restructuring costs and any other non-recurring income/expenses.
The definition of "non-recurring" conforms to that set out in the Consob communication of 28 July 2006 (DEM/6064293).

In 2011, the Group did not carry out any atypical and/or unusual transactions, which are defined in the Consob communication as significant/substantial transactions that are atypical and/or unusual because the counterparties, the object of the transaction, the method used to determine the price and timing of the transaction (proximity to year end) could give rise to doubts over the accuracy or completeness of the information provided in the financial statements, conflicts of interest, the safeguarding of company assets and the protection of minority shareholders.
The statement of cash flows was prepared using the indirect method.

Basis of consolidation

The following changes in the basis of consolidation, resulting from corporate acquisitions and the creation of new companies, took place during 2011.

- In March 2011, the Group completed the acquisition of 80% of Vasco (CIS) OOO, the Moscow-based distributor and importer of spirits and wines, through Varhol B.V.
- In March 2011, Lamargue S.a.r.l., a wine bottling and marketing company with its registered office at Saint Gilles (France) was created.
- In August 2011, the Group finalised the acquisition of 100% of the share capital of Sagatiba Brasil S.A., the Brazilian leader operating in the marketing of *cachaça premium*; the company was subsequently merged into Campari do Brasil Ltda.

Please see note 7 - Acquisitions - for information on the effects of the acquisitions.

The following changes in the basis of consolidation during the year arose from sales:

- On 28 March 2011, in execution of a settlement agreement, the 26% investment in Focus Brands Trading (India) Private Limited, held by DI.CI.E. Holding B.V., was sold; there was no impact on the income statement for this year as provision for the charges relating to the sale had been made the previous year;
- In November 2011, the sale of the 93.67% investment in Quingdao Sella & Mosca Winery Co. held by Sella & Mosca S.p.A. was completed. The company's holdings were sold for a price of € 0.3 million. Negotiations for the sale also included a waiver of the Group's receivables from the sold company. The capital gain on the transaction, reported under non-recurring income, was not material at consolidated level.

The following transactions did not have any effect on the basis of consolidation:

- In October 2011, the Group sold its 75% equity interest in the holding company O-Dodeca B.V. based in Amsterdam. The amount received from the sale equated to 75% of the value of the investment in Kaloyiannis-Koutsikos Distilleries S.A., a Volos-based company active in the production and marketing of spirits, which was previously wholly owned by O-Dodeca B.V. The transaction had no effect at consolidated level;
- In December 2011, following the transfer of all its assets to Glen Grant Ltd., the liquidation of the Old Smuggler Whisky Company Ltd., which was initiated in July 2011, was finalised. The Glen Grant Distillery Company Ltd. was also liquidated and its assets were transferred to Glen Grant Ltd. almost entirely in 2011;
- Rotarius Holding B.V. was merged by absorption into DI.CI.E. Holding B.V.;
- Zedda Piras S.p.A. was incorporated into Sella & Mosca S.p.A. via a reverse merger.

The tables below list the companies included in the basis of consolidation as at 31 December 2011.

		Share capital at 31 December 2011		% owned by Parent Company		
Name, activity	Head office	Currency	Amount	Direct	Indirect	Direct shareholder
Parent Company						
Davide Campari-Milano S.p.A., holding and manufacturing company	Via Franco Sacchetti, 20 Sesto San Giovanni	€	58,080,000			
Fully consolidated companies						
Italy						
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		

Name, activity	Head office	Share capital at 31 December 2011 Currency	 Amount		% owned by Parent Company Direct	 Indirect	 Direct shareholder
Europe							
Campari Austria GmbH, trading company	Naglergasse 1/Top 13 A, Vienna	€	500,000			100.00	DI.CI.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.CI.E Holding B.V. (35%)
Campari Deutschland GmbH, trading company	Bajuwarenring 1, Oberhaching	€	5,200,000			100.00	DI.CI.E Holding B.V.
Campari France, manufacturing company	15 ter, Avenue du Maréchal Joffre, Nanterre	€	2,300,000	**(1)**		100.00	DI.CI.E Holding B.V.
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	CHF	2,000,000			100.00	DI.CI.E Holding B.V.
CJSC Odessa Sparkling Wine Company, manufacturing and trading company	36, Frantsuzky Boulevard, Odessa	UAH	48,041,016			99.80	DI.CI.E Holding B.V.
DI.CI.E. Holding B.V., holding company	Atrium, Strawinskylaan 3105, Amsterdam	€	15,015,000		100.00		
Glen Grant Distillery Company Ltd., manufacturing and trading company	Glen Grant Distillery, Rothes, Morayshire		-	**(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 Sarl, 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			100.00	Sella & Mosca S.p.A.
T.J. Carolan & Son Ltd., trading company	1 Stockes Place, St. Stephen's Green, Dublin 2	€	2,600		76.92	23.08	DI.CI.E Holding B.V.
Varhol B.V., holding company	Atrium, Strawinskylaan 3105, Amsterdam	€	90,000			80.00	DI.CI.E Holding B.V.
Vasco (CIS) OOO, trading company	2nd Yuzhnoportoviy proezd 14/22, Moscow	RUB	10,000,000			80.00	Vahrol B.V.
Americas							
Cabo Wabo LLC, trading company	One Beach Street, Suite 300, San Francisco	US$	100,000			100.00	Redfire, Inc.
Camargen S.R.L, trading company	Avenida Corrientes, 222 - 3rd floor, Buenos Aires	ARS	11,750,000			100.00	DI.CI.E. Holding B.V. (95%), Campari do Brasil (5%)
Campari Argentina S.A., manufacturing and trading company	Av. 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
Rare Breed Distilling LLC, manufacturing and trading company	State of Delaware, City of Wilmington, County of New Castle (operational headquarters in Lawrenceburg)	US$	655,794,461	**(2)**		100.00	Redfire, Inc.
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.CI.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 in San Francisco)	US$	566,321,274	**(2)**	100.00		
Skyy Spirits LLC, trading company	State of Delaware, City of Wilmington, County of New Castle (operational headquarters in San Francisco)	US$	54,897,463			100.00	Redfire, Inc.

(1) company in liquidation
(2) including capital grants

		Share capital at 31 December 2011		% owned by Parent Company		
Name, activity	Head office	Currency	Amount	Direct	Indirect	Direct shareholder
Other						
Campari (Beijing) Trading Co. Ltd., trading company	Xingfu Dasha Building, block B, room 511, n° 3 Dongsanhuan BeiLu, Chaoyang District, Beijing	RMB	25,189,930		100.00	DI.CI.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.CI.E Holding B.V.
Campari Japan Ltd., trading company	6-17-15, Jingumae Shibuya-ku, Tokyo	JPY	3,000,000		100.00	DI.CI.E Holding B.V.

Other investments		Share capital at 31 December 2011		% owned by Parent Company		
Name, location, activity		Currency	Amount	Indirect	Direct shareholder	Valuation method
International Marques V.o.f., trading company	Nieuwe Gracht 11, Haarlem	€	210,000	33.33	DI.CI.E Holding B.V.	Equity

Subsidiaries

All subsidiaries are consolidated on a line-by-line basis.

Under this method, all assets and liabilities, and expenses and revenues for consolidated companies are fully included in the consolidated financial statements. The carrying value of the investments in subsidiaries is eliminated against the corresponding portion of the shareholders' equity, measured at its fair value on the date that control was acquired.

Any positive difference between the acquisition costs over the Group’s share of the fair values of identifiable assets , liabilities and contingent liabilities acquired is recorded as” goodwill”, and any negative amount is recognised into the income statement. See also “Business combinations” below.

Minority interests in shareholders’ equity and net profit are reported under appropriate items in the financial statements. Specifically, minority interests in shareholders’ equity are determined on the basis of current values assigned to assets and liabilities on the date control was assumed, whether or not the minority interest components entitle the holders to the right to receive a proportional share of the subsidiary’s net assets in the event of liquidation.

Changes in investments in subsidiaries that do not result in the acquisition or loss of control are recoded under changes in shareholders’ equity.

Affiliated companies and joint ventures

These companies are reported in the consolidated financial statements using the equity method, starting on the date when significant influence or joint control begins and ending when such influence or control ceases. If there is a significant loss of influence or joint control, the holding and/or investment is valued at fair value with the difference between fair value and carrying value being recorded on the income statement.

If the Group’s interest in any losses of affiliates exceeds the carrying value of the equity investment in the financial statements, the value of the equity investment is eliminated, and the Group’s portion of further losses is not reported, unless, and to the extent to which, the Group has a legal or implicit obligation to cover such losses.

The Group assesses the existence of any indicators of impairment on an annual basis by comparing the value of the investment measured at equity with the recoverable value; any impairment value is allocated to the investment as a whole with an offsetting entry on the income statement.

Transactions eliminated during the consolidation process

When preparing the consolidated financial statements, unrealised profits and losses resulting from intra-group transactions are eliminated, as are the entries giving rise to payables and receivables, and costs and revenues between the companies included in the basis of consolidation.

Unrealised profits and losses generated on transactions with affiliated companies or joint ventures are eliminated to the extent of the Group’s percentage interest in those companies.

Dividends collected from consolidated companies are eliminated.

Currency conversion criteria and exchange rates applied to the financial statements

Figures expressed in currencies other than the accounting currency (euro) are converted as follows:

- income statement items are converted at the average exchange rate for the year, while statement of financial position items are converted at year-end exchange rates; exchange rate differences resulting from the application of the different methods for conversion to euro of income statement and statement of financial position items are recorded under the currency translation reserve in shareholders’ equity, until the investment in question is sold;

- any differences between the value of shareholders' equity at the end of the year, as converted at the prevailing rate, and the value of shareholders' equity converted at the year-end rate for the previous year are also recorded under the currency translation reserve.

When preparing the consolidated statement of cash flows, average exchange rates were used to convert the cash flows of foreign subsidiaries.

The exchange rates used for conversion transactions are shown below.

	31 December 2011		31 December 2010	
	Average rate	End-of-period rate	Average rate	End-of-period rate
US dollar	1.3916	1.2939	1.3268	1.3362
Swiss franc	1.2339	1.2156	1.3823	1.2504
Brazilian real	2.3260	2.4159	2.3345	2.2177
Uruguayan peso	26.9431	25.9285	26.6025	26.8616
Chinese renminbi	8.9953	8.1588	8.9805	8.8220
UK pound	0.8677	0.8353	0.8582	0.8608
Indian rupee	64.8662	68.7130	60.6318	59.7580
Japanese yen	111.0162	100.2000	116.4551	108.6500
Argentine peso	5.7425	5.5677	5.1878	5.3099
Mexican peso	17.2791	18.0512	16.7532	16.5475
Australian dollar	1.3482	1.2723	1.4442	1.3136
Ukrainian hryvnia	11.1038	10.3692	10.5485	10.6254

3. Summary of accounting principles

Intangible assets

Intangible assets include all assets without any physical form that are identifiable, controlled by the company and capable of producing future economic benefits, as well as goodwill when purchased for consideration.

Intangible assets acquired are recognized, in accordance with IAS 38 - Intangible Assets, when it is likely that the use of the assets will generate future economic benefits, and when the cost can be reliably determined.

If acquired separately, these assets are reported at purchase cost including all allocable ancillary costs on the acquisition date.

Intangible assets acquired through business combinations are reported separately from goodwill at fair value, where this can reliably be measured, on the acquisition date.

Subsequently, intangible assets are recorded at cost net of accumulated amortisation and any impairment losses.

Assets produced internally, excluding development costs, are not capitalised and are reported on the income statement in the financial year in which they arose.

Intangible assets with a finite life are amortised on a straight-line basis in relation to their remaining useful life, generally three years, taking into account any previously recorded impairment.

The period of amortisation of intangible assets with a finite life is reviewed at least at the end of every financial year in order to ascertain any changes in their useful life, which if identified will be considered as changes in estimates.

The costs of development projects and studies are recorded in the income statement in full in the year in which they are incurred.

Advertising and promotional costs are recorded in the income statement when the company has received the goods or services in question.

Costs relating to industrial patents, concessions, licences and other intangible fixed assets are listed on the assets side of the statement of financial position only if they are able to produce future economic benefits for the Company. These costs are amortised according to the period of use, if this can be defined, or according to contract duration.

Software licences represent the cost of purchasing licences and, if incurred, external consultancy fees or internal personnel costs necessary for development. These costs are booked in the year in which the internal or external costs are incurred for training personnel and other related costs.

Goodwill and brands, which result from acquisitions and qualify as intangible assets with an indefinite life, are not amortised. The possibility of recovering their reported value is ascertained at least annually, and in any case, when events occur leading to the assumption of a reduction in value using the criteria indicated in the section entitled Impairment.

For goodwill, a test is performed on the smallest cash-generating unit to which the goodwill relates. On the basis of this, management directly or indirectly assesses the return on investment including goodwill. See also "Business combinations" below.

Goodwill impairments are not reversed in subsequent periods.

Business combinations

Business combinations are accounted for using the acquisition method. As of the acquisition date, any identifiable asset acquired, liability assumed and any non-controlling interest are recorded at fair value, separately from goodwill. Ancillary costs relating to the transaction are recognised in the income statement at the time they are incurred.

In the case of business combinations achieved in stages, the interest previously held by the Group in the acquired business is remeasured at fair value on the date control is acquired, and any resulting gains or losses are recognised in the income statement.

Contingent considerations are measured at fair value at the acquisition date and are included in the consideration transferred for the purposes of calculating goodwill.

Any changes in fair value occurring once more information is available during the measurement period are included retrospectively in goodwill.

Goodwill acquired in business combinations is initially measured at cost, as the excess of the sum of payments transferred as part of a business combination, the value of the minorities' portion of shareholders' equity and the fair value of any interest previously held in the acquired business over the Group's portion of the net fair value of the identifiable assets, liabilities and contingent liabilities (of the acquired company).

If the value of the net assets acquired and liabilities assumed on the acquisition date exceeds the sum of the transferred payments, the value of the minorities' portion of shareholders' equity and the fair value of any interest previously held in the acquired business, this excess value is recorded in the income statement as income from the transaction.

After the initial entry, goodwill is measured at cost less cumulative impairment.

To establish whether impairment has occurred, the goodwill acquired in a business combination is allocated from the date of the acquisition to the individual cash-generating units or to the groups of cash-generating units likely to benefit from merger synergies, whether or not other assets or liabilities from the acquisition are assigned to these units or groups of units.

When the goodwill is part of a cash-generating unit (or group of cash-generating units) and some of the internal assets of the unit are sold, the goodwill associated with the assets sold is included in the carrying value of the assets in order to establish the profit or loss generated by the sale.

Goodwill sold in this way is measured according to the value of the assets sold and the value of the remaining portion of the unit.

Business combinations prior to 1 January 2010 have been reported on the basis of the previous, 2007 version of IFRS 3. This means that costs directly attributable to the acquisitions have been included in the cost of the acquisition; minority interests have been measured as a pro-quota share of the net assets recognised for the acquired business; in the case of business combinations achieved in stages, each additional stake acquired has not changed the goodwill previously recognised; contingent considerations have been recorded only if the Group had a current obligation.

Tangible fixed assets

Property, plant and equipment are recorded at acquisition or production cost, gross of capital grants (if received) and directly charged expenses, and are not revalued.

Subsequently, tangible fixed assets are recorded at cost net of accumulated depreciation and any impairment losses.

Any costs incurred after purchase are capitalised provided that they increase the future financial benefits generated by using the asset.

The replacement costs of identifiable components of complex assets are allocated to assets on the statement of financial position and depreciated over their useful life. The residual value recorded for the component being replaced is allocated to the income statement; other costs are charged to the income statement when the expense is incurred.

The financial charges incurred in respect of investments in assets which take a substantial period of time to be prepared for use or sale (qualifying assets as defined in IAS 23 - Borrowing Costs) are capitalised and depreciated over the useful life for the class of assets to which they belong.

All other financial charges are posted to the income statement when incurred.

Ordinary maintenance and repair expenses are charged to the income statement in the period in which they are incurred.

If there are current obligations for dismantling or removing assets and cleaning up the related sites, the assets' reported value includes the estimated (discounted) costs to be incurred when the structures are abandoned, which are reported as a offsetting entry to a specific reserve.

Assets held under finance lease contracts, which essentially assign to the Group all the risks and benefits tied to ownership, are recognised as Group assets at their current value, or the present value of the minimum lease payments, whichever is lower.

The corresponding liability to the lessor is reported in the financial statements under financial payables.

These assets are depreciated using the policies and rates indicated below.

Leasing arrangements in which the lessor, in essence, retains all the risks and benefits tied to the ownership of the assets, are classified as operating leases, and the related costs are reported in the income statement over the term of the contract.
Depreciation is applied using the straight-line method, based on each asset's estimated useful life as established in accordance with the company's plans for use of such assets, taking into account wear and tear and technological obsolescence, and the likely estimated realisable value net of disposal costs.
When the tangible asset consists of several significant components with different useful lives, depreciation is applied to each component individually.
The amount to be depreciated is represented by the reported value less the estimated net market value at the end of its useful life, if this value is significant and can be reasonably determined.
Land, even if acquired in conjunction with a building, is not depreciated, nor are available-for-sale tangible assets, which are reported at the lower of their recorded value and fair value less disposal costs.
Rates are as follows:

- major real estate assets and light buildings:	3%
- plant and machinery:	10%
- furniture, and office and electronic equipment:	10% - 20%
- motor vehicles:	20% - 25%
- miscellaneous equipment:	20% - 30%

Depreciation ceases on the date when the asset is classified as available for sale, in accordance with IFRS 5, or on the date on which the asset is derecognised for accounting purposes, whichever occurs first.
A tangible asset is derecognised from the statement of financial position at the time of sale or when there are no future economic benefits associated with its use or disposal.
Any profits or losses are included in the income statement in the year of this derecognition.

Government grants

Government grants are recorded when there is a reasonable assurance that all requirements necessary for access to such grants have been met and that the grant will be received.
This generally occurs at the time the decree acknowledging the benefit is issued.
Government grants relating to tangible fixed assets are reported as deferred revenues and credited to the income statement over the period corresponding to the useful life of the asset concerned.

Impairment

The Group ascertains, at least annually, whether there are indicators of a potential loss in value of intangible and tangible assets. If the Group finds that such indications exist, it estimates the recoverable value of the relevant asset.
In addition, intangible assets with an indefinite useful life, or that are not available and ready for use, and goodwill, are subject to an impairment test each year, or more frequently if there is an indication that the asset may have been subject to a loss in value.
The ability to recover the assets is ascertained by comparing the carrying value to the related recoverable amount, which is represented by the greater of the fair value less disposal costs and the value in use.
In the absence of a binding sale agreement, the fair value is estimated on the basis of recent transaction values in an active market, or based on the best information available to determine the amount that could be obtained from selling the asset.
The value in use is determined by discounting expected cash flows resulting from the use of the asset, and if significant and reasonably determinable, the cash flows resulting from its sale at the end of its useful life.
Cash flows are determined on the basis of reasonable, documentable assumptions representing the best estimate of the future economic conditions that will occur during the remaining useful life of the asset, with greater weight given to outside information.
The discounting is done using a rate that takes into account the implicit risk of the business segment.
When it is not possible to determine the recoverable value of an individual asset, the Group estimates the recoverable value of the unit that incorporates the asset and generates cash flows.
A loss of value is reported if the recoverable value of an asset is lower than its carrying value.
This loss is posted to the income statement unless the asset was previously written up through a shareholders' equity reserve.
In this case, the reduction in value is first allocated to the revaluation reserve.
If, in a future period, a loss on assets, other than goodwill, no longer exists or is reduced, the carrying value of the asset or cash generating unit is increased up to the recoverable value, and may not exceed the carrying amount that would have been determined if no impairment loss had been recognized.
The reversal of impairment losses is recognized in the income statement, unless the asset was previously reported at its revalued amount. In this case, the recovery in value is first allocated to the revaluation reserve.

Investment property

Property and buildings held to generate lease income (investment property) are valued at cost less accumulated depreciation and losses due to a reduction in value.

The depreciation rate for buildings is 3%, while land is not depreciated.

Investment property is derecognised from the statement of financial position when sold or when it becomes permanently unusable and no future economic benefits are expected from its disposal.

Biological assets

Biological assets are valued, when first reported and at each subsequent reporting date, at their fair value, less estimated point-of-sale costs. If the fair value cannot be reliably determined, biological assets are measured at cost and depreciated over 20 years.

The agricultural produce is valued at cost, which is approximately the fair value less estimated point-of-sale costs at harvest.

Financial instruments

Financial instruments held by the Group are categorised in the items below.

Financial assets include investments in affiliated companies and joint ventures, short-term securities, financial receivables, which in turn include the positive fair value of financial derivatives, trade and other receivables and cash and cash equivalents.

Specifically, cash and cash equivalents include cash, bank deposits and highly liquid securities that can be quickly converted into cash, and which carry an insignificant risk of a change in value.

The maturity of deposits and securities in this category is less than three months.

Short-term securities include securities maturing in one year or less, and liquid securities representing a temporary investment of cash that do not meet the requirements for classification as cash equivalents.

Financial liabilities include financial payables, which in turn include the negative fair value of financial derivatives, trade payables and other payables.

Financial assets and liabilities, other than equity investments, are booked in accordance with IAS 3 - Financial Instruments: Recognition and Measurement in the following categories:

Financial assets at fair value with changes recorded in the income statement

This category includes all financial instruments held for trading and those designated at the initial reporting at fair value with changes recorded in the income statement.

Financial assets held for trading are all instruments acquired with the intention of sale in the short term; this category also includes derivatives that do not satisfy the requirements set out by IAS 39 for consideration as hedging instruments.

These instruments measured at fair value with changes recorded in the income statement are booked in the statement of financial position at fair value, while the related profits and losses are reported in the income statement.

Investments held to maturity

Current financial assets and securities to be held until maturity are reported on the basis of the trading date, and, at the time they are first reported, they are valued at purchase cost, represented by the fair value of the initial consideration given in exchange plus transaction costs (e.g. commissions, consulting fees, etc).

The initial reported value is then adjusted to take into account repayments of principal, any write-downs and the amortisation of the difference between the repayment amount and the initial reported value. Amortisation is applied on the basis of the effective internal interest rate represented by the rate which, at the time of initial reporting, would make the present value of expected cash flows equal to the initial reported value (known as the amortised cost method).

The profits and losses are entered in the income statement when the investment is derecognised for accounting purposes or when impairment occurs beyond the amortisation process.

Loans and receivables

Loans and receivables are non-derivative financial instruments with fixed or determinable payments, which are not listed on an active market.

After the initial reporting, these instruments are valued according to the criterion of amortised cost using the effective discount rate method net of any provision for loss of value.

Profits and losses are recorded in the income statement when loans and receivables are derecognised or impaired and throughout the amortisation process.

Financial assets available for sale

Financial assets available for sale, excluding derivatives, are those designated as such or not classified under any of the three previous categories.

After the first reporting, the financial instruments available for sale are measured at fair value.

If the market price is not available, the present value of financial instruments available for sale is measured using the most appropriate valuation methods, such as the analysis of discounted cash flows performed using market information available on the reporting date. In the absence of reliable information, they are held at cost.
Profits and losses on financial assets available for sale are recorded directly in shareholders' equity up to the time the financial asset is sold or impaired. At that time the accumulated profits and losses, including those previously posted to shareholders' equity, are included in the income statement for the period.

Impairment of a financial assets

The Group assesses, at least annually, whether there are any indicators that a financial asset or a group of financial assets could have been impaired.
An impairment loss is booked in the reporting period only if there is objective evidence of a loss in value caused by one or more events that occurred following the initial reporting date of the asset or group of assets and which had an impact that can be reliably estimated on the future cash flows that may be generated by the asset or group of assets themselves.

Derecognition of financial assets and liabilities

A financial asset (or where applicable, part of a financial asset or part of a group of similar financial assets) is derecognised from the financial statements when:
- the rights to receive income from financial assets are no longer held;
- the Group reserves the right to receive income from financial assets, but has taken on a contractual obligation to pay such income in full and without delay to a third party;
- the Group has transferred the right to receive income from financial assets and (i) has transferred substantially all the risks and rewards relating to the ownership of the financial asset, or (ii) has neither transferred nor retained all the risks and rewards relating to the ownership of the financial asset, but has transferred control of the asset.

When the Group has transferred the rights to receive financial income from an asset, and it has neither transferred nor retained all the risks and benefits, or it has not lost control of the same, the asset is reported in the statement of financial position to the extent of the Group's remaining involvement in the asset.
A financial liability is derecognised from the financial statements when the underlying obligation of the liability is no longer held, or cancelled, or has been settled.
In cases where an existing financial liability is substituted by another with the same lender under different conditions, or where the conditions of an existing liability are changed, the substitution or change is treated in the financial statements as a derecognition of the original liability, and a new liability is reported, with any difference in the accounting values allocated to the income statement.

Financial derivatives and hedging transactions

Financial derivatives are used solely for hedging purposes to reduce exchange and interest rate risk.
In accordance with IAS 39, financial derivatives may be recorded using hedge accounting procedures only if, at the beginning of the hedge, a formal designation has been made and the documentation for the hedge relationship exists.
It is assumed that the hedge is highly effective: it must be possible for this effectiveness to be reliably measured, and the hedge must prove highly effective during the accounting periods for which it is designated.
All financial derivatives are measured at their fair value pursuant to IAS 39.
Where financial instruments meet the requirements for being reported using hedge accounting procedures, the following accounting treatment is applied:

- fair value hedge - if a financial derivative is designated to hedge exposure to changes in the fair value of an asset or liability attributable to a particular risk that could have an impact on the income statement, the profits or losses resulting from the subsequent measurements of the fair value of the hedging instrument are reported in the income statement. The gain or loss on the hedged entry, which is attributable to the hedged risk, is reported as a portion of the carrying value of this entry and as an offsetting entry in the income statement.
- cash flow hedge - if a financial instrument is designated as a hedge of exposure to fluctuations in the future cash flow of an asset or liability reported in the financial statements, or of a highly likely expected transaction that could have an impact on the income statement, the effective portion of the profits or losses on the financial instrument is reported under shareholders' equity. Accumulated profits or losses are removed from shareholders' equity and recorded in the income statement in the same period in which the transaction being hedged has an impact on the income statement. The profit or loss associated with a hedge or the portion of a hedge that has become ineffective is posted to the income statement when the ineffectiveness is reported.

If a hedge instrument or hedge relationship is closed out, but the transaction being hedged has not been carried out, the accumulated profits and losses, which, until that moment had been posted to shareholders' equity, are reported in the income statement at the time the related transaction is carried out.
If the transaction being hedged is no longer considered likely to take place, the pending unrealised profits or losses in shareholders' equity are recorded in the income statement.

If hedge accounting cannot be applied, the profits or losses resulting from the valuation of the financial derivative at its present value are posted to the income statement.

IAS 39 - Financial Instruments: Recognition and Measurement allows the exchange rate risk of a highly probable intra-group transaction to qualify as the hedged item in a cash flow hedge, provided that the transaction is denominated in a currency other than the functional currency of the company entering into the transaction and that the consolidated financial statements are exposed to exchange rate risk.

In addition, if the hedge of a forecast intra-group transaction qualifies for hedge accounting, any gain or loss that is recognised directly in shareholders' equity, in accordance with the rules of IAS 39, must be reclassified in the income statement in the same period in which the currency risk of the hedged transaction affects the consolidated income statement.

Own shares

Own shares are reported as a reduction in respect of shareholders' equity.

The original cost of the own shares and the economic effects of any subsequent sales are reported as movements in shareholders' equity.

Inventories

Inventories of raw materials and semi-finished and finished products are valued at the lower of purchase or production cost, determined using the weighted average method, and market value.

Work in progress is recorded at the purchase cost of the raw materials used including the actual production costs incurred at the point of production reached.

Inventories of raw materials and semi-finished products no longer useable in the production cycle and inventories of unsalable finished products are fully written down.

Low-value replacement parts and maintenance equipment not used in connection with a single asset item are reported as inventories and recorded in the income statement when used.

Non-current assets held for sale

Non-current assets classified as held for sale include non-current assets (or disposal groups) whose carrying value will be recovered primarily from their sale rather than their ongoing use, and whose sale is highly probable in the short term (within one year) and in the assets' current condition.

Non-current assets classified as held for sale are valued at the lower of their net carrying value and present value, less sale costs, and are not amortised.

Employee benefits

Post-employment benefit plans

Group companies provide post-employment benefits for staff, both directly and by contributing to external funds.

The procedures for providing these benefits vary according to the legal, fiscal and economic conditions in each country in which the group operates.

Group companies provide post-employment benefits through defined contribution and/or defined benefit plans.

- Defined benefit plans

  The Group's obligations and the annual cost reported in the income statement are determined by independent actuaries using the projected unit credit method.

  The net accumulated value of actuarial gains and losses is reported in the income statement.

  The costs associated with an increase in the present value of the obligation, resulting from the approach of the time when benefits will be paid, are included under financial charges. The liability recognised represents the present value of the defined benefit obligation, less the present value of plan assets. In the event of a modification to the plan that changes the benefits deriving from past service, the costs deriving from past service are charged to the income statement on a straight-line basis over the average period until the benefits are acquired. In the event of a modification to the plan that reduces the number of employees covered by the plan or changes the conditions of the plan, the gains or losses associated with this must immediately be recognised in income.

- Defined contribution plans

  Since the Group fulfils its obligations by paying contributions to a separate entity (a fund), with no further obligations, the company records its contributions to the fund in respect of employees' service, without making any actuarial calculation.

  Where these contributions have already been paid at the reporting date, no liabilities are recorded in the financial statements.

Compensation plans in the form of stock options

The Group pays additional benefits in the form of stock option plans to employees, directors and individuals who regularly do work for one or more Group companies.

Pursuant to IFRS 2 - Share-Based Payment, the total fair value of the stock options on the allocation date is to be reported as a cost in the income statement, with an increase in the respective shareholders' equity reserve, in the period beginning at the time of allocation and ending on the date on which the employees, directors and individuals who regularly do work for one or more Group companies become fully entitled to receive the stock options.
Changes in the present value following the allocation date have no effect on the initial valuation, while in the event of changes to the terms and conditions of the plan, additional costs are booked for every change in the plan that determines an increase in the present value of the recognised option.
No cost is recognised if the stock options have not been vested; if an option is cancelled, it is treated as if it had been vested on the cancellation date and any cost that has not been recognised is recorded immediately.
The fair value of stock options is represented by the value of the option determined by applying the Black-Scholes model, which takes into account the conditions for exercising the option, as well as the current share price, expected volatility and the risk-free rate.
The Group applied the transitional provisions of IFRS 2, and therefore applied the standard to allocations of stock options approved after 7 November 2002 that had not accrued on the effective date of IFRS 2 (1 January 2005).
The dilutive effect of options not yet exercised is included in the calculation of diluted earnings per share.

Provision for risks and charges

Accruals to the provision for risks and charges are reported when:

- the existence of a current legal or implicit obligation, resulting from a past event, is likely;
- it is likely that the fulfilment of the obligation will require some form of payment;
- the amount of the obligation can be reliably estimated.

Accruals are reported at a value representing the best estimate of the amount the company would reasonably pay to discharge the obligation or transfer it to third parties on the reporting date.
Where the financial impact of time is significant, and the payment dates of the obligations can be reliably estimated, the accruals are discounted. The increase in the related provision over time is accounted for in the income statement under financial income (charges).
Provisions are periodically updated to reflect changes in cost estimates, collection periods and discount rates. Estimate revisions made in respect of provisions are booked to the same item in the income statement where the accrual was previously reported, or, if the liability relates to tangible assets (e.g. dismantling and restoration), these revisions are reported as an offsetting entry to the related asset.
When the Group expects that all or part of the provisions will be repaid by third parties, the payment is booked under assets only if it is virtually certain, and the accrual and related repayment are posted to the income statement.

Restructuring provisions

The Group reports restructuring provisions only if there is an implicit restructuring obligation and a detailed formal restructuring programme that has led to the reasonable expectation by the third parties concerned that the Company will carry out the restructuring, either because it has already started the process or because it has already communicated the main aspects of the restructuring to the third parties concerned.

Recording of revenues, income and charges in the income statement

Revenues are reported to the extent to which it is likely that economic benefits will flow to the Group and in respect of the amount that can be determined reliably.
Revenues are reported at the fair value of the sum received, net of current and deferred discounts, allowances, excise duties, returns and trade allowances.
Specifically:

- sales revenues are recorded when the risks and benefits associated with owning the items are transferred to the buyer, and the revenue amount can be reliably determined;
- service revenues are reported when services are rendered; allocations of revenues related to partially performed services are reported on the basis of the percentage of the transaction completed on the reporting date, when the revenue amount can be reliably estimated;
- financial income and charges are booked in the period to which they relate;
- capital grants are credited to the income statement in proportion to the useful life of the related assets;
- dividends are reported on the date of the shareholders' meeting resolution;
- lease income from investment property is booked on a straight-line basis for the duration of the existing leasing contracts.

Costs are recognised in the income statement when they relate to goods and services sold or consumed during the period, as a result of systematic apportionment or when the future utility of such goods and services cannot be determined.
Personnel and service costs include stock options (given their largely remunerative nature) that were allocated to employees, directors and individuals who regularly do work for one or more Group companies starting in 2004.

Costs incurred in studying alternative products or processes, or in conducting technological research and development are considered current expenses and recorded to the income statement in the period when they are incurred.

Taxes

Current income taxes are calculated on estimated taxable income, and the related payable is recorded under tax payables.
Payables and receivables in respect of current taxes are recorded in the amount expected to be paid to/received from tax authorities by applying the tax rates and regulations in force or effectively approved on the reporting date.
Current taxes relating to items posted directly to shareholders' equity are included in shareholders' equity.
Other non-income taxes, such as property and capital taxes, are included in operating expenses.
Deferred tax assets and liabilities are calculated on all temporary differences between the asset and liability values recorded in the financial statements and the corresponding values recognised for tax purposes using the liability method. Provisions for taxes that could be incurred from the transfer of undistributed profit from subsidiaries have been made only where there is a genuine intention to transfer that profit.
Deferred tax assets are reported when their recoverability is likely.
Deferred tax assets and liabilities are determined on the basis of tax rates projected to be applicable under the respective laws of the countries in which the Group operates, in those periods when the temporary differences are generated or reversed.
Current and deferred tax assets and liabilities are offset when they relate to income taxes levied by the same tax authority and a legal right to set-off exists. The balance of any set-off is posted to deferred tax assets if positive and deferred tax liabilities if negative.

Transactions in foreign currencies (not hedged with derivatives)

Revenues and costs related to foreign currency transactions are reported at the exchange rate in force on the date the transaction is completed.
Monetary assets and liabilities in foreign currencies are converted to euro at the exchange rate in effect on the reporting date with any related impact posted to the income statement.

Earnings per share

Basic earnings per share are calculated by dividing the Group's net profit by the weighted average number of shares outstanding during the period, excluding any own shares held.
For the purposes of calculating the diluted earnings (loss) per share, the weighted average of outstanding shares is adjusted in line with the assumption that all potential shares with a diluting effect will be converted.
The Group's net profit is also adjusted to take into account the impact of the conversion, net of taxes.

Use of estimates

The preparation of the financial statements and related notes in accordance with IFRS requires the management to make estimates and assumptions that have an impact on the value of assets and liabilities in the statement of financial position and on disclosures concerning contingent assets and liabilities at the reporting date.
The actual results could differ from these estimates.
Estimates are used to identify provisions for risks in respect of receivables, obsolete inventory, depreciation and amortisation, asset impairments, employee benefits, taxes, restructuring provisions and other provisions and reserves.
Figures for the individual categories are set out in the notes to the financial statements.
Estimates and assumptions are reviewed periodically, and the effects of each change are reflected in the income statement in the period in which the review of the estimate occurred if such review had an impact on that period only, or additionally in subsequent periods if the review had an impact on both the current and future years.
Goodwill is subject to annual impairment tests to verify any losses in value.
The calculations are based on the financial flows expected from the cash-generating units to which the goodwill is attributed, as inferred from the budget and multi-year plans.

4. Changes in accounting standards

Accounting standards, amendments and interpretations applied since 1 January 2011

The following accounting standards, amendments and interpretations were applied by the Group for the first time from 1 January 2011.

IAS 24 – Related Party Disclosures

The amendment, which was issued on 4 November 2009 and applied with effect from 1 January 2011, broadens the definition of related parties and clarifies the information to be provided in the notes to the financial statements.
The adoption of this amendment has not had a significant impact on the disclosures in the Group's financial statements.

IAS 32 – Financial Instruments: Presentation - classification of rights issues

This amendment, issued on 8 October 2009 and applicable retrospectively pursuant to IAS 8, clarifies how to account for certain rights (rights, options or warrants) when the instruments issued are denominated in a currency other than the issuer's functional currency.
In the past, these rights were accounted for as liabilities arising from financial derivatives; the amendment requires that under certain conditions these rights are classified under shareholders' equity regardless of the currency in which the exercise price is denominated.
If such instruments are offered pro rata to all shareholders for a fixed amount of cash, they should be classified as equity instruments even if their exercise price is denominated in a currency other than the issuer's functional currency.
The adoption of this amendment has had no effect on the Group's income statement or statement of financial position.

On 6 May 2010, the IASB published a series of improvements to seven IFRS as part of its annual improvement programme. On 18 February 2011, the competent bodies of the European Union completed the endorsement process for these improvements.

- IFRS 3 (2008) – Business Combinations: the amendment clarifies that for each business combination, the purchaser must value the components of minority interests that do not give holders the right to receive a proportional share of the subsidiary's net assets in the event of liquidation at their fair value on the acquisition date or as specified by the applicable accounting standards. If the components of minority interests do give holders the right to receive a proportional share of the subsidiary's net assets in the event of liquidation, these must be valued either at their fair value on the acquisition date or at the value of their proportional share of the subsidiary's assets.
- IFRS 7 – Financial Instruments: Disclosures: this amendment highlights how the interaction between qualitative and quantitative information about risks helps to provide readers of the financial statements with a general description of the nature and scale of the risks associated with financial instruments. The disclosure requirement regarding financial assets that are past due but which have been renegotiated or impaired and that regarding collateral have also been removed.
- IAS 1 – Presentation of Financial Statements: this amendment requires entities to present a reconciliation of every change to the components of the statement of comprehensive income, as well as the amount of dividends approved in the period and their value per share, either in the notes to the financial statements or in the statement of changes in shareholders' equity.
- IAS 21 – The Effects of Changes in Foreign Exchange Rates: IAS 27, as amended in 2008, introduced some changes to IAS 21. Loss of control in a foreign subsidiary, and loss of significant influence in a foreign associate or a foreign joint venture, are to be booked as the sale of an investment in a foreign company, including when the parent company continues to hold an equity interest. The currency translation reserve for the minority portion of the shareholding sold must be eliminated, but not reclassified in the income statement.
- IAS 28 – Investments in Associates: IAS 27, as amended in 2008, also introduced some changes to IAS 28, relating mainly to the accounting treatment of loss of control in affiliated companies.
- IAS 31 – Interests in Joint ventures: IAS 27, as amended in 2008, also introduced some changes to IAS 31, relating mainly to the accounting treatment of loss of control in joint ventures.
- IAS 34 – Interim Financial Reporting: this amendment introduces a series of clarifications regarding the additional information that must be presented in interim financial reports.

Accounting standards, revisions and interpretations applicable from 1 January 2011 that are not relevant for the Group

The following accounting standards, amendments and interpretations applicable from 1 January 2010 that govern issues that are not relevant for the Group or did not result in a significant impact were also issued.

IFRIC 13 – Customer Loyalty Programmes

The change made by the IASB, applicable from 1 January 2011, clarifies that when measuring the fair value of awards for the purposes of valuing award points relating to customer loyalty programmes, account must also be taken of the discounts or incentives that are normally offered to the customers that buy these products.

IFRIC 14 – Prepayment of a Minimum Funding Requirement

This amendment, issued on 26 November 2009 and applicable retrospectively from 1 January 2011, allows prepayments of a minimum funding requirement to be recognised as an asset.

IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments

The amendment, issued on 26 November 2009 and applicable from 1 January 2011, states that if a company renegotiates the terms of an agreement with a creditor to which it issues equity instruments to extinguish a financial liability, these equity instruments become part of the price paid and must be valued at fair value.
In addition, the difference between the carrying value of the original financial liability and the fair value of the equity instruments must be taken to the income statement.

IFRS 1 – First-time Adoption of International Financial Reporting Standards

The amendment, which was issued on 6 May 2010 in the document “Improvements to IFRS”, was endorsed on 18 February 2011 by the competent European Union bodies. The amendment clarifies that:

- The first-time adopter that changes the accounting standards used after publication of its first interim financial statements must include these changes in the presentation of the effects arising from the first adoption of IFRS.
- The first-time adopter has the option to use as deemed cost the fair value determined at the time of a privatisation or IPO taking place on the same date as, or prior to, the transition to IFRS.
- A business operating in sectors where remuneration is based on regulated tariffs may have booked costs or charges in the pre-IFRS balance sheet under plant or intangible assets that do not qualify for capitalisation under IFRS. In this case, the business must recalculate these values as if IFRS had been applied from the start, or use the fair value as deemed cost exemption.

Accounting standards, amendments and interpretations not yet applicable and that have not been adopted by the Group in advance of their effective dates

IFRS 1 – First-time Adoption of International Financial Reporting Standards

The amendment, which was issued on 20 December 2010 and was not yet endorsed at the date of these annual financial statements, will apply to accounting periods beginning after 1 July 2011.
The amendment removed the reference to 1 January 2004 contained in the previous version, defined as the date of transition to IFRS, and sets out guidelines on the presentation of financial statements in accordance with IFRS following a period of hyperinflation.

IFRS 7 – Financial Instruments: Disclosures

The amendments, which were issued on 7 October 2010 and were endorsed on November 2011, will apply to accounting periods beginning after 1 July 2011.
The amendments were issued with the aim of improving understanding of transactions involving the transfer of financial assets that are not derecognised because the risks are still borne by the company transferring the assets. The amendment also specifies that additional information must be provided even when the financial assets transferred are derecognised but the entity is still exposed to risks or rewards associated with the transferred assets.
The additional information should enable users of the financial statements to understand the relationship between the transferred financial asset and the associated liability, and to evaluate the nature of, and the risks associated with, the transferred asset that has not been derecognised.
The amendments also expand the disclosures required in the event that a significant number of transactions of this type are generated at the end of the reporting period.
In December 2011, the IASB issued two further amendments to IFRS 7. The first one, *IFRS 7 – Financial Instruments: Disclosures – Provisional Information,* which will apply from 1 January 2015, follows on from the amendment, also issued in December, to *IFRS 9 – Financial Instruments*, and establishes the information to be provided on financial instruments at the time that IFRS 9 is first applied. The second amendment, *IFRS 7 – Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities* requires information to be disclosed that will enable readers of the financial statements to evaluate the effects or potential effects on the Group’s financial position of offsetting the financial assets and liabilities of the company and its affiliates.
These amendments relate purely to the presentation of the financial statements and will not therefore have any effect on the Group's financial position or profitability.

IFRS 9 - Financial Instruments

This standard, issued on 12 November 2009, was amended on 28 October 2010 and again on 16 December 2011.
At the reporting date, the competent bodies of the European Union had not yet completed the endorsement process necessary for the application of the new standard.
This standard, which is applicable from 1 January 2015, represents the first stage of a process to fully replace IAS 39.
IFRS 9 introduces new criteria for the classification and measurement of financial assets and liabilities and for the derecognition of financial assets. Specifically, the new standard requires financial assets to be classified based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets. Assets are initially measured at their fair value plus transaction costs and subsequently at fair value or amortised cost.
The standard also redefines the methods of calculating impairment of financial assets and the methods of applying hedge accounting. The main change in relation to financial liabilities regards the accounting treatment of changes to the fair value of a financial liability measured at fair value through profit and loss, in the event that these are due to changes in the credit risk of the liability; these changes will be recorded in the statement of comprehensive income.
The amendment issued on 16 December 2011, which postpones the date of application of the new standard, defines the guidelines for applying it in advance of the effective date.
The Group is still assessing the possible impact of IFRS 9 on its financial assets and liabilities.

IAS 12 – Income Taxes

The amendment, which was issued on 20 December 2010 and was not yet endorsed at the date of these annual financial statements, will apply to accounting periods beginning after 1 January 2012. Early adoption is permitted.

The amendment clarifies the criteria for calculating deferred tax assets or liabilities relating to investment property measured at fair value. It also introduces the presumption that deferred tax assets or liabilities calculated on an investment property measured at fair value must be determined based on the recoverable amount that may be obtained through sale. The amendment also requires that deferred tax assets or liabilities relating to a non-depreciable asset measured using the revaluation model set out in IAS 16 should be calculated taking into account the manner in which the carrying value of that asset will be recovered.

As a result, the interpretation SIC 21 – Income Taxes – Recovery of Revalued Non-Depreciable Assets will no longer apply.

The Group does not expect the application of this amendment to have any significant impact on the financial statements.

On 12 May 2011, the IASB issued the following new accounting standards, not yet endorsed by the European Union at the date of these annual report, which will take effect on 1 January 2013, although early application is permitted.

IFRS 10 – Consolidated Financial Statements

The new standard identifies the concept of control as the determining factor for including a company in the consolidated financial statements of the Parent Company.

The standard also provides guidelines for determining control in cases in which this is difficult to asses.

IFRS 10 will replace SIC 12 and part of IAS 27, from which any reference to the consolidated financial statements has been removed.

IFRS 11 – Joint Arrangements

The standard provides a more realistic reflection on the definition of joint arrangements, focusing on the rights and obligations contained in the contract, rather than on its legal form. Therefore, each party in the joint arrangement will account for its rights and obligations arising from its involvement. The option to choose the method of proportional consolidation of joint ventures is no longer allowed.

IFRS 11 will replace SIC 13 and IAS 31.

IFRS 12 – Disclosure of Interests in Other Entities

The new standard defines the information to be included in the notes to the financial statements relating to all forms of investments in other entities, including joint ventures, affiliates, SPEs and all other forms of interest, including off-balance-sheet interests.

IFRS 13 – Fair Value Measurement

The standard introduces for the first time a clear single definition of fair value, provides a guide for measuring fair value and identifies the information to be included in the notes to the financial statements. The standard will be applied in all cases in which another standard requires or allows for fair value measurement.

Also in March 2011, the IASB issued amendments to *IAS 27 – Consolidated and Separate Financial Statements* and to *IAS 28 – Investments in Associates*, following the issue of IFRS 10 and IFRS 12. These standards, which have not yet been endorsed by the European Union at the date of these annual financial statements, will take effect on 1 January 2013.

On 16 June 2011, the IASB issued the amendment to *IAS 1 – Presentation of Items of Comprehensive Income* and the amended version of *IAS 19 – Employee Benefits*, which will apply to financial statements for reporting periods beginning after 1 July 2012 and 1 January 2013 respectively. Neither of these amendments has yet been ratified at the date of these financial statements.

IAS 1 – Presentation of Items of Comprehensive Income

The amendment to IAS 1 clarifies the presentation of items in the statement of comprehensive income. The main change introduced will be the requirement to group items of comprehensive income according to whether they can be reclassified in the income statement. This amendment relates purely to the presentation of the financial statements and will not therefore have any effect on the Group's financial position or profitability.

IAS 19 – Employee Benefits

The amendments to IAS 19 have introduced a significant number of modification to the previous accounting standard including:

- the "corridor method" for booking actuarial gains and losses has been eliminated;
- the presentation of changes to assets and liabilities related to defined-benefit plans has been simplified, so that the remeasurements of these are included in comprehensive income and only changes arising from operational transactions are booked to the income statement;
- disclosure relating to defined-benefit plans has been improved, including information on the features of the plans and the risks that the Group is exposed to by participating in them.

The Group is assessing the impact of the changes introduced by the amendments to IAS 19.

IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine

The IFRIC clarifies when and how to account for stripping costs. This standard will not apply to the Group.

IAS 32 – Financial Instruments: Presentation

The amendment to IAS 32, issued in December 2011, which is to be effective from 1 January 2014, clarifies the requirements for offsetting financial assets and liabilities in the statement of financial position. This amendment relates purely to the presentation of the financial statements and will not therefore have any effect on the Group's financial position or profitability.

5. Seasonal factors

Sales of some Group products are more affected than others by seasonal factors, because of different consumption patterns or consumer habits.
In particular, soft drink consumption tends to be concentrated in the hottest months of the year (May-September), and summer temperature variations from one year to the next may have a substantial effect on comparative sales figures.
For other products, such as sparkling wines, sales in some countries are concentrated in certain periods of the year, largely around Christmas.
While external factors do not affect sales of these products, the commercial risk for the Group is higher, since the full-year sales result is determined in just two months.
In general, the Group's diversified product portfolio, which includes spirits, soft drinks and wines, and the geographical spread of its sales, help to reduce substantially any risks relating to seasonal factors.

6. Default risk: negative pledges and debt covenants

The agreements relating to the bonds issued by the Parent Company and the Redfire, Inc. private placement include negative pledges and covenants.
The negative pledge clauses are intended to limit the Group's ability to grant significant rights to the Group's assets to third parties, in particular by establishing specific restrictions on selling or pledging assets.
The covenants include the Group's obligation to attain particular levels for certain financial indicators, most notably the ratio of net debt to measures of Group profitability.
If the Group fails to fulfil these obligations, after an observation period in which any breach has not been rectified, it could be served with notice to repay the residual debt.
The ratios are monitored by the Group at the end of each quarter and have so far been a long way from reaching the thresholds that would constitute non-compliance.

7. Acquisitions

Vasco (CIS) OOO

On 1 March 2011, the Group completed the acquisition of 80% of Vasco (CIS) OOO, the Moscow-based distributor and importer of spirits and wines.
The cash payment totalled € 6.4 million, comprising € 0.4 million to acquire the shares and € 6.0 million to settle the trade payables of the acquired company.
The Group will also repay € 0.8 million to the seller for the cash acquired.
A put/call option mechanism has been agreed for the remaining stake of 20%, exercisable in 2012 and estimated at € 1.8 million. The acquisition was thus accounted for as though the entire share capital had been acquired.
The total cost of the transaction is therefore € 8.2 million.

The fair value of the assets and liabilities on the acquisition date is shown in the table below.

	Carrying value € million	Fair value at the date of acquisition € million
Fixed assets		
Brands	0.0	0.0
Other tangible and intangible assets	0.1	0.1
Deferred tax assets	0.4	0.4
Total fixed assets	0.5	0.5
Current assets		
Inventories	1.6	1.6
Receivables from customers	3.7	3.7
Other receivables	0.7	0.7
Cash and banks	0.7	0.7
Total current assets	6.7	6.7
Total assets	**7.2**	**7.2**
Non-current liabilities		
Non-current financial liabilities	0.0	0.8
Provisions for risks and charges	0.1	0.1
Total non-current liabilities	0.1	0.8
Current liabilities		
Trade payables	1.5	1.5
Other payables	0.5	0.5
Total current liabilities	1.9	1.9
Total liabilities	**2.0**	**2.7**
Net assets acquired		**4.5**
Goodwill generated by acquisition		**3.7**

Acquisition cost	**8.2**
of which	
Price paid in cash	6.4
Price difference to be paid to the seller	0.8
Put option payables	1.8
Cash acquired	(0.8)

The goodwill reported is justified by the potential of the Russian market, which the Group now serves directly.

In terms of the economic impact of the business acquired, it is worth noting that the Campari Group already marketed its own brands on the Russian market. The acquired company therefore constitutes the basis for the Group to develop a distribution platform in this important market, with the progressive transition from external distributors to Vasco (CIS) OOO.
In terms of incremental growth in third-party product sales, in 2011 the acquisition contributed € 10.9 million to Group sales and € 1.4 million to the Group's contribution margin.
The Group has also made considerable investment in overheads to enable it to take on the direct management of the distribution process, partly in view of the fact that the distribution of Cinzano and Mondoro will be carried out

internally from 1 January 2012. This has made it difficult to estimate the overall effect of this acquisition on net profit as the margins achieved were entirely absorbed by the costs of overheads.

The goodwill from the acquisition is not tax-deductible.
Costs relating to the acquisition totalled € 0.1 million and were fully expensed in the income statement under non-recurring general expenses for the year.

Sagatiba Brasil S.A.

On 3 August 2011, the Campari Group signed an agreement with businessman Marcos de Moraes to acquire 100% of Sagatiba Brasil S.A., the production company and owner of Sagatiba, a premium brand in the *cachaça* market.
The acquisition price, net of the cash acquired, was € 18.7 million, plus an annual earn-out payment for each of the next eight years after the closing, estimated at € 3.7 million at the acquisition date.
The transaction was closed out at the same time, which meant that the company was consolidated into the Group with effect from 3 August 2011.
The Group will also repay € 0.3 million to the seller for the cash acquired and other price adjustments.
The total cost of the transaction is therefore € 22.7 million.

The fair value of the assets and liabilities on the acquisition date is shown in the table below.

	Carrying value € million	Fair value at the date of acquisition € million
Fixed assets		
Brands	0.0	1.3
Other tangible and intangible assets	0.6	1.8
Other non-current receivables	1.6	3.0
Total fixed assets	2.2	6.1
Current assets		
Inventories	1.6	1.6
Receivables from customers	0.1	0.1
Other receivables	0.8	0.8
Cash, bank and short-term securities	0.8	0.8
Total current assets	3.3	3.3
Total assets	**5.5**	**9.4**
Non-current liabilities		
Provisions for risks and charges	0.1	1.6
Deferred tax liabilities	0.0	0.9
Total non-current liabilities	0.1	2.5
Current liabilities		
Trade payables	0.2	0.2
Other payables	0.2	1.1
Total current liabilities	0.4	1.3
Total liabilities	**0.5**	**3.8**
Net assets acquired		**5.7**
Goodwill generated by acquisition		**17.1**
Acquisition cost		**22.7**
of which		
Price paid in cash		19.5
Price difference		0.3
Payable for earn-out		3.7
Cash acquired		(0.8)

The goodwill generated by the acquisition is justified by the major synergies that the Group can exploit with the range of products already present on the important Brazilian market.

In terms of the economic impact of the business acquired, it is worth noting that the Campari Group had already been distributing the Sagatiba brand as an agency brand on the Brazilian market since 2010.
The acquisition did not therefore have a significant effect on the Group's sales. As regards profitability, the contribution margin rose once the distributor's margin had been incorporated into the company's accounts, but this was absorbed during the year by post-acquisition expenses required to integrate the company into Campari do Brasil Ltda.

The entire amount of goodwill will be tax-deductible.

Costs relating to the acquisition totalled €0.2 million and were fully expensed in the income statement under non-recurring general expenses for the year.

8. Investments in joint ventures and affiliated companies

The Group has previously held investments in various joint ventures with the aim of promoting and marketing its products in the markets where these joint ventures operate.
At 31 December 2011, the Group had an investment in just one joint venture, a stake of 33.33% in International Marques V.o.f., which operates in the Netherlands.

The company was consolidated using the equity method; specifically, the portion of profit relating to the Group was recognised on the basis of the financial statements prepared by the entity itself, using the same reporting date as that of the Group.
Moreover, in November, the partners of the joint venture resolved to put it into liquidation and initiated the relevant procedures.
Closing costs were estimated at € 0.4 million, and a provision for this amount was made by the parent company DI.CI.E Holding B.V. and recorded in the income statement under Portion of profit (loss) relating to companies valued at equity.

The following table shows the Group's portion of assets, liabilities, revenues and costs of its joint ventures.

Group portion of the financial statements of affiliates	31 December 2011 € million	31 December 2010 € million
Statement of financial position:		
Non-current assets	0.0	0.0
Current assets	1.5	2.0
	1.5	**2.0**
Non-current liabilities	0.0	0.0
Current liabilities	1.5	2.0
	1.5	**2.0**
Carrying value of investments	**0.0**	**0.0**

Portion of affiliates' revenues and costs:	2011 € million	2010 € million
Revenues	2.1	7.1
Cost of goods sold	(1.8)	(4.4)
Sales and administrative costs	(0.4)	(3.3)
Financial charges	0.0	(0.0)
Profit before tax	(0.0)	(0.6)
Taxes	0.0	0.0
Net profit	**(0.0)**	**(0.6)**

9. Operating segments

The Group's reporting is based mainly on brands and groups of brands in its four business areas:
- spirits: alcohol-based beverages with alcohol content either below or above 15% by volume. Drinks above 15% are defined by law as “spirits”;
- wines: both sparkling and still wines including aromatised wines such as vermouth;
- soft drinks: non-alcoholic beverages;
- other: semi-finished goods and bottling activities for third parties.

At operating and management level, the results of the four business areas are analysed on the basis of the contribution margin each business generates.

Fixed (overhead) costs and taxes (which are managed at the level of each legal entity) and financial management (managed centrally by the Group) are therefore not allocated to the business areas.
No sales are recorded between business areas.

2011 **€ million**	Spirits	Wines	Soft drinks	Other sales	Total allocated	Non-allocated items and adjustmen	Consolidated
Net sales to third parties	975.1	185.1	98.2	15.8	1,274.2		1,274.2
Segment contribution margin	416.3	49.3	36.8	3.1	505.5		505.5
Overheads						(210.0)	(210.0)
Operating result							**295.5**
Net financial income (charges)						(45.1)	(45.1)
Affiliates’ portion of profit	(0.2)	(0.0)	(0.1)	-	(0.4)		(0.4)
Taxes						(90.9)	(90.9)
Put option income (charges)						0.5	0.5
Profit for the year							**159.8**
Other items included in the income statement:							
Depreciation and amortisation	(13.6)	(7.7)	(1.3)		(22.5)	(7.7)	(30.3)
Other information:							
Investments in affiliated companies	-	-	-	-	-		-
Operating assets	1,994.9	289.6	29.8		2,314.4	116.1	2,430.5
Operating liabilities	151.6	30.6	29.1		211.2	1,380.3	1,591.5
Capital expenditure and additions(*)	24.0	7.9	9.5	-	41.4		41.4

(*) Capital expenditure and additions also include assets acquired during the year.

In 2011, the operating assets allocated do not include receivables from tax authorities or deferred tax assets (€ 24.3 million), other non-current assets (€ 17.1 million), financial receivables (€ 1.6 million), cash and cash equivalents (€ 414.2 million), non-current assets held for sale (€ 2.3 million) or other assets that cannot be allocated (€ 8.2 million).

Operating liabilities do not include bonds (€ 824.7 million), other non-current liabilities (€ 5.4 million), deferred taxes (€ 144.4 million), payables to banks (€ 144.9 million), other financial payables (€ 103.3 million), tax payables (€ 34.6 million) or other liabilities that cannot be allocated (€ 52.2 million).

2010 € million	Spirits	Wines	Soft drinks	Other sales	Total allocated	Non-allocated items and adjustment	Consolidated
Net sales to third parties	876.4	175.0	98.5	13.1	1,163.0		1,163.0
Segment contribution margin	375.4	46.9	39.1	2.2	463.6		463.6
Overheads						(194.1)	(194.1)
Operating result							**269.5**
Net financial income (charges)						(35.7)	(35.7)
Affiliates' portion of profit	(0.4)	-	(0.2)	-	(0.6)		(0.6)
Taxes						(76.2)	(76.2)
Put option income (charges)						(0.3)	(0.3)
Profit for the year							**156.7**
Other items included in the income							
Depreciation and amortisation	10.5	8.4	1.4		20.4	5.3	25.7
Other information:							
Investments in affiliated companies	-	-	-	-	-		-
Operating assets	1,913.9	279.0	32.6		2,225.5	425.6	2,651.1
Operating liabilities	154.3	48.4	18.6		221.3	1,176.9	1,398.2
Capital expenditure and additions(*)	200.8	13.5	5.1	-	219.4		219.4

(*) Capital expenditure and additions also include assets acquired during the year.

Information on sales by region

2011	Revenues from external customers € million	Non-current assets € million
Italy	402.6	552.6
Europe	328.1	191.3
Americas	427.0	1,058.5
Rest of the world	116.5	5.7
Total	1,274.2	1,808.2

2010	Revenues from external customers € million	Non-current assets € million
Italy	397.3	558.6
Europe	276.7	189.6
Americas	405.3	1,021.4
Rest of the world	83.7	2.6
Total	1,163.0	1,772.3

The information on revenues by region has been collated on the basis of the country where the end customer is based.

The non-current assets listed above consist of property, plant and machinery, investment property, brands, goodwill and other intangible assets with a finite life.

No individual customer accounted for 10% or more of the Group's net sales.

10. Net sales

	2011 € million	2010 € million
Sale of goods	1,273.5	1,159.8
Provision of services	0.7	3.2
Total net sales	**1,274.2**	**1,163.0**

The provision of services relates to bottling the products of third parties.
For more detailed analysis of net sales, please refer to the information in the Report on operations in the "Sales performance" section.

11. Cost of goods sold

A breakdown of the cost of goods sold is shown by function and by nature in the two tables below.

	2011 € million	2010 € million
Materials and manufacturing costs	482.7	450.8
Distribution costs	56.9	45.4
Total cost of goods sold	**539.6**	**496.2**

	2011 € million	2010 € million
Raw materials and finished goods acquired from third parties	386.5	374.2
Inventory write-downs	3.4	1.0
Personnel costs	41.2	38.8
Depreciation and amortisation (*)	22.2	18.3
Utilities	8.8	7.4
External production and maintenance costs	14.2	13.4
Variable transport costs	49.2	34.2
Other costs	14.1	8.8
Total cost of goods sold	**539.6**	**496.2**

(*): depreciation and amortisation is net of € 9.1 million (€ 3.8 million in 2010) pending for final stocks of liquids undergoing the ageing process

The increase in the cost of goods sold is commented upon in the Directors' report, where the change in the percentage of net sales accounted for by these costs is analysed.
Depreciation and amortisation included in the cost of goods sold is reported net of € 9.1 million (€ 3.8 million in 2010) for depreciation of tangible assets of Rare Breed Distilling LLC that was entirely pending on stock during the year, since the liquid produced undergoes an ageing process; on average, the product is aged for between five and seven years.
For a breakdown of personnel costs, see note 15 - Personnel costs.

12. Overheads

Overheads include:

	2011 € million	2010 € million
Sales costs	97.2	88.6
General and administrative expenses	112.8	105.5
Total overheads	**210.0**	**194.1**

	2011 € million	2010 € million
Agents and other variable sales costs	17.6	17.8
Depreciation and amortisation	8.1	7.5
Personnel costs	108.1	96.6
Travel, transfers, training and meetings	18.5	16.6
Utilities	1.5	1.5
Services, maintenance and insurance	30.0	27.3
Operating leases and rental expenses	7.7	7.7
Other	15.5	15.8
Non-recurring (income) and charges	3.1	3.3
Total overheads	**210.0**	**194.1**

The rise in overheads is due to the effect of acquiring Vasco (CIS) OOO in March 2011 and Sagatiba Brasil S.A. in August 2011, which was subsequently merged into Campari do Brasil Ltda, and to the start of commercial operations in Australia, which affected the Group's income statement for 12 months in 2011.
For a breakdown of personnel costs, see note 15 - Personnel costs.
The increase in the item Services, maintenance and insurance is largely attributable to costs for the outsourcing of services, various consultancy services and IT services associated with ongoing business management projects.
A breakdown of non-recurring income and charges is provided in the next section.

13. Non-recurring overheads

The operating result for the year was affected by the following non-recurring income and charges.

	2011 € million	2010 € million
Capital gains on the sale of buildings	2.1	-
Changes in put options and earn-outs	-	5.0
Other non-recurring income	0.6	0.6
Gains on sales of fixed assets	0.5	0.4
Total non-recurring income	3.2	6.1
Accrual of provision for risks and charges	(2.1)	(2.2)
Capital losses on sale of fixed assets	(0.8)	-
Write-downs of tangible fixed assets	(0.1)	(0.2)
Rental fees	-	(0.2)
Personnel restructuring costs	(2.4)	(2.6)
Other industrial restructuring costs	-	(2.3)
Penalty for the early termination of a distribution relationship	-	(0.2)
Other non-recurring charges	(0.9)	(1.8)
Total non-recurring charges	(6.3)	(9.4)
		-
Total (net)	**(3.1)**	**(3.3)**

Capital gains on the sale of buildings include a capital gain of € 0.3 million relating to the sale of property held by Campari Schweiz in the canton of Ticino and a net capital gain of € 1.8 million from the Parent Company's agreement to sell the Ponte Galeria area in Rome and the associated building rights.
The other capital gains from the sale of fixed assets are mainly linked to sales of vineyards by the subsidiary Société Civile di Domaine de Lamargue.

Conversely, the sale of the industrial area of Sulmona, which had not been used since 2007, for a price of € 5.7 million generated a capital loss of € 0.8 million and a liability of € 0.3 million, reported under Other non-recurring charges, arising from the disposal of miscellaneous maintenance material that was still at the production site but no longer useable.

The accrual of provisions for risks and charges of € 2.1 million mainly comprises provisions of € 1.0 million made by the Parent Company, € 0.3 million made by Redfire and € 0.4 million made by Campari do Brasil Ltda for penalties associated with tax risks. The remaining provisions relate to legal disputes involving various Group companies.

The personnel restructuring costs of € 2.4 million were incurred by Campari do Brasil Ltda and the Italian companies in relation to various positions.

14. Depreciation

The following table shows details of depreciation and amortisation, by nature and by function, included in the income statement.

	2011 € million	2010 € million
- Tangible fixed assets	21.1	18.0
- Intangible fixed assets	1.1	0.3
Depreciation and amortisation included in cost of goods sold:	*22.2*	*18.3*
- Tangible fixed assets	4.8	4.5
- Intangible fixed assets	3.3	3.0
Depreciation and amortisation included in overheads	*8.1*	*7.5*
- Tangible fixed assets	25.9	22.5
- Intangible fixed assets	4.4	3.3
Total depreciation and amortisation in the income statement	**30.3**	**25.8**
Depreciation and amortisation not included in the income statement because pending for final stocks of liquids undergoing the ageing process	9.1	3.8
Total depreciation and amortisation	**39.4**	**29.6**

15. Personnel costs

	2011 € million	2010 € million
Salaries and wages	111.1	98.5
Social security contributions	25.9	24.7
Cost of defined contribution plans	4.8	4.3
Cost of defined benefit plans	0.4	0.5
Other costs relating to long-term benefits	0.1	0.6
Cost of share-based payments	7.1	6.9
Total personnel costs	**149.4**	**135.5**

The allocation of personnel costs to the cost of goods sold and overheads is set out in detail in the two previous notes. Personnel costs increased by 10.3% compared with the previous year, as they include the acquisitions of Vasco (CIS) OOO and Sagatiba Brasil S.A. (subsequently merged into Campari do Brasil Ltda) and the start of commercial operations by Campari Australia Pty Ltd, which had an impact on the Group's income statement for the whole of 2011.

16. Research and development costs

The Group's research and development activities relate solely to ordinary production and commercial activities, namely ordinary product quality control and packaging studies in various markets.
Related costs are recorded in full in the income statement for the year in which they are incurred.

17. Other costs

Minimum payments under operating leases in 2011 were € 7.3 million (€ 6.6 million in 2010) and relate to contracts held by Group companies on IT equipment, company cars and other equipment, and to leasing agreements on property.

18. Financial income and charges

Net financial charges for the year break down as follows:

	2011 € million	2010 € million
Bank and term deposit interest	4.3	5.2
Other income	0.6	0.6
Total financial income	**4.9**	**5.7**
Net interest payable on bonds and private placements	(42,6)	(40.7)
Interest payable on leases	(0.4)	(0.1)
Interest payable to banks	(1.9)	(0.4)
Total interest payable	**(44.8)**	**(41.3)**
Actuarial effects relating to defined benefit plans	(0.4)	(0.4)
Effects of discounting payables for put options	(0.1)	-
Bank charges	(0.9)	(0.5)
Other charges and exchange rate differences	(1.8)	(1.0)
Total financial charges	**(3.2)**	**(2.0)**
Income from financial assets	-	1.9
Financial charges relating to tax inspections	(1.9)	-
Non-recurring financial charges	**(1.9)**	**1.9**
Net financial income (charges)	**(45.1)**	**(35.7)**

The net financial charges for the period of € 45.1 million were up 26.3% on the figure for the previous year of € 35.7 million due to the combined effect of contrasting developments.

There was a rise of € 1.9 million in the interest payable on bonds; net of hedging effects, the amount paid to bondholders increased by € 1.4 million, while the fair value measurement of hedging instruments and the associated underlyings carried a cost of € 0.3 million.

The breakdown of interest payable to bondholders is shown in the table below.

	2011			2010
	Parent Company € million	Redfire, Inc. € million	Total € million	Total € million
Financial charges payable to bondholders	(28.9)	(18.9)	(47.8)	(49.4)
Net financial income (charges) on swaps	3.7	-	3.7	6.8
Net cost (coupon)	**(25.2)**	**(18.9)**	**(44.0)**	**(42.6)**
Net changes in fair value and other amortised cost components	(0.4)	1.0	0.6	1.2
Cash flow hedge reserve reported in the income statement during the year	0.8	-	0.8	0.6
Net interest payable on bonds and private placements	**(24.7)**	**(17.8)**	**(42.6)**	**(40.7)**

The reduction of around € 1.6 million in interest paid to bondholders, caused mainly by the depreciation in the US dollar, was offset by the drop in income from swaps of € 3.1 million. In 2010, this income included the effect of discontinuing the variable-rate swap issued on an underlying of € 50 million, relating to the 2009 Eurobond.

As regards the interest rates paid during the year, Redfire, Inc. paid a fixed rate of interest of between 6.17% and 6.49% on the 2003 private placement, whereas it paid fixed-rate coupons of between 6.83% and 7.99% on the private placement issued in June 2009.
The bond loan issued by the Parent Company in 2003 carried average fixed rates of 4.25% on an underlying of € 172 million and variable rates on an underlying of € 86 million; the company paid fixed rates of 5.375% on € 100 million and variable rates on € 200 million in relation to the Eurobond issued in 2009.

Despite the Group's increased liquidity, bank interest receivable fell by € 0.9 million, due mainly to the significant fall in interest rates in 2011.
The rise in bank interest payable is connected with the increase in short-term payables to banks. The Group utilised lines of credit to bolster its financial resources at a time when, owing to the changed, unfavourable conditions on the financial markets, credit is more difficult to obtain.

Net exchange rate differences were positive at € 0.3 million in 2011, compared with € 1.5 million in 2010.

Non-recurring financial charges of € 1.9 million relate to interest on tax inspections, while in 2010 this item included income from the final sale of receivables from Lehman Brothers by Redfire, Inc. and by the Parent Company.

19. Income and charges relating to put options and earn-outs

Charges for put options and earn-outs, booked at 31 December 2010, relate to the portions of the losses pertaining to the minority shareholders of Cabo Wabo, LLC and Redfire Mexico S. de R.L. de C.V.

Since the Group exercised the put/call options on the remaining 20% of Cabo Wabo, LLC and Redfire Mexico S. de R.L. de C.V. – assigned in January 2008 at the time of the acquisition of 80% of the Cabo Wabo brand – early, no further put option charges were booked at 31 December 2011.

The income reported at 31 December 2011 is due to an update of the estimate of earn-outs relating to the acquisitions of Cabo Wabo, Campari Mexico S.A. de C.V. (formerly Destiladora San Nicolas S.A. de C.V.) and Campari Argentina S.A. (formerly Sabia S.A.).

20. Income taxes

Details of current and deferred taxes posted to the Group's income statement are as follows:

	2011 € million	2010 € million
- taxes for the year	(56.0)	(44.1)
- taxes relating to previous years	0.3	(0.2)
Income tax - current	(55.7)	(44.3)
Income tax – deferred: newly reported and cancelled temporary differences	(30.4)	(25.5)
Provisions for tax risks	(4.7)	(6.5)
Income tax reported in the income statement	**(90.9)**	**(76.2)**

The table below gives details of current and deferred taxes posted directly to shareholders' equity.

	2011 € million	2010 € million
Deferred taxes on profits (losses) from cash flow hedging	1.4	(1.6)
Income tax reported to shareholders' equity	**1.4**	**(1.6)**

The table below shows a reconciliation of the theoretical tax charge with the Group's actual tax charge.
Note that, in order to provide a clearer picture, IRAP has not been taken into account since, being a tax calculated on a tax base other than pre-tax profit, it would have had distortive effects.

Theoretical taxes were therefore calculated solely by applying the current tax rate in Italy for IRES i.e. 27.5%.

Reconciliation of the theoretical tax charge with the actual charge	2011 € million	2010 € million
Group profit before tax	250.6	232.9
Applicable tax rate in Italy	27.50%	27.50%
Group theoretical taxes at current tax rate in Italy	(68.9)	(64.1)
Difference in tax rate of foreign companies compared to the theoretical rate	(6.6)	0.8
Difference in tax rate of Italian companies compared to the theoretical rate	0.8	(1.8)
Permanent differences	(3.9)	(1.0)
Accrual of tax provision	(4.7)	(6.5)
Taxes relating to previous financial years	0.3	(0.2)
Other consolidation differences	0.0	1.9
IRAP	(7.9)	(5.4)
Effective tax charge	(90.9)	(76.2)
Effective tax rate	36.26%	32.79%

Details of deferred tax assets and liabilities posted to the income statement and statement of financial position are broken down by nature below.

	Statement of financial position		Income statement	
	31 December 2011	31 December 2010	2011	2010
	€ million	€ million	€ million	€ million
Deferred expenses	0.7	1.6	(0.8)	0.4
Taxed funds	23.2	24.1	(2.0)	12.0
Past losses	4.2	4.9	(0.3)	(0.8)
Fair value valuations	0.0	0.0	0.0	0.0
Other	3.9	4.2	0.7	(7.2)
Deferred tax assets used to offset deferred tax liabilities	(25.5)	(26.3)	0.0	0.0
Deferred tax assets	6.5	8.4	(2.4)	4.3
Accelerated depreciation	(19.9)	(19.8)	0.5	(13.4)
Capital gains subject to deferred taxation	(1.2)	(0.7)	(0.5)	1.0
Goodwill and brands deductible locally	(125.7)	(103.1)	(20.1)	(20.9)
Cash flow hedge	(0.1)	(1.9)	0.3	(1.3)
Reserves subject to taxation in the event of a dividend	(0.1)	0.4	0.0	0.6
Adjustment to Group accounting principles	4.7	7.5	(2.8)	1.8
Leasing	(2.6)	(2.6)	0.0	0.0
Allocation of values deriving from acquisitions	(16.9)	(17.3)	0.0	0.0
Other	(8.1)	(2.8)	(5.5)	2.4
Deferred tax assets used to offset deferred tax liabilities	25.5	26.3	0.0	0.0
Deferred tax liabilities	(144.4)	(114.0)	(28.0)	(29.8)
Total			(30.4)	(25.5)

Deferred tax assets in respect of past losses are entirely attributable to Campari do Brasil Ltda.
Local legislation does not set a time limit for their use, but does set a quantitative limit for each individual year, based on declared taxable income.
The Company has also begun to use these against taxable income.

21. Basic and diluted earnings per share

Basic earnings per share are calculated as the ratio of the Group's portion of net profits for the year to the weighted average number of ordinary shares outstanding during the year; own shares held by the Group are, therefore, excluded from the denominator.
Diluted earnings per share are determined by taking into account the potential dilution effect resulting from options allocated to beneficiaries of stock option plans in the calculation of the number of outstanding shares.
Basic earnings per share are calculated as shown in the table below.

Basic earnings	2011			2010		
	Profit	No. of shares	Earnings per share	Profit	No. of shares	Earnings per share
	€ million		€	€ million		€
Net profit attributable to ordinary shareholders	159.2			156.2		
Weighted average of ordinary shares outstanding		579,939,104			577,298,215	
Basic earnings per share			0.27			0.27

Diluted earnings per share are calculated as follows:

Diluted earnings	2011			2010		
	Profit	No. of shares	Earnings per share	Profit	No. of shares	Earnings per share
	€ million		€	€ million		€
Net profit attributable to ordinary shareholders	159.2			156.2		
Weighted average of ordinary shares outstanding		579,939,104			577,298,215	
Weighted average of shares from the potential exercise of stock options with dilutive effect		10,086,110			2,266,231	
Weighted average of ordinary shares outstanding net of dilution		590,025,214			579,564,446	
Diluted earnings per share			0.27			0.27

22. Net tangible fixed assets

Changes in this item are indicated in the table below.

	Land and buildings	Plant and machinery	Other	Total
	€ million	€ million	€ million	€ million
Carrying value at start of period	227.5	271.4	85.6	584.5
Accumulated depreciation at start of period	(54.9)	(169.4)	(34.6)	(258.8)
Balance at 31 December 2010	**172.7**	**102.0**	**51.0**	**325.7**
Change in basis of consolidation	0.1	0.3	0.2	0.6
Capital expenditure	8.3	12.5	12.3	33.0
Disposals	(0.6)	(0.1)	(3.1)	(3.8)
Depreciation	(7.1)	(15.7)	(11.2)	(34.0)
Reclassifications	(8.7)	14.5	(5.8)	(0.0)
Write-downs	(0.0)	(0.1)	(0.0)	(0.1)
Exchange rate differences and other changes	(0.9)	(0.4)	0.5	(0.7)
Balance at 31 December 2011	**163.7**	**113.0**	**43.9**	**320.6**
Carrying value at end of period	224.8	278.1	91.1	594.0
Accumulated depreciation at end of period	(61.1)	(167.9)	(44.4)	(273.4)

Capital expenditure on land and buildings for the period, amounting to € 8.3 million, include construction costs of € 3.2 million incurred by the subsidiary Rare Breed LLC relating to the distillery in Lawrenceburg, which became operational in December 2010. This project involved total investment by Rare Breed Distilling, LLC of € 39.5 million (US$ 51.1 million), covering plant, equipment and other fixed assets.

The Parent Company incurred capital expenditure costs of € 2.3 million, of which € 1.5 million was for improvement works to the industrial site at Canale, € 0.5 million for completing the external areas of the company's premises and € 0.3 million for minor works in the other production units.

Lastly, capital expenditure on land and buildings includes € 0.7 million attributable to Glen Grant Distillery Company Ltd. for building work carried out in the semi-finished products warehouse at Burncrook, and € 0.7 million for modernising the industrial site in Odessa. The remainder is attributable to the expansion and restructuring work carried out at the offices and plants of various Group subsidiaries.

Capital expenditure on plant and machinery, amounting to € 12.5 million, primarily included:

- expenditure of € 3.8 million by the Parent Company on production units; specifically, € 2.4 million was for the expansion of the production lines in Novi Ligure; € 1.0 million to refurbish the cellars and bottling lines at the Canale plant and € 0.3 million for works at the Crodo plant;
- expenditure of € 1.6 million made by Campari do Brasil Ltda. on the Socoraba and Suape plants;
- expenditure of € 1.0 million made by Rare Breed Distilling, LLC., mainly for improvements connected with bourbon production;
- expenditure of € 3.7 million made by Campari Argentina S.A. in relation to the new Cinzano bottling line;
- expenditure of € 1.2 million made by Campari Mexico S.A. de C.V. to acquire a new tequila bottling line;
- expenditure of € 0.9 million made by Sella & Mosca S.p.A. on new plants built primarily at the facility in Alghero;

Other capital expenditure of € 12.3 million chiefly included:
- the purchase of barrels to be used for ageing amounting to € 6.1 million in the case of Rare Breed Distilling, LLC, € 0.7 million for Glen Grant Distillery Company Ltd., € 0.3 million for Campari Argentina S.A., € 0.4 million for Campari do Brasil Ltda, € 0.2 million for Sella & Mosca S.p.A. and € 0.2 million for other subsidiaries;
- expenditure on furniture and fittings, amounting to € 0.8 million, to finish off the display area dedicated to the history and development of the aperitif in the Campari Gallery at the Sesto San Giovanni site, and purchases of industrial fittings totalling € 0.3 million;
- expenditure of € 1.0 million made by Campari Argentina S.A. on various equipment;
- expenditure of € 0.4 million made by Campari Deutschland GmbH on furniture and fittings.

Disposals, amounting to € 3.8 million, are mainly attributable to the sale of land and buildings by Campari do Brasil Ltda and Campari Schweiz AG, totalling € 0.6 million, and the sale of barrels by Rare Breed Distilling, LLC, for € 2.7 million.

Lastly, please note that, for greater clarity, fixed assets in progress of € 10.4 million are included under the categories to which they relate, depending on the nature of the capital expenditure.
The following table provides a breakdown of tangible fixed assets by ownership.

	Owned fixed assets € million	Fixed assets under finance leases € million	Total € million
Land and buildings	143.0	20.6	163.7
Plant and machinery	109.5	0.7	110.2
Other assets	46.7	0.1	46.7
	299.2	**21.4**	**320.6**

23. Biological assets

This item includes biological assets consisting of fruit-bearing and mature vines that provide grapes for wine production and pre-production vineyards.

Sella & Mosca S.p.A. owns vineyards covering approximately 548 hectares north of Alghero in Sardinia, approximately 100 hectares near San Gimignano in Tuscany and around 12 hectares near Alba in Piedmont.
The Group also owns around 5 hectares of vineyards in Saint Gilles in France, through Société Civile du Domaine de La Margue.

Changes in this item are indicated in the table below.

	Assets valued at fair value	Assets valued at cost	Total
	€ million	€ million	€ million
Opening value	3.1	22.4	25.5
Accumulated depreciation at start of period	-	(7.4)	(7.4)
Balance at 31 December 2010	**3.1**	**15.0**	**18.1**
Capital expenditure	-	0.5	0.5
Fair value valuation charges	0.1	-	0.1
Disposals	(0.4)	-	(0.4)
Depreciation	-	(0.9)	(0.9)
Balance at 31 December 2011	**2.8**	**14.6**	**17.4**
Closing value	2.8	23.0	25.8
Accumulated depreciation at end of period	-	(8.4)	(8.4)

The capital expenditure of € 0.5 million during the year relates to internal works on vineyards that are not yet in production: € 0.4 million in Tuscany and € 0.1 million in Piedmont.

As for the biological assets in Sardinia, with respect to the application of IAS 41 on the accounting treatment of biological assets (vines) and biological products (grapes), given the unique situation of Sella & Mosca S.p.A. vis-à-vis the territory in which it operates, as described below, it was decided to continue recording these assets at cost, less accumulated depreciation; valuation at fair value would require the following assumptions to be met, which do not apply in the context in which the Company operates:
- the existence of an active market for biological products and assets. This is not the case in Sardinia, as the market cannot absorb grapes and vines in the quantities concerned, due to a lack of buyers, and it is not possible to set potential market prices in a scenario in which all products or biological assets are made available for sale;
- the adoption of the alternative cash flow valuation method, which cannot be used due to both the inability to set a reliable price for the biological products concerned in the quantity concerned, and the inability to determine or measure the projected cash flows.

The depreciation rate used by Sella & Mosca S.p.A. for vineyards is 5%.
Other biological assets are valued at fair value, based on expert surveys of agricultural land and the related vineyards.
At 31 December 2011, non-productive biological assets totalled € 1.6 million, recorded under biological assets in progress, compared to € 2.3 million at 31 December 2010.
In particular, pre-production vineyards in Tuscany are valued at € 1.4 million, and mainly refer to those planted in 2006, 2007, 2009, 2010 and 2011, while those in Piedmont are valued at € 0.2 million.
Agricultural output during the year totalled approximately 45,909 quintals in Sardinia, around 7,701 quintals in Tuscany and some 753 quintals in Piedmont.
Given that it was all processed, there were no inventories of this production at the year end.

Disposals during the year relate to the sale of 63 hectares of vineyards in Saint Gilles, France, by Société Civile du Domaine de Lamargue. The sale generated a capital gain of € 0.3 million, which was recorded as capital gains from sales of fixed assets under non-recurring income for the year.

24. Investment property

At 31 December 2011, investment property of € 0.6 million related mainly to the Parent Company, and included apartments and a shop in the provinces of Milan, Bergamo and Verbania, and two buildings in rural locations in the province of Cuneo.
There were no significant increases in this asset class during the year.
These buildings are recorded in the financial statements at their approximate fair value at the reporting date.

25. Goodwill and brands

Changes during the year are shown in the table below.

	Goodwill € million	Brands € million	Total € million
Carrying value at start of period	934.4	479.7	1,414.0
Opening impairment	(4.9)	-	(4.9)
Balance at 31 December 2010	**929.5**	**479.7**	**1,409.1**
Change in basis of consolidation	20.8	1.3	22.1
Additions		1.1	1.1
Exchange rate differences	9.5	6.8	16.3
Balance at 31 December 2011	**959.7**	**488.9**	**1,448.6**
Carrying value at end of period	964.6	488.9	1,453.5
Closing impairment	(4.9)		(4.9)

Intangible assets with an indefinite life are represented by goodwill and brands, both deriving from acquisitions.
The Group expects to obtain positive cash flow from these assets for an indefinite period of time.
Goodwill and brands are not amortised but are subject to impairment tests.
The form taken by these tests is shown in note 26 - Impairment.
The change in the basis of consolidation relating to goodwill and brands, amounting to € 20.8 million and € 1.3 million respectively, is attributable to the acquisition during the year of Vasco (CIS) OOO and Sagatiba Brasil S.A., which was subsequently merged into Campari do Brasil Ltda. For further information, see note 7 - Acquisitions.

Additions of € 1.1 million relate to the purchase of the Cazalis and Reserva San Juan brands by Campari Argentina S.A. For further information, please refer to the information in the Report on operations in the section "Significant events during the year".

Exchange rate differences of € 16.3 million are due to the adjustment to year-end exchange rates of the goodwill relating to Skyy Spirits, LLC, Cabo Wabo, LLC, Campari do Brasil Ltda., Campari Argentina S.A. (formerly Sabia S.A.), Campari Mexico S.A. de C.V. (formerly Destiladora San Nicolas, S.A. de C.V.), CJSC Odessa Sparkling Wine Company, Rare Breed Distilling, LLC, Vasco (CIS) OOO and Sagatiba Brasil S.A., as well as the X-Rated Fusion Liqueur, Cabo Wabo, Wild Turkey and Sagatiba brands.

26. Impairment

The Group ascertains the possibility of recovering amounts relating to goodwill and brands that are recorded in the financial statements by carrying out impairment tests annually, or more frequently if there are indications of a loss in value.
The recoverability of the amounts relating to goodwill and brands is assessed through an estimate of their value in use, which is the present value of future cash flows discounted at a rate that reflects the time value of money and specific risks on the valuation date.

For the purposes of the impairment tests, the amounts for goodwill and brands were allocated to the respective units (or groups of units) that generate cash flows ("cash generating units" or CGUs) on the reporting date. The Group identified the CGUs in the businesses, or groups of businesses acquired by them, that correspond to an individual brand or portfolios of brands, or to entities that produce and/or distribute one or more brands.
Estimates of cash flows generated by individual CGUs were used for estimating the recoverable value based on value in use.
Forecasts of operating cash flows come from the 2012 budget and the strategic plans prepared by the Group's subsidiaries in 2011 for the period 2013-2016.
In addition, the five-year plan was extrapolated on a ten-year basis, assuming medium- to long-term growth rates no higher than the average long-term growth rate for the market in which the Group operates.
The use of a ten-year period was justified by the extension of the life cycle of the brands in the spirit market, as well as the length of the ageing process of certain brands in some CGUs.

The key assumptions used to determine the value in use of the CGU are the operating cash flow projections over a ten year period, the discount rate and growth embedded in the terminal value.
For CGUs purchased in previous years, (for example Skyy Spirits and Barbero), cash flows were projected based on the historical growth rate and on reasonable management expectations.
For CGUs recently acquired (for example Wild Turkey), projections were determined based on management expectations of future growth.

Estimates of future cash flows were calculated based on prudent criteria in respect of growth rates and trends in profit margin. In addition, projections are based on reasonableness, prudence and consistency with respect to the allocation of future general expenses, trends in capital investment, conditions of financial equilibrium and the main macroeconomic variables.
Cash flow projections relate to current operating conditions and therefore do not include cash flows connected with any one-off operations.
For the purposes of determining the terminal value, the perpetuity growth method of discounting was used. Specifically, the terminal growth rate was taken to be 1.5%, which does not exceed the sector's estimated long-term growth rate.

Moreover, in view of the large amount of stock on hand required to finance the future development of those CGUs whose main business relates to products with a long ageing period, it was considered appropriate to also use the exit multiple method to determine the terminal value in order to take into account the excess stocks of ageing liquid.
The value in use of the CGUs was calculated by discounting the estimated value of future cash flows, including the terminal value, which it is assumed will derive from the continuing use of the assets, at a discount rate (net of taxes and adjusted for risk) that reflects the weighted average cost of capital.
Specifically, the discount rate used is the Weighted Average Cost of Capital ('WACC'), which was determined with reference to observable market indicators and parameters, the present value of money and specific risks connected with the business being valued: a discount rate of 8.6% was used on the date that the valuation was performed.

Furthermore, to estimate the recoverable value, as a control method with respect to the main methodology based on estimated value in use, the fair value criterion less sales costs was used, in conjunction with the comparable transactions multiples method.
This methodology applies parameters to the CGU being valued that were deduced from the valuation attributed to a comparable company acquired in an active market: these are implicit parameters or multipliers deduced from the ratio of the price paid to acquire comparable companies to specific economic and financial indicators relating to those companies.
The procedure to identify a relevant sample consists of selecting a number of recent transactions relating to the acquisition of companies with similar characteristics based on operational and financial criteria.
For the purposes of determining the fair values of the CGUs, the EV/EBITDA multiple was used.
The use of this multiplier is considered particularly effective as it avoids distortions caused by different tax regulations and financial structures, is less sensitive to distortions caused by variations in extraordinary profit, and facilitates comparison at international level.

At 31 December 2011, based on the methodologies and assumptions set out above, the impairment tests revealed that the value of goodwill and brands was fully recoverable.
To take into account current market volatility and uncertainty over future economic prospects, sensitivity analyses have been carried out to assess the recoverability of amounts relating to goodwill and brands.
Specifically, a sensitivity analysis of recoverable values was carried out based on the assumption of a half-point increase in WACC and a half-point reduction in the terminal growth rate.
The sensitivity analysis described above confirmed that the values of the goodwill and brands of the CGUs are fully recoverable.
In addition, the results of the sensitivity analysis performed on the recoverable amount show that a reasonable change in the key assumptions would not cause the carrying amount to exceed the recoverable amount of the most significant CGUs in terms of goodwill and trademark values (including Barbero, Skyy Spirits, Wild Turkey, Glen Grant, Old Smuggler, Carolans, Frangelico and Irish Mist).

The value of goodwill and brands at 31 December 2011 classified by business area according to the CGU's main activity is shown in the table below.

	Balance at 31 December 2011			Balance at 31 December 2010		
	Goodwill	Brands	Total	Goodwill	Brands	Total
	€ million	€ million	€ million	€ million	€ million	€ million
Spirits						
Ouzo-12	10.0	8.3	18.3	10.0	7.4	17.4
Brazilian brands	74.9	-	74.9	81.6	-	81.6
Skyy Spirits	372.0	-	372.0	360.2	-	360.2
Barbero – Riccadonna – Mondoro	137.9		137.9	137.9		137.9
Barbero	*137.9*	*12.3*	*150.2*	*137.9*	*12.3*	*150.2*
Riccadonna	-	*11.3*	*11.3*	-	*11.3*	*11.3*
Mondoro	-	*1.0*	*1.0*	-	*1.0*	*1.0*
Glen Grant and Old Smuggler	-	104.3	104.3	-	104.3	104.3
X-Rated Fusion Liqueur	-	39.4	39.4	-	38.2	38.2
Cabo Wabo	27.9	55.0	82.9	27.0	53.2	80.2
Campari Mexico S.A. de C.V. (ex Destiladora San Nicolas S.A. de C.V.)	7.7	6.5	14.2	8.4	7.1	15.5
Campari Argentina S.A. (ex Sabia S.A.)	4.2	0.1	4.3	4.4	0.1	4.5
Wild Turkey	160.0	141.1	301.1	154.9	136.7	291.6
Brand C&C	25.1	116.6	141.8	25.1	116.6	141.8
Campari Benelux	0.3	-	0.3	0.3	-	0.3
Cazalis Leger and Reserva San Juan	-	1.1	1.1	-	-	-
Sagatiba Brasil S.A.	16.4	1.3	17.6	-	-	-
Vasco CIS (OOO)	3.6	-	3.6	-	-	-
Other	-	-	-	-	1.0	1.0
Total	**839.8**	**486.1**	**1,325.9**	**809.7**	**476.9**	**1,286.6**
Wines						
Cinzano	51.5	0.8	52.2	51.5	0.8	52.2
Sella&Mosca-Zedda Piras-Lamargue	55.3	0.0	55.3	55.3	0.0	55.3
Odessa	8.6	-	8.6	8.4	-	8.4
Total	**115.4**	**0.8**	**116.1**	**115.1**	**0.8**	**115.9**
Soft drinks						
Former Bols brands	4.6	2.0	6.6	4.6	2.0	6.6
Total	**4.6**	**2.0**	**6.6**	**4.6**	**2.0**	**6.6**
Total	**959.7**	**488.9**	**1,448.6**	**929.5**	**479.7**	**1,409.1**

27. Intangible assets with a finite life

Changes in this item are indicated in the table below.

	Software	Other	Total
	€ million	€ million	€ million
Carrying value at start of period	15.3	24.4	39.7
Accumulated amortisation at start of period	(11.8)	(9.1)	(20.9)
Balance at 31 December 2010	**3.5**	**15.4**	**18.8**
Additions	5.5	1.2	6.7
Amortisation for the period	(3.3)	(1.1)	(4.4)
Write-downs	(0.3)	0.2	(0.1)
Exchange rate differences and other changes	3.7	(3.7)	0.1
Balance at 31 December 2011	**9.1**	**12.0**	**21.0**
Carrying value at end of period	31.8	13.7	45.5
Accumulated amortisation at end of period	(22.7)	(1.8)	(24.5)

Intangible assets with a finite life are amortised on a straight-line basis in relation to their remaining useful life.

Additions made during the year mainly relate to the implementation of new modules and upgrades of the SAP IT system by the Parent Company (€ 1.6 million), the Italian subsidiaries (€ 0.4 million), Campari Mexico S.A. de C.V. (€ 0.6 million), Campari Australia Pty Ltd (€ 0.8 million), the US subsidiaries (€ 0.4 million), Campari Deutschland GmbH (€ 0.4 million), Campari do Brasil Ltda (€ 0.3 million, Campari International SAM (€ 0.3 million), as well as to the three-year renewal of Microsoft licences by the Parent Company for € 1.1 million and the purchase of distribution rights for Frangelico in Australia for € 0.6 million.

28. Other non-current assets

This item breaks down as follows:

	31 December 2011 € million	31 December 2010 € million
Derivatives on Parent Company bond (Eurobond)	13.2	3.6
Non-current financial assets	**13.2**	**3.6**
Equity investments in other companies	0.2	0.2
Security deposits	0.8	0.9
Receivables from employee benefit funds	0.6	0.7
Other non-current tax receivables	2.4	1.2
Other non-current assets	**4.0**	**3.0**
Total	**17.1**	**6.7**

The derivative on the bond represents the fair value of the interest rate hedge for the bond (Eurobond) issued by the Parent Company in 2009 totalling € 350 million.
The interest rate swap with a variable rate of 6-months Euribor +210 basis points was negotiated in 2009 on an underlying of € 250 thousand, and reduced to € 200 thousand in the final quarter of 2010.
At 31 December 2010, the valuation of this financial instrument represented an asset of € 3.6 million.
Changes in the fair value of the hedge are posted to the income statement. For more information, please see note 45 - Financial instruments.

Receivables from employee benefit funds represent a surplus of assets servicing the plan in respect of the present value of benefit obligations at year end.
For further information, see comments under note 39 - Defined benefit plans.
Other non-current tax receivables refer to receivables from tax authorities attributable to the Parent Company (€ 0.5 million) and the Brazilian subsidiary for the residual amount from the acquisition of Sagatiba Brasil S.A.

29. Inventories

This item breaks down as follows:

	31 December 2011 € million	31 December 2010 € million
Raw materials, supplies and consumables	28.5	35.7
Work in progress and liquid undergoing the aging process	204.5	183.7
Finished products and goods for resale	98.3	75.5
Total	**331.3**	**294.9**

The rise in inventories includes external growth of € 1.7 million resulting from the acquisition of Sagatiba Brasil S.A. and Vasco (CIS) OOO. There were also increases in finished products in markets such as Australia and Russia and rises in stocks of liquid undergoing the aging process at the Group's distilleries in Scotland and Kentucky (USA).

Inventories are reported minus the relevant provisions for write-downs. The changes are shown in the table below.

	€ million
Balance at 31 December 2010	**3.1**
Accruals	3.2
Utilisations	(1.6)
Exchange rate differences and other changes	(0.3)
Balance at 31 December 2011	**4.5**

30. Trade receivables and other receivables

This item breaks down as follows:

	31 December 2011 € million	31 December 2010 € million
Trade receivables from external customers	263.7	249.3
Trade receivables from affiliated companies	0.8	1.5
Receivables in respect of contributions to promotional costs	13.5	18.5
Trade receivables	**278.0**	**269.4**
Payments on account to suppliers of fixed assets	0.3	0.5
Advances and other receivables from suppliers	3.8	2.1
Other receivables from tax authorities	8.2	9.4
Receivables from agents and miscellaneous	1.5	2.4
Pre-paid expenses	3.4	3.2
Other	6.7	3.4
Other receivables	**23.9**	**21.0**

All the receivables shown above are due within twelve months.
Their carrying value is considered to be close to their fair value.
Trade receivables are shown net of year-end bonuses and payables for promotional costs. This item is reported net of the related provision for write-downs, reflecting the actual risk of uncollectibility, consistent with the disclosure of revenues on the income statement.
The € 8.6 million increase in trade receivables comprises € 5.3 million for the acquisitions of Vasco (CIS) OOO and Sagatiba Brazil S.A., which was subsequently merged into Campari do Brasil Ltda, and the remaining € 3.3 million for the combined effect of exchange rate movements and Group organic growth.
Trade receivables are reported net of the receivables sold on a non-recourse basis by Group companies; at 31 December 2011, receivables totalling € 60.2 million had been sold.

Advances and other receivables from suppliers of € 3.8 million are attributable to the Parent Company and subsidiaries Vasco (CIS) OOO and Campari do Brasil Ltda.

Other receivables from tax authorities of € 8.2 million primarily comprise € 3.4 million for VAT and € 2.6 million for excise duty and € 2.2 million for other taxes relating to the Brazilian subsidiary.

The table below breaks down receivables by maturity; note that the other receivables column shows the total of receivables from agents and miscellaneous customers and the other item, as shown in the table above.
This breakdown excludes payments on account to suppliers of fixed assets, advances, tax credits and deferred charges.

31 December 2011	Trade receivables € million	Other receivables € million	Total € million
Not due and not written down	**204.2**	**9.7**	**213.8**
Due and not written down:			
Less than 30 days	37.6	0.9	38.5
30 - 90 days	21.2	0.8	22.0
Within 1 year	11.9	0.6	12.5
Within 5 years	2.2	0.1	2.3
Due after 5 years	0.1	0.1	0.1
Total due and not written down:	**72.8**	**2.5**	**75.3**
Due and written down	8.8	0.3	9.1
Amount written down	(7.8)	(0.3)	(8.1)
Total receivables broken down by maturity	**278.0**	**12.2**	**290.2**
Receivables not significant for breakdown by maturity	0.0	11.7	11.7
Total	278.0	23.9	301.9

31 December 2010	Trade receivables € million	Other receivables € million	Total € million
Not due and not written down	**212.1**	**4.1**	**216.2**
Due and not written down:			
Less than 30 days	28.6	-	28.7
30 - 90 days	17.4	1.3	18.7
Within 1 year	7.0	0.2	7.2
Within 5 years	3.3	-	3.3
Due after 5 years	0.2	-	0.2
Total due and not written down:	**56.5**	**1.5**	**58.0**
Due and written down	9.3	0.6	9.9
Amount written down	(8.4)	(0.3)	(8.7)
Total receivables broken down by maturity	**269.4**	**5.9**	**275.3**
Receivables not significant for breakdown by maturity	0.0	15.1	15.1
Total	269.4	21.1	290.4

The following table shows the changes in bad debt provisions during the period.

	Provisions for doubtful receivables	
€ million	Trade receivables	Other receivables
Balance at 31 December 2010	**8.4**	**0.3**
Change in basis of consolidation	0.6	
Accruals	2.4	0.1
Utilisations	(3.4)	
Exchange rate differences and other changes	(0.2)	-
Balance at 31 December 2011	**7.8**	**0.3**

The change in the basis of consolidation of € 0.6 million is fully attributable to the acquisition of Vasco (CIS) OOO, which took place in March 2011.
Accruals for the year of € 2.4 million include € 1.9 million relating to the Parent Company and € 0.5 million relating to Campari do Brasil Ltda.
Utilisations for the year, reflecting the settlement of lawsuits outstanding from the previous year, mainly relate to the Parent Company and to Campari do Brasil Ltda.

31. Short-term financial receivables

This item breaks down as follows:

	31 December 2011 € million	31 December 2010 € million
Securities and term deposits	**0.2**	**0.2**
Net accrued interest income/expense from swap on bonds	1.1	1.4
Valuation at fair value of forward contracts	0.4	-
Other short-term financial receivables	**1.5**	**1.4**
Short-term financial receivables	**1.8**	**1.6**

Securities mainly include short-term or marketable securities representing a temporary investment of cash, but which do not satisfy all the requirements for classification under cash and equivalents. In particular, the item includes securities that fall due within one year.

Accrued interest on hedging derivatives relating to the Eurobond and the bond of the Parent Company (€ 1.1 million) reflects current market rates.

All financial payables are current and due within a year.

32. Current tax receivables

	31 December 2011 € million	31 December 2010 € million
Income taxes	17.7	5.6
Receivables from main shareholders for tax consolidation	0.2	0.2
Current tax receivables	**17.8**	**5.8**

Current tax receivables can all be recovered within twelve months.
The increase in income tax receivables, which totalled € 17.7 million at 31 December 2011, is due to excess payments on account made by the US subsidiaries. This receivable is partially offset by the recognition of deferred tax liabilities.
Receivables from the main shareholder refer to the receivable of Sella & Mosca Commerciale S.r.l. from Alicros S.p.A., the ultimate shareholder, in relation to the tax consolidation scheme, for which the Group has a non interest-bearing net payable of € 18.6 million (for more information, please see note 48 - Related parties).

33. Cash and equivalents and reconciliation with net debt

The Group’s cash and equivalents break down as follows:

	31 December 2011 € million	31 December 2010 € million
Bank current accounts and cash	323.5	126.1
Term deposits maturing within 3 months	90.6	133.6
Cash and cash equivalents	**414.2**	**259.7**

The cash and cash equivalents item comprises bank current accounts, other sight deposits and those that can be withdrawn within a maximum period of three months from the reporting date, which are held at leading banks and pay variable interest rates based on LIBOR depending on the currency and period concerned.
It also includes securities that can be readily converted to cash consisting of short-term, highly liquid financial investments that can be quickly converted to known cash instruments, with an insignificant risk of change in value.

The reconciliation with the Group's net debt is set out below.

	31 December 2011 € million	31 December 2010 € million
Cash and cash equivalents	414.2	259.7
Liquidity (A)	414.2	259.7
Securities	0.2	0.2
Other short-term financial receivables	1.5	1.4
Short-term financial receivables (B)	1.8	1.7
Short-term bank debt	(144.9)	(38.4)
Current portion of property lease payables	(3.0)	(3.4)
Current portion of private placement and bonds	(83.7)	(6.2)
Other short-term financial payables	(12.5)	(12.3)
Current portion of payables for put options and earn-outs	(3.9)	(1.0)
Short-term financial debt (C)	(248.1)	(61.4)
Short-term net cash (debt) position (A+B+C)	167.9	200.0
Medium/long-term bank debt	(0.1)	(0.4)
Non-current portion of property lease payables	(1.4)	(4.4)
Non-current portion of private placement and bonds	(811.7)	(872.7)
Other medium/long-term financial payables	(0.5)	(0.7)
Non-current portion of payables for put options and earn-outs	(3.8)	(2.4)
Medium/long-term financial debt (D)	(817.6)	(880.6)
Net debt (A+B+C+D) (*)	(649.8)	(680.6)
Reconciliation with Group net debt as shown in the Report on operations		
Assets for derivatives on bonds, non-current portion	13.2	3.6
Group net debt	(636.6)	(677.0)

(*): in accordance with the definition of net debt set out in Consob communication DEM 6064293 of 28 July 2006.

For all information concerning the items that make up net debt excluding liquidity, see note 31 - Current financial receivables and note 37/38 - Financial liabilities.

34. Non-current assets held for sale

This item includes surplus real estate assets with a high probability of being sold, or for which there is an irrevocable commitment to sell with a third party.
These assets, valued at the lower of net carrying value and fair value less selling costs, totalled € 2.3 million at 31 December 2011. At this date, the following were included under this item: the Ponte Galeria plot in Rome for € 1.2 million, the unsold portion of the Termoli site, for € 1.0 million, and some assets of Campari do Brasil Ltda., for € 0.1 million.

During the year assets relating to the Sulmona industrial complex, which ceased production in 2007, were sold for € 5.7 million, generating a capital loss of € 0.8 million, recognised under other non-recurring charges. A building in Tuscany was also sold for a sum equal to its reported value.

The Ponte Galeria plot in Rome is the subject of an agreement with the Rome municipal authorities, which is scheduled to be finalised in the first half of 2012. At 31 December 2011, the plot is reported at a value of € 1.2 million, corresponding to the compensation guaranteed by the municipal authorities for the expropriation of the land. This agreement entailed the sale by the Parent Company of the associated building rights, generating consideration for the year of € 1.8 million, posted to non-recurring income.

Negotiations are under way with potential buyers for the remaining assets, and a disposal plan is being defined.
There have been delays in finalising negotiations leading to the sale and transfer of the property, due to unfavourable market conditions and other issues.

35. Shareholders' equity

The Group manages its capital structure and makes changes to it depending on the economic conditions and the specific risks of the underlying asset.
To maintain or change its capital structure, the Group may adjust the dividends paid to the shareholders and/or issue new shares.
In this context, like other groups operating in the same sector, the Group uses the net debt/EBITDA ratio as a monitoring tool. Net debt is the Group's net financial position calculated at average exchange rates for the previous 12 months; EBITDA is the Group's operating result before depreciation, amortisation and minority interests, pro-rated to take account of acquisitions in the past 12 months. At 31 December 2011 this ratio was 1.9 (compared with 2.2 at 31 December 2010).

For information on the composition and changes in shareholders' equity for the periods under review, please refer to the Statement of changes in shareholders' equity.

Share capital
At 31 December 2011, the share capital of Davide Campari-Milano S.p.A. was € 58,080,000, comprising 580,800,000 ordinary shares with a nominal value of € 0.10 each, fully paid-up.

Outstanding shares and own shares
The following table shows the reconciliation between the number of outstanding shares at 31 December 2011 and in the two prior years.

	No. of shares			Nominal value		
	31 December 2011	31 December 2010	31 December 2009	31 December 2011	31 December 2010	31 December 2009
				€	€	€
Outstanding shares at the beginning of the period	578,522,820	287,945,880	288,459,253	57,852,282	28,794,588	28,845,925
Bonus issue of new shares		290,400,000			29,040,000	
Allocation of own shares from the bonus issue		(2,454,120)			(245,412)	
Purchases for the stock option plan	(9,540,000)	(2,320,000)	(2,199,000)	(954,000)	(232,000)	(219,900)
Disposals for the stock option plan	8,470,615	4,951,060	1,685,627	847,062	495,106	168,563
Outstanding shares at the end of the period	577,453,435	578,522,820	287,945,880	57,745,344	57,852,282	28,794,588
Total own shares held	3,346,565	2,277,180	2,454,120	334,657	227,718	245,412
Own shares as a % of share capital	0.6%	0.4%	0.7%			

In 2011, 9,540,000 own shares were acquired at a purchase price of € 50.1 million, which equates to an average price of € 5.3 per share, while 8,470,615 own shares were sold for € 28.9 million in total.
In addition, subsequent to the reporting date for these financial statements, and until the authorisation of publication, further sales were carried out for a total of 903,110 own shares through the exercise of stock options. This brings the total number of own shares held to 2,443,455.

Dividends paid and proposed

The table below shows the dividends approved and paid in 2011 and 2010 and the dividend subject to the approval of the shareholders' meeting to approve the financial statements for the year ending 31 December 2011.

	Total amount		Dividend per share	
	31 December 2011 € million	31 December 2010 € million	31 December 2011 €	31 December 2010 €
Dividends approved and paid during the period on ordinary shares	34.6	34.6	0.06	0.06
Dividends proposed on ordinary shares	40.4 (*)	34.7	0.07	0.06

(*) calculated on the basis of outstanding shares at the date of the Board of Directors' meeting on 12 March 2012.

Other reserves

	Stock options € million	Cash flow hedge € million	Conversion of financial statements in foreign currencies € million	Total € million
Balance at 31 December 2010	**16.7**	**3.0**	**14.9**	**34.5**
Cost of stock options for the period	7.1			7.1
Stock options exercised	(8.1)			(8.1)
Reversal for the period		(0.8)		(0.8)
Cash flow hedge reserve recognised in the statement of comprehensive income		(5.2)		(5.2)
Tax effect recognised in the statement of comprehensive income		1.6		1.6
Translation difference			8.2	8.2
Balance at 31 December 2011	**15.8**	**(1.5)**	**23.1**	**37.4**

The stock option reserve contains the provision made as an offsetting entry for the cost reported in the income statement for stock options allocated. The provision is determined based on the fair value of the options established using the Black-Scholes model.
For information on the Group's stock option plans, see note 44 - Stock option plans.
The hedging reserve contains amounts (net of the related tax effect) pertaining to changes resulting from fair value adjustments of financial derivatives recorded using the cash flow hedging methodology.
For further information, see note 45 - Financial instruments.
The translation reserve reflects all exchange rate differences relating to the conversion of the financial statements of subsidiaries denominated in currencies other than euro.

36. Minority interests

The minorities' portion of shareholders' equity, totalling € 3.7 million at 31 December 2011 (€ 3.0 million at 31 December 2010), relates to Kaloyannis-Koutsikos Distilleries S.A. (25%) and CJSC Odessa Sparkling Wine Company (0.20%), fully consolidated on a line-by-line basis.

37. Bonds and other non-current liabilities

The breakdown of bonds and other non-current liabilities is as follows.

Non-current liabilities	31 December 2011 € million	31 December 2010 € million
Parent Company bond (US$) issued in 2003	235.5	226.9
Parent Company bond (Eurobond) issued in 2009	360.8	352.0
Private placement issued in 2002	-	83.3
Private placement issued in 2009	191.4	184.2
Total bonds and private placements	787.8	846.3
	-	
Payables and loans due to banks	0.1	0.4
Property leases	1.4	4.4
Derivatives on Parent Company bond (US$)	23.9	26.3
Payables for put options and earn-outs	3.8	2.4
Other debt	0.5	0.7
Non-current financial liabilities	29.8	34.3
Other non-financial liabilities	7.3	-
Other non-current liabilities	37.1	34.3

Bonds

The item bonds includes two bond issues placed by the Parent Company.
The first, with a nominal value of US$ 300 million, was placed in the US institutional market in 2003.
The transaction was structured in two tranches of US$ 100 million and US$ 200 million, maturing in 2015 and 2018 respectively, with a bullet repayment at maturity and interest paid six-monthly at a fixed rate of between 4.33% and 4.63%.

The second issue (Eurobond) was launched on the European market in October 2009, and was aimed at institutional investors, with most of the bonds being placed with investors in Italy, the UK, France, Germany and Switzerland.
The nominal value of this issue is € 350 million; it matures on 14 October 2016 and was placed at an agreed price of 99.431%. The coupons are paid annually at a fixed rate of 5.375%. The gross return on the bond is therefore 5.475%.

With regard to both these issues, the Parent Company has put in place various instruments to hedge the exchange rate and interest rate risks.
On the first, a cross currency swap hedging instrument has been used to neutralise the risks related to fluctuations in the US dollar and movements in interest rates, and the US dollar-based fixed interest rate was changed to a variable euro rate (6-month Euribor + 60 basis points).
In addition, various interest rate swaps were put in place involving the payment of an average fixed rate of 4.25% (rates from 4.03% to 4.37%) on total underlyings of US$ 50 million (maturing in 2015) and US$ 150 million (maturing in 2018).
For the second bond issue, carried out in 2009, an interest rate swap is in place that involves the payment of a variable rate (6-month Euribor + 210 basis points) on an underlying of € 200 million.

The changes in the item in 2011 relate to:
- in relation to the 2003 issue (US$), the valuation of existing hedging instruments (which have a positive effect of € 7.6 million on the fair value hedge and a negative impact of € 5.2 million on the cash flow hedge) and the effects on the bonds of the hedges and the amortised cost (negative to the tune of € 8.7 million);
- in relation to the 2009 issue (Eurobond), the valuation of hedging instruments (positive effect of € 9.5 million), the effect on the bonds being hedged and the amortised cost (negative impact of € 8.9 million).

For more information on these changes, see note 45 - Financial instruments: disclosures.

Private placements

The private placements represent two bonds placed by Redfire, Inc. in the US institutional market in 2002 and 2009.
The 2002 issue, net of redemptions of principal portions already carried out, has a residual nominal value of US$ 108.3 million (the original value was US$ 170 million).
The 2002 transaction was structured in three tranches of US$ 20 million, US$ 50 million and US$ 100 million.
The first tranche has already been fully repaid, while the final portion of the second tranche and the third tranche will be repaid in July 2012.
The six-monthly coupons are based on fixed rates of 6.17% and 6.49%.
The entire residual amount therefore matures within 12 months.

The issue placed in June 2009 has a nominal value of US$ 250 million.
This transaction is also structured in three tranches, of US$ 40 million, US$ 100 million and US$ 110 million respectively, with bullet maturities in 2014, 2016 and 2019.
The six-monthly coupons are based on fixed rates of 6.83%, 7.50% and 7.99%.

The changes in the item during the year relate to:
- the portion redeemed in 2011 relating to the second tranche of the 2002 private placement (US$ 8.3 million);
- the release of the effects of the amortised cost of the 2002 private placement, previously adjusted due to fair value hedges no longer in existence; this effect is equivalent to financial income of US$ 2.1 million (€ 1.6 million);
- the revaluation of the US dollar, the functional currency of the subsidiary, which led to an increase in debt of around € 8.7 million.

Payables to banks

At 31 December 2011, the non-current portion of payables to banks includes € 0.1 million relating to a loan obtained by Sella & Mosca S.p.A., secured by mortgages on land and buildings and liens on plant and machinery and maturing in December 2014.

Leasing

Non-current leasing payables refer to the finance lease entered into by subsidiary CJSC Odessa Sparkling Wine Company.

Payable for put options and earn-outs

At 31 December 2011, payables for put options and earn-outs, both short- and long-term, include the best estimate of the disbursement for the put option on Vasco (CIS) OOO, as well as earn-outs on Cabo Wabo LLC, Campari Mexico S.A. de C.V. (formerly Destiladora San Nicolas, S.A. de C.V.), Campari Argentina S.A. (formerly Sabia S.A.) and Sagatiba Brasil S.A.
The changes in the payable compared with 2010 relate to:
- the acquisition of Vasco (CIS) OOO, which included a put option of 20% of the residual portion of the capital, valued at € 1.8 million and categorised as a short-term payable;
- the acquisition of Sagatiba Brasil S.A., which included an earn-out valued at € 3.7 million, payable within eight years after closing;
- the payment of the Cabo Wabo LLC earn-out for € 0.5 million;
- the payment of the earn-out on Campari Mexico S.A. de C.V. (formerly Destiladora San Nicolas S.A. de C.V.) for € 0.1 million;
- adjustments to the estimates of the value of these future payables, which entailed non-recurring income of € 0.5 million for the year;
- exchange rate and discounting effects, for an insignificant net amount.

Other debt

This item includes a Parent Company loan agreement with the Industry Ministry, to be repaid in ten annual instalments starting in February 2006.

Interest rates and maturities

The table below shows a breakdown of the Group's main financial liabilities, together with effective interest rates and maturities.
Note that, as regards the effective interest rate of hedged liabilities, the rate reported includes the effect of the hedging itself.

Furthermore, the values of hedged liabilities are shown here net of the value of the related derivative, whether it is an asset or liability.

	Effective interest rate at 31 December 2011	Maturity	31 December 2011 € million	31 December 2010 € million
Payables and loans due to banks	2.05% on €, 1.5% on US$	2012	145.0	38.8
Parent Company bonds				
- issued in 2003 (US$)	fixed rate from 4.03% to 4.37% [1]	2015-2018	259.5	253.2
	6 month € LIBOR + 60 basis points[2]			
- issued in 2009 (Eurobond)	fixed rate 5.375%	2016	347.7	348.3
	6-month € LIBOR + 210 basis points[3]			
Private placement:				
- issued in 2002	fixed 6.17%-6.49%	2012	83.7	89.5
- issued in 2009	fixed 6.83%, 7.50%, 7.99%	2014-2019	191.4	184.1
Property leases	3-month € LIBOR + 60 basis points/12%	2012-2025	4.4	7.8
Other debt	0.90%	2012-2015	0.7	0.9

(1) Rate applied to the portion of the bond hedged by an interest rate swap, corresponding to a nominal value of € 172 million.
(2) Rate applied to the portion of the bond hedged by an interest rate swap, corresponding to a nominal value of € 85.9 million.
(3) Rate applied to the portion of the bond hedged by an interest rate swap, corresponding to a nominal value of € 200 million.

Other non-financial liabilities

Other non-financial liabilities, totalling € 7.3 million at 31 December 2011, refer to Parent Company tax payables relating to payments in instalments under agreements reached with the tax authorities regarding direct tax claimed following inspections in previous years, which for the Parent Company related to the tax years 2004-2006, and for subsidiary Campari Italia S.p.A., incorporated in 2010, to 2004 only.

Pursuant to tax agreements established by the Company, tax payables were made payable in instalments as permitted under legislation on such tax agreements. The balance includes fines and interest and the payments have been deferred until 2014.

38. Payables to banks and other short-term financial payables

Current financial liabilities	31 December 2011 € million	31 December 2010 € million
Payables and loans due to banks	144.9	38.4
Short-term portion of private placement (issued in 2002)	83.7	6.2
Accrued interest on bonds	11.9	11.9
Property leases	3.0	3.4
Financial liabilities on hedging contracts	0.4	-
Financial liabilities on non-hedging contracts	-	0.2
Payables for put options and earn-outs	3.9	1.0
Other debt	0.2	0.2
Total other financial payables	103.2	22.9

Payables to banks

The rise in short-term payables to banks is partly attributable to the lines of credit used by the Group to bolster its financial resources at a time when, owing to the changed, unfavourable conditions on the financial markets, credit is more difficult to obtain.

Private placements

The amount entered under short-term liabilities refers to the final portion of the second tranche and the third tranche of the loan issued in 2001 by Redfire Inc., which will be repaid in July 2012.

Leasing

Short-term leasing payables refer primarily to finance leases entered into by the Parent Company in 2004 for the property complex in Novi Ligure. The leases were fully repaid in February 2012.

Financial liabilities on forward contracts

At 31 December 2011, this item of € 0.4 million related to the fair value of forward purchases and sales of foreign currency that are classified as hedging transactions.

Payable for put options and earn-outs

The short-term portion of payables for put options and earn-outs refers to the put option on Vasco (CIS) OOO and the portions of earn-outs payable in 2012. See the previous paragraph for a detailed analysis of this item.

39. Defined benefit plans

Group companies provide post-employment benefits for staff, both directly and by contributing to external funds.
The procedures for providing these benefits vary according to the legal, fiscal and economic conditions in each country in which the group operates.
The benefits are provided through defined contribution and/or defined benefit plans.
For defined contribution plans, Group companies pay contributions to private pension funds and social security institutions, based on either legal or contractual obligations, or on a voluntary basis.
The companies fulfil all their obligations by paying the said contributions.
At the end of the financial year, any liabilities for contributions to be paid are included in the item other current liabilities; the cost for the period is reported according to function in the income statement.
Defined benefit plans may be unfunded or fully or partially funded by contributions paid by the company, and sometimes by its employees, to a company or fund which is legally separate from the company and which pays out benefits to employees.
As regards the Group's Italian subsidiaries, the defined benefit plans consist of the employee indemnity liability (TFR), to which its employees are entitled by law.
Following reform of the supplementary pension scheme in 2007, for companies with at least 50 employees, TFR contributions accrued up to 31 December 2006 are considered to be "defined benefit plans", while for contributions accruing from 1 January 2007, which have been allocated to a fund held at the INPS or to supplementary pension funds, are considered to be "defined contribution plans".
For the portion of the TFR considered as a defined benefit plan, this is an unfunded plan that therefore does not hold any dedicated assets.
In addition, some Group companies have the same type of plans for their current and/or former employees.
These plans have the benefit of dedicated assets.
The liability relating to the Group's defined benefit plans, which is calculated on an actuarial basis using the projected unit credit method, is reported in the statement of financial position, net of the fair value of any dedicated assets.
In cases where the fair value of dedicated assets exceeds the value of the post-employment benefit obligation, and where the Group has the right to reimbursement or to reduce its future contributions to the plan, the surplus is reported as a non-current asset, in accordance with IAS 19.

The following table provides details of the employee indemnity liability in the last four years.

Employee indemnity liability (TFR)	31 December 2011 € million	31 December 2010 € million	31 December 2009 € million	31 December 2008 € million
Defined benefit obligations	7.9	9.2	9.4	10.4

The following table provides details of other defined benefit plans, which are financed by dedicated assets, in the last four years.

Other plans	31 December 2011 € million	31 December 2010 € million	31 December 2009 € million	31 December 2008 € million
Defined benefit obligations	4.0	4.0	4.0	3.6
Assets dedicated to the plan (-)	(3.7)	(4.1)	(4.4)	(4.0)
Plan surplus (deficit)	**(0.3)**	**0.1**	**0.4**	**0.4**

The following table provides details of the net cost of defined benefit plans reported in the income statement in 2011 and 2010.

Net cost of the benefit	Employee indemnity liability (TFR)		Other plans	
	2011	2010	2011	2010
	€ million	€ million	€ million	€ million
Cost for current work provided	0.0	0.1	0.2	0.1
Financial charges on the obligations	0.4	0.3	-	0.1
Expected income on plan assets	-	-	-	-
Net actuarial (gains)/losses	(0.1)	0.4	0.2	(0.1)
Curtailment effect	-	-	-	-
	0.3	**0.8**	**0.4**	**0.1**

The cost for current work provided and actuarial gains and losses are classified under personnel costs, while financial charges on obligations are classified as financial charges.

The following table reports changes in the present value of defined benefit obligations in 2011 and 2010.

Changes in present value of obligations	Employee indemnity liability (TFR)		Other plans	
	31 December 2011	31 December 2010	31 December 2011	31 December 2010
	€ million	€ million	€ million	€ million
Present value at 31 December 2010	**9.2**	**9.4**	**4.0**	**4.0**
Cost of current work provided	0.0	0.1	0.2	0.1
Benefits paid	(1.7)	(1.0)	(0.5)	(0.1)
Financial charges on the obligations	0.4	0.3	0.0	0.1
Actuarial gains (losses) on the obligations	(0.1)	0.4	0.2	(0.1)
Curtailment	-	-	-	-
Present value at 31 December 2011	**7.9**	**9.2**	**3.9**	**4.0**
Dedicated assets deducted directly from the obligation	-	-	(3.1)	(3.4)
Employee indemnity liability and other pension	**7.9**	**9.2**	**0.8**	**0.6**

The following table shows the changes in the fair value of dedicated assets in defined benefit plans in the last three years:

Plan assets	31 December 2011	31 December 2010	31 December 2009
	€ million	€ million	€ million
Present value at 31 December 2010	**4.1**	**4.4**	**4.0**
Expected yield	0.2	0.2	-
Employer contributions	0.1	0.2	0.1
Contributions from participating employees	0.1	0.2	0.3
Benefits paid	(0.6)	(0.7)	0.1
Settlements	-	-	-
Actuarial gains (losses) on the obligations	(0.2)	(0.2)	-
Other changes	0.1	0.1	(0.1)
Present value at 31 December 2011	**3.7**	**4.1**	**4.4**
Dedicated assets deducted directly from the obligation	(3.1)	(3.4)	(3.6)
Receivables from employee benefit funds	**0.6**	**0.7**	**0.9**

Obligations related to the plans described above are calculated on the basis of the following actuarial assumptions:

The rates relating to the costs of health benefits are not included in the assumptions used in determining the above obligations. Thus, any changes in these rates would not have any effect.

Main actuarial assumptions	Employee indemnity liability (TFR)			Other plans		
	31 December	31 December 2010	31 December 2009	31 December 2011	31 December 2010	31 December 2009
Discount rate	4.5%	4.5%	4.5%	2.3%	2.8%	3.3%
Future salary increases	2.8%	3.0%	3.0%	2.0%	2.0%	2.0%
Expected yield from dedicated assets				2.5%	2.8%	3.4%
Staff turnover rate	5.8%	5.0%	5.0%			
Inflation rate	2.0%	2.0%	2.0%			

40. Provisions for risks and charges

The table below indicates changes to this item during the period.

	Tax provision € million	Provisions for industrial restructuring € million	Agent severance fund € million	Other € million	Total € million
Balance at 31 December 2010	**10.9**	**4.9**	**1.2**	**2.5**	**19.6**
Change in basis of consolidation	0.1	-	-	0.1	0.2
Accruals	-	0.1	0.1	1.3	1.5
Utilisations	(9.3)	(4.7)	(0.2)	-	(14.2)
Releases	-	(0.4)	-	(0.3)	(0.7)
Exchange rate differences and other	0.1	-	0.1	0.4	0.6
Balance at 31 December 2011	**1.7**	**0.0**	**1.3**	**4.1**	**7.1**
of which, projected disbursement					
- due within 12 months				1.8	1.8
- due after 12 months	1.7		1.3	2.3	5.3

The change in the basis of consolidation of € 0.2 million is due to a tax dispute relating to Vasco (CIS) OOO and liabilities recorded for employee disputes by Sagatiba Brasil S.A., subsequently merged with Campari do Brasil Ltda.

The tax provision, of € 1.7 million at 31 December 2011, includes potential tax liabilities that could arise for the Parent Company from tax inspections carried out in previous years, including at the former Campari Italia S.p.A., and in the current year for the tax periods 2004 and 2005.
The provision also included probable estimated charges to Campari do Brasil Ltda. at the end of the previous period.
Utilisations for the year of € 9.3 million, including € 8.6 million reclassified under tax payables, relate to the finalisation of the agreement with the tax authorities for the payment of the charges agreed for 2011 by the Parent Company.

The industrial restructuring provision created in previous years after the end of production at the Sulmona site, in response to the closure of subsidiary Campari France and the liquidation of various positions within the Group, was used accordingly.

The agent severance fund covers the estimated potential liability to be incurred for disbursing the additional compensation due to agents at the end of the relationship. This amount was discounted using an appropriate rate.

At 31 December 2011, other funds include € 1.9 million for the recognition by Campari do Brasil Ltda., Campari International SAM and CJSC Odessa Sparkling Wine Company of liabilities for miscellaneous legal proceedings, € 0.4 million for the estimated closing costs for International Marques, owned by DI.CI.E. Holding B.V. and the estimated costs that the Group will incur in future years in relation to miscellaneous obligations, mainly price differences of € 0.5 million for TJ Carolan & Sons Ltd and € 0.6 million for legal disputes relating to the Parent Company (€ 0.3 million) and Campari do Brasil Ltda. (€ 0.3 million).

The existing lawsuits for which the Group does not consider it necessary to make provisions at the date of these financial statements are described below. There are no other significant contingent liabilities.
At 31 December 2010, the company was 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. The increase in taxes and penalties stood at BRL 117.2 million (equivalent to € 52.9 million) and accrued interest at BRL 48.5 million (€ 21.9 million).

In previous years the Company has taken appropriate action to dispute all of the above tax claim, seeking advice from local experts. Although the ruling is currently being published in the Official Journal, the Company's lawyers have been informed of the outcome of the dispute, which is in the Company's favour.
However, the formulation of the ruling does not afford the Company legal safeguards in the event of future litigation relating to the same dispute. The Company's lawyers will assess any appropriate measures to be taken as soon as the ruling is made public.
In view of the outcome of the case and based on the advice of its lawyers, the Group continues to believe that there is still no reason to make a specific provision.
As a result, no provisions were made for this item in the financial statements for the year ending 31 December 2011.

Staying in Brazil, on 16 February 2012 Campari do Brasil Ltda. received a tax inspection report relating to payment of ICMS (the tax on the consumption of goods and services) in respect of sales to a single customer in 2007 and 2008. The amount stipulated, including penalties and interest, totalled BRL 53.6 million (around € 23 million).
The Company immediately forwarded all the relevant documentation to its legal advisors to demonstrate the correctness of the operations carried out. The Company’s external legal advisors are preparing an appeal against the Brazilian tax authorities disputing the findings and, based on the their preliminary assessment, the management is confident that the ruling will be in the Company’s favour, although the process may take a long time.

41. Trade payables and other current liabilities

	31 December 2011 € million	31 December 2010 € million
Trade payables	**166.8**	**187.4**
Personnel	27.0	26.1
Agents	3.3	3.7
Deferred income	5.9	5.2
Unconfirmed contributions received	1.8	4.8
Amounts due to controlling shareholder for Group	2.9	1.5
Value-added tax	14.0	12.7
Tax on alcohol production	31.2	26.7
Withholding and miscellaneous taxes	4.2	3.7
Other	8.7	12.4
Other current liabilities	**98.9**	**96.8**

In 2011, the Parent Company submitted a request for financing pursuant to EC regulations 491/09 and 555/08, Campaign 2010/2011 *et seq*., to the Ministry for Agricultural, Food and Forestry Policy, in relation to the national share of funds for wine industry projects, through the AGEA (the agency responsible for allocating agricultural grants). The funds are for promoting wines in third countries, and are contractually defined and paid out pursuant to the relative implementing decree as well as the AGEA contract, in accordance with the submitted and approved programme for product promotion in the three years from October 2011 to October 2014. The financing from the awarding body is no more than 50% of the expenditure for each phase of the planned programme, recognised as attributable and effectively sustained by the contractor to implement the measures set out in the contract, for an amount of € 2.4 million in the first year. The payable of € 1.7 million booked at 31 December 2011 under Others represents the portion of funds received for costs relating to 2012, and therefore not yet incurred but already defined in the approved programme.

Payables for capital grants and deferred income relating to these grants break down as shown in the next paragraph.

The table below sets out the maturities for trade payables and other current liabilities, such as amounts due to agents and the item Other in the above table.

31 December 2011	Trade payables € million	Other payables to third parties € million	Total € million
On demand	36.4	1.9	38.3
Within 1 year	130.2	38.9	169.1
Due in 1 to 2 years	0.2	-	0.2
Due in 3 to 5 years	-	-	-
Due in more than 5 years	-	-	-
	166.8	40.8	207.6
Payables not significant for breakdown by maturity	0.0	58.1	58.1
Total	**166.8**	**98.9**	**265.7**

31 December 2010	Trade payables € million	Other payables to third € million	Total € million
On demand	46.4	0.7	47.1
Within 1 year	139.4	15.4	154.8
Due in 1 to 2 years	1.6	-	1.7
Due in 3 to 5 years	-	-	-
Due in more than 5 years	-	-	-
Total payables broken down by maturity	**187.4**	16.1	203.6
Payables not significant for breakdown by maturity	-	80.7	80.6
Total	**187.4**	**96.8**	**284.2**

42. Government grants

The following table provides details of changes in deferred income related to government grants between one financial year and the next.

In some cases grants have not yet been confirmed; in these instances a liability must be recorded against the grant received. Once the grants are confirmed, they are classified as deferred income and are reported in the income statement based on the useful life of the plant.

In the interests of clarity, the table below illustrates changes in both payables and deferred income.

Proceeds received in the period reflect an amount of € 1.2 million for subsidiary Sella & Mosca S.p.A., mainly relating to funds received under the Consorzio ALIM Industrie Alimentari del Mediterraneo Scarl programme contract for vineyard sites in Alghero. Grants certain to be received amounting to € 3.8 million have been reclassified under deferred income, of which € 2.5 million was already posted to the income statement for depreciation already recognised in the year and in previous years.

31 December 2011	Payables to tax authorities € million	Deferred income € million
Balance at 31 December 2010	4.8	3.8
Proceeds received in the period	1.2	0.1
Grants certain to be received	(3.8)	3.8
Amounts posted to the income statement	-	(2.5)
Other changes	(0.3)	(0.2)
Balance at 31 December 2011	**1.8**	**5.0**

31 December 2010	Payables to tax authorities € million	Deferred income € million
Balance at 31 December 2009	**3.8**	**3.8**
Proceeds received in the period	1.5	-
Grants certain to be received	(0.5)	0.5
Amounts posted to the income statement	-	(0.6)
Other changes	-	0.1
Balance at 31 December 2010	**4.8**	**3.8**

43. Payables to tax authorities

This item breaks down as follows:

	31 December 2011 € million	31 December 2010 € million
Income taxes	15.8	11.6
Due to controlling shareholder for tax consolidation	18.8	17.1
	34.6	**28.7**

These payables are all due within 12 months.
Corporate income tax payable is shown net of advance payments and taxes withheld at source.

Payables to the main shareholder for tax consolidation at 31 December 2011 relate to income tax payables due to Alicros S.p.A. from Davide Campari-Milano S.p.A. and its Italian subsidiaries.
At 31 December 2011, the Group had a non-interest-bearing payable, net of the associated receivable, of € 18.7 million.
For further details, see note 48 - Related parties.

44. Stock option plan

Pursuant to Consob resolution 11971 of 14 May 1999 as amended, and Consob communication 11508 of 15 February 2000, the following information is provided on the stock option plan (the "Plan") approved by the Board of Directors of Davide Campari-Milano S.p.A. on 15 May 2001, which incorporated the framework plan for the general regulation of stock options for the Campari Group, approved by the shareholders' meeting of 2 May 2001.
The purpose of the plan is to offer beneficiaries who occupy key positions in the Group the opportunity of owning shares in Davide Campari-Milano S.p.A., thereby aligning their interests with those of other shareholders and fostering loyalty, in the context of the strategic goals to be achieved.
The recipients are employees, directors and/or individuals who regularly do work for one or more Group companies, who have been identified by the Board of Directors of Davide Campari-Milan S.p.A., and who, on the plan approval date and until the date that the options are exercised, have worked as employees and/or directors and/or in any other capacity at one or more Group companies without interruption.
The regulations for the Plan do not provide for loans or other incentives for share subscriptions pursuant to article 2358, paragraph 3 of the Italian civil code.
The Board of Directors of Davide Campari-Milano S.p.A. has the right to draft regulations, select beneficiaries and determine the share quantities and values for the execution of stock option plans. In addition, Davide Campari-Milano S.p.A. reserves the right, at its sole discretion, to modify the Plan and regulations as necessary or appropriate to reflect revisions of laws in force, or for other objective reasons that would warrant such modification.
The first allocation of options was made in July 2001, and these options were exercised in full on the plan's expiry in July 2006.
Subsequently, further options were allocated each year, governed by the framework plan approved by the shareholders' meeting on 2 May 2001.
The exercise dates originally set differed in each allocation and provided windows in which options could be exercised.
In 2009, the Board of Directors of the Parent Company approved a change in the exercise period, making it possible for options to be exercised in part, on any trading day in the exercise period set for each plan.
In 2011, further stock option allocations were approved, and may be exercised between May 2016 and November 2018.
The number of options granted for the purchase of further shares was 699,452, with the average allocation price at € 5.43, equivalent to the weighted average market price in the month preceding the day on which the options were granted.

The following table shows changes in stock option plans during the periods concerned.

	31 December 2011		31 December 2010	
	No. of shares	Average allocation/exercise price (€)	No. of shares	Average allocation/exercise price (€)
Options outstanding at the beginning of the period	45,203,271	3.42	35,091,758	2.84
Options granted during the period	699,452	5.43	16,365,779	3.87
(Options cancelled during the period)	(1,167,155)	3.38	(1,303,206)	3.10
(Options exercised during the period) (*)	(8,470,615)	3.41	(4,951,060)	2.21
(Options expiring during the period)				
Options outstanding at the end of the period	36,264,953	3.49	45,203,271	3.42
of which those that can be exercised at the end of the period	3,511,262	3.83	2,127,614	2.11

(*) The average market price on the exercise date was € 5.38.

The average remaining life of outstanding options at 31 December 2011 was 4.07 years (4.48 years at 31 December 2010).
The average exercise price for the options allocated in each year is shown below.

	Average exercise price
Allocations: 2006	3.83
Allocations: 2007	3.87
Allocations: 2008	2.85
Allocations: 2009	2.99
Allocations: 2010	3.87
Allocations: 2011	5.43

The average fair value of options granted during the year was € 1.24 (€ 1.27 in 2010).
The fair value of stock options is represented by the value of the option determined by applying the Black-Scholes model, which takes into account the conditions for exercising the option, as well as the current share price, expected volatility and the risk-free rate.
Volatility was estimated with the help of data supplied by a market information provider together with a leading bank, and corresponds to the estimate of volatility recorded in the period covered by the plan.
The following assumptions were used for the fair value valuation of options issued in 2011 and 2010:

	2011	2010
Expected dividends (€)	0.06	0.06
Expected volatility (%)	22%	26%
Historical volatility (%)	22%	26%
Market interest rate	2.42%	2.70%
Expected option life (years)	7.00	6.00
Exercise price (€)	5.43	3.87

Davide Campari-Milano S.p.A. has a number of own shares that can be used to cover stock option plans.
The following table shows changes in the number of own shares held during the comparison periods.

	No. of own shares		Purchase price (€ million)	
	2011	2010	2011	2010
Balance at 31 December 2010	**2,277,180**	**4,908,240**	**9.1**	**14.5**
Purchases	9,540,000	2,320,000	50.1	9.3
Disposals	(8,470,615)	(4,951,060)	(40.4)	(14.7)
Balance at 31 December 2011	**3,346,565**	**2,277,180**	**18.8**	**9.1**
% of share capital	0.58%	0.39%		

In relation to the sales of own shares in the year, which are shown in the above table at the original purchase price (€ 40.4 million), and sales of € 28.9 million, the Parent Company recorded a loss of € 11.5 million, which was booked under shareholders' equity and partly covered by the use of € 8.1 million from the stock option reserve.

45. Financial instruments - disclosures

The value of individual categories of financial assets and liabilities held by the Group is shown below.

Note that in assets and liabilities measured at fair value with changes recognised in the income statement, the Group recorded in the previous year certain forward purchases and sales of foreign currency for hedging purposes which are not classified as hedging transactions pursuant to IAS 39 - Financial Instruments: Recognition and Measurement.

31 December 2011	Loans and receivables	Financial liabilities at amortised cost	Assets and liabilities measured at fair value with changes recognised in the income statement	Hedging transactions
Cash and cash equivalents	414.2			
Short-term financial receivables	0.2			
Other non-current financial assets	0.0			
Trade receivables	278.0			
Payables to banks		(145.0)		
Real estate lease payables		(4.4)		
Bonds		(596.4)		
Private placements		(275.1)		
Accrued interest on bonds		(11.9)		
Other financial liabilities		(0.7)		
Put option payables		(7.8)		
Trade payables		(166.8)		
Non-current assets for hedge derivatives				13.2
Current assets for hedge derivatives				1.5
Non-current liabilities for hedge derivatives				(23.9)
Financial liabilities on hedging contracts				(0.4)
Current liabilities for hedge derivatives			0.0	
Total	692.4	(1,208.1)	0.0	(9.6)

31 December 2010	Loans and receivables	Financial liabilities at amortised cost	Assets and liabilities measured at fair value with changes recognised in the income statement	Hedging transactions
Cash and cash equivalents	259.7			
Short-term financial receivables	0.2			
Trade receivables	269.4			
Payables to banks		(38.8)		
Real estate lease payables		(7.8)		
Bonds		(578.9)		
Private placements		(273.7)		
Accrued interest on bonds		(11.9)		
Other financial liabilities		(0.9)		
Put option payables		(3.4)		
Trade payables		(187.4)		
Non-current assets for hedge derivatives				3.6
Current assets for hedge derivatives				1.4
Non-current liabilities for hedge derivatives				(26.3)
Current liabilities for non-hedge derivatives			(0.2)	
Total	529.3	(1,102.8)	(0.2)	(21.3)

Fair value of financial assets and liabilities

For each category of financial assets and liabilities, a comparison between the fair value of the category and the corresponding carrying value is shown below.

The method used for determining fair value was as follows:
- for financial assets and liabilities that are liquid or nearing maturity, it is assumed that the carrying value equates to fair value; this assumption also applies to term deposits, securities that can be readily converted to cash and variable-rate financial instruments;
- for the valuation of hedging instruments at fair value, the company used valuation models based on market parameters;
- the fair value of non-current financial payables was obtained by discounting all future cash flows at the rates in effect at the end of the year.

For trade items and other receivables and payables, fair value corresponds to the carrying value; these are not reported in the table below.

	Carrying value		Fair value	
	31 December 2011 € million	31 December 2010 € million	31 December 2011 € million	31 December 2010 € million
Cash and cash equivalents	414.2	259.7	414.2	259.7
Interest accrued on swaps on private placements	1.1	1.4	1.1	1.4
Interest on private placement	13.2	3.6	13.2	3.6
Non-current assets for hedge derivatives	0.4	0.0	0.4	0.0
Other short-term financial receivables	0.2	0.2	0.2	0.2
Other non-current financial assets	0.0	0.0	0.0	0.0
Financial investments	**429.1**	**265.0**	**429.1**	**265.0**
Payables to banks	145.0	38.8	145.0	38.8
Real estate lease payables	4.4	7.8	4.4	7.8
Bond issued in 2003	235.5	226.9	232.3	220.3
Bond issued in 2009 (Eurobond)	360.8	352.0	367.4	365.7
Private placement issued in 2002	83.7	89.5	84.1	92.0
Private placement issued in 2009	191.4	184.2	230.2	221.9
Accrued interest on bonds	11.9	11.9	11.9	11.9
Derivatives on bond issues	23.9	26.3	23.9	26.3
Financial liabilities on hedging contracts	0.4	0.0	0.4	0.0
Financial liabilities on non-hedging contracts		0.2		0.2
Other debt	0.7	0.9	0.7	0.9
Payables for put options and earn-outs	7.8	3.4	7.8	3.4
Financial liabilities	**1.065.7**	**942.0**	**1.108.2**	**989.3**
Net financial assets (liabilities)	**(636.6)**	**(677.0)**	**(679.1)**	**(724.3)**

Fair value - hierarchy

The Group enters into derivatives contracts with a number of top-rated banks.
Derivatives are valued using techniques based on market data, and largely consist of interest rate swaps and forward sales/purchases of foreign currencies.
The most commonly-applied valuation methods include the forward pricing and swap models, which use present value calculations.
The models incorporate various inputs, including the credit rating of the counterparty, market volatility, spot and forward exchange rates and current and forward interest rates.

The table below details the hierarchy of financial instruments valued at fair value, based on the valuation methods used:

- Level 1: the valuation methods use prices listed on an active market for the assets and liabilities subject to valuation;
- Level 2: the valuation methods take into account inputs which are different from previous prices, but which can be observed on the market directly or indirectly;
- Level 3: the methods applied use inputs that are not based on observable market data.

	31 December 2011 € million	Level 1 € million	Level 2 € million	Level 3 € million
Assets valued at fair value:				
Accrued interest on bond swaps	1.1		1.1	
Interest rate swap on bond(Eurobond)	13.2		13.2	
Futures currency contracts	0.4		0.4	
Liabilities valued at fair value:				
Interest rate and cross currency swap on bond (US$)	23.9		23.9	
Futures currency contracts	0.4		0.4	

	31 December 2010 € million	Level 1 € million	Level 2 € million	Level 3 € million
Assets valued at fair value:				
Accrued interest on bond swaps	1.4		1.4	
Interest rate swap on bond (Eurobond)	3.6		3.6	
Futures currency contract				
Liabilities valued at fair value:				
Interest rate and cross currency swap on bond (US$)	26.3		26.3	
Futures currency contracts	0.3		0.3	

Hedging transactions

The Group currently holds various derivative instruments to hedge both the fair value of underlying instruments and cash flows.
The table below shows the fair value of these derivative instruments, recorded as assets or liabilities, and their notional values.

	31 December 2011		31 December 2010	
	Assets € million	Liabilities € million	Assets € million	Liabilities € million
Interest rate and cross currency swap on bond (US$)		(24.1)		(32.9)
Interest rate swap on bond (Eurobond)	13.2		3.6	
Accrued interest on bond swap	1.1		1.4	
Futures currency contract	0.2	(0.3)		-
Hedging derivatives at fair value	**14.5**	**(24.4)**	**5.0**	**(32.9)**
Interest rate swap on bond (US$)		0.1		6.6
Forward currency contracts for future operations	0.1	(0.1)		-
Cash flow hedging derivatives	**0.1**	**0.0**		**6.6**
Derivatives not used for hedging				(0.2)
Total derivatives	14.6	(24.3)	5.0	(26.6)

Fair value hedging

The Group has in place the following contracts that meet the definition of hedging instruments based on IAS 39.

- Cross currency swap on Parent Company bond issued in 2003 (US$)
  At the reporting date, the Group held a cross currency swap totalling a notional US$ 300 million on the Parent Company's bond issue denominated in US dollars.
  This instrument has the same maturity as the underlying liability.
  The derivative is valued at fair value and any changes are reported on the income statement; having established the effectiveness of the hedging transactions, the gain or loss on the hedged item attributable to the hedged risk is used to adjust the carrying value of the underlying liability and is immediately reported on the income statement.

At 31 December 2011, the Parent Company's cross currency swap had a negative fair value of € 24.1 million, reported under non-current financial liabilities.
The change in the fair value of these instruments reported on the income statement in 2011 was positive to the tune of € 8.4 million.
In relation to the hedged instrument, the valuation of the hedged risks led to the recognition of a total gain of € 20.7 million. The loss recorded on the hedged item was € 8.3 million.

- Interest rate swap on Parent Company bond issued in 2009 (Eurobond)
  The instrument involves the payment of a variable rate (6-month Euribor + 210 basis points) on underlying debt of € 200 million.
  The valuation of this instrument at 31 December 2011 represented an asset of € 13.2 million; the changes reported on the income statement refer to changes in the fair value of the swap (a profit of € 9.5 million and the related change in the underlying debt (a loss of € 8.6 million)
- Foreign currency hedges
  At 31 December 2011, Campari Australia Pty Ltd and Campari International S.A.M. held forward contracts on receivables and payables in currencies other than the euro in their financial statements.
  The contracts were negotiated to match maturities with projected incoming and outgoing cash flows resulting from sales and purchases in individual currencies.
  The valuation of these contracts at the reporting date gave rise to the reporting of assets of € 0.2 million and liabilities of € 0.3 million.

Gains and losses on the hedged and hedging instruments used in all of the Group's fair value hedges, i.e. the Parent Company's cross currency swap and interest rate swap and the hedging of payables/receivables in foreign currency, are summarised below.

	31 December 2011 € million	31 December 2010 € million
Gains on hedging instruments	18.4	30.6
Losses on hedging instruments	-	-
Total gains (losses) on hedging instruments	18.4	30.6
Gains on hedged items	-	-
Losses on hedged items	(17.0)	(29.3)
Total gains (losses) on hedged items	(17.0)	(29.3)

Cash flow hedging

The Group uses the following contracts to hedge its cash flows.

- Interest rate swap on Parent Company bond issued in 2003 (US$)
  The Group has put in place various interest rate swaps involving the payment of an average fixed rate of 4.25% (rates from 4.03% to 4.37%) on total underlyings of US$ 50 million (maturing in 2015) and US$ 150 million (maturing in 2018).
  Since these hedging transactions met the requirements for effectiveness, an appropriate shareholders' equity reserve was recorded for a gross value of € 0.1 million.
  As required by IAS 39, the cash flow hedge reserve for these contracts will be recycled to the income statement at the same maturity dates as the cash flows related to the liability.
  During the period, an unrealised charge of € 5.2 million was posted to the reserve, together with the corresponding deferred tax effect of € 1.4 million.
  Moreover, the realisation of the hedged cash flows generated the release of the cash flow hedge reserve, which had a positive impact on the income statement for the period of € 1.2 million.

- Interest rate swap on Parent Company bond issued in 2009 (Eurobond)
  Just before the allocation of the Eurobond, the Parent Company negotiated interest rate hedges which, on the date that the loan was listed, generated a financial outlay of € 3.0 million that was included in shareholders' equity.
  This reserve, which was released in step with the cash flows generated by the underlying debt, in 2011 produced a liability of € 0.4 million on the income statement.

- Hedging of future purchases and sales of foreign currencies
  At 31 December 2011, the Group held forward currency contracts, designated as hedging instruments, on expected future sales and purchases based on its own 2011 estimates. These transactions are highly probable.

Contracts were negotiated to match maturities with projected incoming and outgoing cash flows resulting from sales and purchases in individual currencies.
The hedging instruments in place on sales have nominal values of US$ 2.3 million and JPY 95.1 million. Hedges on purchases have a total nominal value of US$ 2.2 million.
These hedging transactions met the requirements for effectiveness, and a net loss of an insignificant amount was suspended in shareholders' equity reserves.
All cash flows concerned will materialise in 2012.

The following table shows, at 31 December 2011, when the Group expects to receive the hedged cash flows.
The breakdown includes the cash flows arising from the Parent Company's interest rate swap involving the fixed rate interest payments on the bond issued in 2003 (in US$).
These cash flows only concern interest and have not been discounted.
The breakdown also shows the cash flows arising from forward foreign exchange contracts in respect of future currency sales/purchases.

31 December 2011	Within one year € million	1-5 years € million	Due after 5 years € million	Total € million
Cash outflows	7.3	32.9	5.5	45.7
Cash inflows	7.0	31.9	5.4	44.3
Net cash flows	(0.3)	(1.1)	(0.1)	(1.5)

31 December 2010	Within one year € million	1-5 years € million	Due after 5 years € million	Total € million
Cash outflows	11.0	53.1	18.3	82.4
Cash inflows	10.3	49.8	17.3	77.4
Net cash flows	(0.7)	(3.3)	(1.0)	(4.9)

The overall changes in the cash flow hedge reserve and the associated deferred taxes are shown below.

31 December 2011	Gross amount € million	Tax effect € million	Net amount € / 000
Opening balance	4.0	(1.1)	2.9
Booked to the income statement during the period	(0.8)	0.2	(0.6)
Recognised in equity during the period	(5.2)	1.4	(3.8)
Amount allocated to reserves at 31 December 2011	**(2.0)**	**0.5**	**(1.5)**

31 December 2010	Gross amount € million	Tax effect € million	Net amount € million
Opening balance	(1.1)	0.3	(0.8)
Booked to the income statement during the period	(0.6)	0.2	(0.4)
Recognised in equity during the period	5.7	(1.6)	4.1
Amount allocated to reserves at 31 December 2010	**4.0**	**(1.1)**	**2.9**

46. Nature and scale of the risks arising from financial instruments

The Group's main financial instruments include current accounts, short-term deposits, short and long-term bank loans, finance leases and bonds.
The purpose of these is to finance the Group's operating activities.
In addition, the Group has trade receivables and payables resulting from its operations.
The main financial risks to which the Group is exposed are market (currency and interest rate risk), credit and liquidity risk. These risks are described below, together with an explanation of how they are managed.
To cover these risks, the Group makes use of derivatives, primarily interest rate swaps, cross currency swaps and forward contracts, to hedge interest rate and Exchange rate risks.

Credit risk

With regard to trade transactions, the Group works with medium-sized and large customers (mass retailers, domestic and international distributors) on which credit checks are performed in advance.
Each company carried out an assessment and control procedure for its customer portfolio, partly by constantly monitoring amounts received. In the event of excessive or repeated delays, supplies are suspended.
As a result, historical losses on receivables represent a very low percentage of revenues and annual outstanding receivables and do not require special coverage and/or insurance.
The maximum risk at the reporting date is equivalent to the carrying value of trade receivables.
Financial transactions are carried out with leading domestic and international institutions with a high credit rating. The risk of insolvency is therefore deemed to be insignificant.
The maximum risk at the reporting date is equivalent to the carrying value of these assets.

Liquidity risk

The Group's ability to generate substantial cash flow through its operations allows it to reduce liquidity risk to a minimum. This risk is defined as the difficulty of raising funds to cover the payment of the Group's financial obligations.
The table below summarises financial liabilities at 31 December 2011 by maturity based on the contractual repayment obligations, including non-discounted interest.
For details of trade payables and other liabilities, see note 41 - Trade payables and other current liabilities.

31 December 2011	On demand € million	Within 1 year € million	Due in 1 to 2 years € million	Due in 3 to 5 years € million	Due in more than 5 years € million	Total € million
Payables and loans due to banks		144.9	-	-	-	144.9
Bonds		29.3	29.3	510.2	172.5	741.3
Derivatives on bond issues		1.8	2.3	15.1	28.8	47.9
Private placements		101.1	14.7	144.1	105.4	365.3
Property leases		3.2	0.2	0.6	3.8	7.8
Other financial payables		0.2	0.2	0.4	-	0.8
Total financial liabilities	-	**278.0**	**46.7**	**670.4**	**310.4**	**1,305.5**
Interest on private placement		(3.1)	(4.5)	(9.4)	-	(17.1)
Financial liabilities net of hedging assets	-	**274.9**	**42.1**	**661.0**	**310.4**	**1,288.4**

31 December 2010	On demand € million	Within 1 year € million	Due in 1 to 2 years € million	Due in 3 to 5 years € million	Due in more than 5 years € million	Total € million
Payables and loans due to banks		38.4	0.2	0.2	-	38.8
Bonds		29.0	29.0	160.2	531.9	750.0
Derivatives on bond issues		(1.0)	(0.4)	12.5	23.7	34.7
Private placements		25.9	97.9	69.6	183.0	376.4
Property leases		3.5	3.0	-	1.3	7.9
Other financial payables		0.2	0.2	0.6	-	1.0
Total financial liabilities	-	**96.0**	**129.9**	**243.0**	**739.9**	**1,208.8**
Interest on private placement		(2.7)	(1.5)	1.6	1.6	(0.9)
Financial liabilities net of hedging assets	-	**93.3**	**128.4**	**244.7**	**741.4**	**1,207.9**

The Group's financial payables, with the exception of non-current payables with a fixed maturity, consist of short-term bank debt.
Thanks to its liquidity and management of cash flow from operations, the Group has sufficient resources to meet its financial commitments at maturity.
In addition, there are unused credit lines that could cover any liquidity requirements.

Market risks

Interest rate risk

The Group is exposed to the risk of fluctuating interest rates in respect of its financial assets, short-term payables to banks and long-term lease agreements.
Among long-term financial liabilities, fixed rates apply to certain loans obtained by Sella & Mosca S.p.A. and one of the Parent Company's minor loans.
The Redfire, Inc. private placement also pays interest at a fixed rate.
The Parent Company's bond issued in 2003 originally had a fixed interest rate in US dollars, but this became a variable rate in euro through a derivatives contract; a portion of the debt was subsequently transferred to a fixed rate in euro through an interest rate swap.
The Parent Company's bond issued in 2009 also paid a fixed-rate coupon, but a portion of this was later changed to a variable rate through an interest rate swap. Note that, at 31 December 2011, around 59% of the Group's total financial debt was fixed-rate debt.

Sensitivity analysis

The following table shows the effects on the Group's income statement of a possible change in interest rates, if all other variables are constant.
A negative value in the table indicates a potential net reduction in profit and equity, while a positive value indicates a potential net increase in these items.

The assumptions used in terms of a potential change in rates are based on an analysis of the trend at the reporting date.

The table illustrates the full-year effects on the income statement in the event of a change in rates, calculated for the Group's variable-rate financial assets and liabilities.
As regards the fixed-rate financial liabilities hedged by interest rate swaps, the change in the hedging instrument offsets the change in the underlying liability, with practically no effect on the income statement.
Net of tax, the effects are as follows:

31 December 2011	Increase/decrease in interest rates in basis points	Income statement Increase in interest rates € million	 Decrease in interest rates € million
Euro	+/- 30 basis points	-0.2	0.2
Dollar	+/- 12 basis points	0.1	-0.1
Other currencies	+/- 10 basis points on CHF Libor, +/- 25 basis points on GBP Libor, +/- 150 basis points on R$ Libor	-	-
Total effect		-0.1	0.1

31 December 2010	Increase/decrease in interest rates in basis points	Income statement Increase in interest rates € million	 Decrease in interest rates € million
Euro	+/- 28 basis points	-0.3	0.3
Dollar	+/- 8 basis points	-	-
Other currencies	+/- 16 basis points on CHF Libor, +/- 13 basis points on GBP Libor, +/- 80 basis points on R$ Libor	0.1	-0.1
Total effect		-0.2	0.2

Exchange rate risk

The expansion of the Group's international business has resulted in an increase in sales on markets outside the eurozone, which accounted for 48.1% of the Group's net sales in 2011.
However, the establishment of Group entities in countries such as the United States, Brazil, Australia, Russia and Switzerland allows this risk to be partly hedged, given that both costs and income are denominated in the same currency. In the case of the US, moreover, some of the cash flows from operations are used to redeem the US dollar-denominated private placement taken out locally to cover the acquisitions of certain companies.
Therefore, exposure to foreign exchange transactions generated by sales and purchases in currencies other than the Group's functional currencies represented an insignificant proportion of consolidated sales in 2011.
For these transactions, Group policy is to mitigate the risk by using forward sales or purchases.
In addition, the Parent Company has issued a bond in US currency, where the Exchange rate risk has been hedged by a cross currency swap.

Sensitivity analysis

An analysis was performed on the economic effects of a possible change in the exchange rates against the euro, keeping all the other variables constant.
This analysis does not include the effect on the consolidated financial statements of the conversion of the financial statements of subsidiaries denominated in a foreign currency following a possible change in exchange rates.
The assumptions adopted in terms of a potential change in rates are based on an analysis of forecasts provided by financial information agencies at the reporting date.

The types of transaction included in this analysis are as follows: the Parent Company's bond issue, denominated in US dollars, and sales and purchase transactions in a currency other than the Group's functional currency.
The Parent Company's bond issue is hedged by cross currency swaps, while the other transactions are hedged by forward contracts; in both cases, therefore, a change in exchange rates would entail a corresponding change in the fair value of the hedging transaction and hedged item, but this would have no effect on the income statement.
The effects on shareholders' equity are determined by changes in fair value of the Parent Company's interest rate swap and forward contracts on future transactions, which are used as cash flow hedges.
The results of this analysis showed that the effects would not be significant.

47. Commitments and risks

The main commitments and risks of the Campari Group on the closing date of the financial statements are shown below.

Non-cancellable operating leases

The following table shows the amounts owed by the Group, broken down by maturity, in future periods for leases on property.

Minimum future payments under operating leases	31 December 2011 € million	31 December 2010 € million
Within 1 year	6.3	4.9
1-5 years	17.9	13.0
More than 5 years	1.5	1.4
	25.8	**19.3**

The amount reported in the table refers to leases on cars, computers and other electronic equipment; buildings and offices are included.

Non-cancellable financing leases

The table below shows the commitments relating to the financial leasing contract entered into by the Parent Company in 2003 (relating to the Novi Ligure industrial and property complex) and the commitments incurred by CJSC Odessa Sparkling Wine Company relating to its production site. The Parent Company contract was closed in February 2012 and the full payment amount is therefore classified within a year.
The contract stipulates future minimum payments as set out in the table, which also shows the relationship between the payments and their present value.

Finance leases	31 December 2011 Minimum future payments € million	31 December 2011 Present value of future payments € million	31 December 2010 Minimum future payments € million	31 December 2010 Present value of future payments € million
Within 1 year	3.2	3.1	3.7	3.5
1-5 years	1.0	0.3	3.8	3.4
More than 5 years	3.6	0.4	3.9	0.5
Total minimum payments	7.8	3.8	11.4	7.4
Financial charges	(4.0)		(4.1)	
Present value of minimum future payments	**3.8**	**3.8**	**7.4**	**7.4**

Existing contractual commitments for the purchase of property, plant and equipment

These commitments totalled € 12.6 million, and all expire within the year.
The commitments mainly relate to the purchase of aging barrels for the Wild Turkey distillery in Kentucky (approximately € 8.8 million), the purchase of plants and improvements to the production units of the Parent Company (€ 0.5 million), Odessa Sparkling Wine Company (€ 0.4 million) and of Vasco (CIS) OOO (€ 0.7 million).

Restrictions on the title and ownership of properties, equipment and machinery pledged to secure liabilities

The Group has several existing loans, with a current balance of € 0.2 million, secured by mortgages on land and buildings and liens on machinery and equipment for an original amount of € 5.3 million.

Other guarantees

The Group has issued other forms of security in favour of third parties in the form of customs bonds for excise duties totalling € 39.1 million at 31 December 2011 (€ 51.8 million at 31 December 2010).

48. Related parties

Davide Campari-Milano S.p.A. is controlled by Alicros S.p.A.
Davide Campari-Milano S.p.A. and its Italian subsidiaries have adopted the national tax consolidation scheme governed by articles 117 *et seq* of the consolidated law on income tax (TUIR), for 2010, 2011 and 2012.
The tax receivables and payables of the individual Italian companies are therefore recorded as payables to the Parent Company's controlling shareholder, Alicros S.p.A.
At 31 December 2011, the overall position of the Italian subsidiaries of Davide Campari-Milano S.p.A. and of the Parent Company itself in respect of Alicros S.p.A., in relation to the tax consolidation scheme, is a non-interest-bearing net payable of € 18.7 million.
The table below shows the net debit balance.

Moreover, Alicros S.p.A., Davide Campari-Milano S.p.A. and its Italian subsidiaries have joined the Group-wide VAT scheme, pursuant to article 73, paragraph 3 of Presidential Decree 633/72.
At 31 December 2011, the Parent Company and its Italian subsidiaries owed Alicros S.p.A. € 2.9 million.

The receivables and payables arising as a result of the tax consolidation scheme are non-interest-bearing.

Dealings with related parties and joint ventures form part of ordinary operations and are carried out under market conditions (i.e. conditions that would apply between two independent parties) or using criteria that allow for the recovery of costs incurred and a return on invested capital.

All transactions with related parties were carried out in the Group's interest.
The amounts for the various categories of transaction entered into with related parties are set out below.

31 December 2011	Trade receivables	Trade payables	Receivables (payables) for tax consolidation	Receivables (payables) for Group VAT	Other non-current tax receivables	Other receivables (payables)
	€ million	€ million	€ million	€ million	€ million	€ million
International Marques V.O.F.	0.8	-	-	-	-	-
Alicros S.p.A.	-	-	(18.7)	(2.9)	-	-
Payables to directors	-	-	-	-	-	(1.3)
	0.8	**-**	**(18.7)**	**(2.9)**	**-**	**(1.3)**
Balance sheet percentage of related item	0%	0%	36%	5%	0%	-2%

31 December 2010	Trade receivables	Trade payables	Receivables (payables) for tax consolidation	Receivables (payables) for Group VAT	Other non-current tax receivables	Other receivables (payables)
	€ million	€ million	€ million	€ million	€ million	€ million
International Marques V.O.F.	1.0	-	-	-		
Focus Brands Trading (India) Private Ltd.	0.5	-	-		-	
Alicros S.p.A.	-	-	(16.9)	(1.5)		-
Payables to directors						(2.3)
Total	**1.4**	**-**	**(16.9)**	**(1.5)**	**-**	**(2.3)**
Balance sheet percentage of related item	1%	0%	74%	2%	0%	2%

2011	Sale of merchandise	Trade allowances	Other income and charges	Financial income	Profit (loss) of joint ventures
	€ million	€ million	€ million	€ million	€ million
Alicros s.r.l.	-	-	0.2	-	-
International Marques V.O.F.	3.5	(1.0)	-	-	(0.4)
	3.5	**(1.0)**	**0.2**	**-**	**(0.4)**
Balance sheet percentage of related item	0%	0%	0%	0%	0%

2010	Sale of merchandise	Trade allowances	Other income and charges	Financial income	Profit (loss) of joint ventures
	€ million	€ million	€ million	€ million	€ million
Alicros S.p.A.			0.2		
International Marques V.O.F.	3.3	(1.2)	-	-	(0.2)
Focus Brands Trading (India) Private Ltd.					(0.4)
	3.3	**(1.2)**	**(0.2)**	**-**	**(0.6)**

Remuneration paid to the Parent Company's directors who held management positions in the Group with strategic responsibility was as follows:

	2011	2010
	€ million	€ million
Short-term benefits	4.3	5.4
Defined contribution benefits	0.0	0.0
Stock options	2.2	1.7
	6.5	**7.1**

Note that, at the date of this report, a payable to the directors of € 1.3 million was recorded in the financial statements.

49. Employees

The following tables indicate the average number of employees at the Group, broken down by business sector, category and region.

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

50. Events taking place after the end of the year

Continuation of the process to streamline the Group's structures

As part of the ongoing process to streamline the Group's structure, on 1 January 2012, Rare Breed Distilling LLC and Cabo Wabo LLC were merged into Skyy Spirits LLC, which changed its name to Campari America.
On the same date, Argentine subsidiary Camargen S.R.L. was merged into Campari Argentina S.A.

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 (USA).
The investment totalled around US$ 41 million, net of economic incentives of US$ 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 US, 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 autumn 2013. The investment will enable the Group to bottle the full Wild Turkey and Skyy product lines in the US. The production capacity of the plant, which is designed to handle initial production of up to four million nine-litre cases a year, will 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 US 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; the total value of the investment comes in at GBP 4.9 million.

Sesto San Giovanni (MI), Monday 12 March 2012

Chairman of the Board of Directors

Luca Garavoglia

Certification of the consolidated financial statements pursuant to article 81-*ter* of Consob regulation 11971 of 14 May 1999 and subsequent revisions and amendments

1. We, Robert Kunze-Concewitz, Stefano Saccardi, managing directors, and Paolo Marchesini, managing director and the director responsible for preparing the accounting documents of Davide Campari-Milano S.p.A., hereby certify, taking into account the provisions of paragraphs 3 and 4, article 154-*bis*, of legislative decree 58 of 24 February 1998:

• the appropriateness, in relation to the nature of the business, and

• the effective application

of the administrative and accounting procedures used to prepare the consolidated financial statements for 2011.

2. We furthermore certify that

2.1. The consolidated financial statements to 31 December 2011:

a) were prepared in accordance with the applicable international accounting standards recognised in the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;

b) correspond to the figures contained in the accounting records;

c) provide a true and fair view of the financial position of the issuer and the group of companies included in the basis of consolidation.

2.2. The report on operations contains an accurate assessment of the company's performance and operating results, and on the position of the issuer and the group of companies included in the basis of consolidation, together with a description of the main risks and uncertainties to which it is exposed.

Sesto San Giovanni (MI), Monday 12 March 2012

Managing Director
Robert Kunze-Concewitz

Managing Director
Stefano Saccardi

Managing Director
Director responsible for preparing
the company's accounting statements
Paolo Marchesini

Davide Campari Milano S.p.A.

Draft separate financial statements for the year ending 31 December 2011

Financial statements

Income statement

	Notes	2011	*of which: related parties*	2010	*of which: related parties*
		€	€	€	€
Net sales	7	**545,498,718**	*174,923,532*	**493,439,086**	*124,938,400*
Cost of goods sold	8	(266,251,976)	*(10,364,383)*	(263,471,149)	*(54,249,543)*
Gross profit		**279,246,742**		**229,967,937**	
Advertising and promotional costs	9	(62,050,363)	*2,376,418*	(63,527,719)	*3,504,450*
Contribution margin		**217,196,379**		**166,440,218**	
Overheads	10	(73,591,694)	*4,073,832*	(71,817,314)	*3,961,532*
of which: non-recurring		*(972,522)*		*(3,404,878)*	
Operating result		**143,604,685**		**94,622,904**	
Financial income and charges	16	(31,772,185)	*(5,689,230)*	(26,437,029)	*(4,830,167)*
of which: non-recurring		*(1,767,264)*		*(783,761)*	
Dividends		125,000,000	*125,000,000*	47,475,930	*47,475,930*
Profit before tax		**236,832,500**		**115,661,805**	
Taxes	17	(45,704,967)		(33,168,725)	
Profit for the year		**191,127,533**		**82,493,080**	

Statement of comprehensive income

	2011	2010
	€	€
Net profit (A)	**191,127,533**	**82,493,080**
Cash flow hedge		
Profit (loss) for the period	(5,216,501)	5,659,151
Less: profits (losses) reclassified to the separate income statement	(815,743)	622,135
Net gains (losses) from cash flow hedging	(6,032,244)	5,037,016
Tax effect	1,434,538	(1,556,267)
Cash flow hedge	**(4,597,706)**	**3,480,749**
Other comprehensive income (losses) (B)	**(4,597,706)**	**3,480,749**
Total comprehensive income (A+B)	**186,529,827**	**85,973,829**

Statement of financial position

	Notes	31 December 2011	*of which: related parties*	31 December 2010	*of which: related parties*
		€	€	€	€
ASSETS					
Non-current assets					
Net tangible fixed assets	18	118,506,810		123,525,409	
Investment property	19	531,231		550,666	
Goodwill and brands	20	427,624,072		427,624,072	
Intangible assets with a finite life	22	15,682,015		15,610,667	
Investments in subsidiaries	23	904,172,283		891,902,404	
Deferred tax assets	17	-		-	
Other non-current assets	24	13,845,511		4,304,966	-
Total non-current assets		**1,480,361,922**	**-**	**1,463,518,184**	**-**
Current assets					
Inventories	25	77,586,355		89,570,485	
Trade receivables	26	89,380,916	*50,314,897*	81,924,209	*31,275,744*
Short-term financial receivables	27	44,959,507	*43,813,134*	41,487,087	*40,088,077*
Cash and cash equivalents	28	60,095,658		37,143,737	
Tax receivables		-		-	
Other receivables	26	11,393,799	*4,474,601*	7,277,817	*3,343,029*
Total current assets		**283,416,235**	**98,602,632**	**257,403,335**	**74,706,850**
Non-current assets held for sale	29	2,291,251		10,635,161	
Total assets		**1,766,069,408**	**98,602,632**	**1,731,556,680**	**74,706,850**
LIABILITIES AND SHAREHOLDERS' EQUITY					
Shareholders' equity					
Share capital	30	58,080,000		58,080,000	
Reserves	30	715,343,441		577,555,153	
Total shareholders' equity		**773,423,441**	**-**	**635,635,153**	**-**
Non-current liabilities					
Bonds	31	596,385,066		578,853,767	
Other non-current financial liabilities	31	74,468,296	*50,000,000*	80,054,380	*50,000,000*
Defined benefit plans	33	6,841,184		7,889,031	
Provision for risks and charges	34	2,676,427		14,324,354	
Deferred tax liabilities	17	14,178,706		13,070,321	
Other non-current liabilities	32	7,112,682		-	
Total non-current liabilities		**701,662,361**	**50,000,000**	**694,191,853**	**50,000,000**
Current liabilities					
Payables to banks	31	1,056		72,630	
Other financial payables	31	163,359,522	*151,394,806*	264,327,643	*252,165,322*
Trade payables	35	77,676,314	*1,964,359*	97,592,900	*14,958,993*
Payables to tax authorities	36	25,481,067	*18,070,744*	18,815,664	*15,943,243*
Other current liabilities	35	24,465,647	*5,783,223*	20,920,837	*3,813,420*
Total current liabilities		**290,983,606**	**177,213,132**	**401,729,674**	**286,880,978**
Total liabilities and shareholders' equity		**1,766,069,408**	**227,213,132**	**1,731,556,680**	**336,880,978**

Statement of cash flows

	Note	2011	2010
		€	€
EBIT		143.604.685	94.622.904
Adjustments to reconcile operating profit and cash flow:			
Depreciation and amortisation	11	15.016.095	14.085.452
Net capital losses (gains) on the sale of fixed assets	18	(3.067.866)	(901.972)
Write-downs of fixed assets	18	2.075.961	-
Fund provisions	33/34	1.989.248	11.140.358
Use of provisions	33/34	(4.924.160)	(8.518.646)
Net financial charges	16	(443.435)	(364.435)
Other non-cash items	37	4.480.692	4.146.565
Other non-cash items, net of merger		-	21.364.046
Change in net operating working capital	25/26/35	14.498.336	1.215.172
Change in receivables from related parties	41	8.227.203	39.661.189
Change in payables to related parties	41	(39.376.139)	(6.229.613)
Income taxes paid	17/36	(40.562.906)	(6.093.771)
Other changes in non-financial assets and liabilities	35	1.900.022	(7.078.858)
Cash flow from operating activities		**103.417.736**	**157.048.391**
Purchase of tangible and intangible assets	18/22	(10.380.224)	(21.819.950)
Income from sales of fixed assets	18	9.666.630	901.972
Acquisition of trademarks	20	-	(6.000.000)
Disposals (investments) in affiliated companies	23	(9.500.000)	(100.425.169)
Interest income	16	1.168.953	942.354
Interest received from related parties	16	667.840	535.479
Dividends received	30	125.000.000	47.475.930
		-	0
Cash flow used in investing activities		**116.623.199**	**(78.389.384)**
Medium / long-term loans from related parties	40	-	29.786.082
Repayment of financial lease	31	(3.351.530)	(3.263.326)
Repayment of medium / long-term payables	31	(169.697)	(168.623)
Net change in short-term payables to banks and loans	31	(71.574)	72.566
Net change in financial receivables from related parties	27/40	(3.725.057)	(627.787)
Net change in financial payables to related parties	40	(100.770.516)	(61.682.891)
Interest expenses	16	(26.735.771)	(23.339.403)
Interest paid to related parties	16	(6.908.103)	(5.413.396)
Change in other financial payables and receivables	27/31	493.943	45.162.088
Purchase and sale of own shares	30	(21.257.117)	1.695.400
Net change in securities	23	6.746	5.697
Dividend payout	30	(34.600.338)	(34.593.285)
Cash flow from (used in) financing activities		**(197.089.014)**	**(52.366.878)**
Net cash flow for the period		**22.951.921**	**26.292.129**
Cash and cash equivalents at start of period	28	37.143.737	10.851.608
Cash and cash equivalents at end of period	28	60.095.658	37.143.737

Statement of changes in shareholders’ equity

	Notes	Share capital	Legal reserve	Extraordinary reserve	Reserve for VAT deductions 4-6% (various laws)	Reserve for grants (Law 696/83)	Equity investment transfer reserve (Leg. Decree 544/92)	Other reserves	Retained earnings	Shareholders’ equity
		€	€	€	€	€	€	€	€	€
Balance at 1 January 2011		58,080,000	5,808,000	243,221,990	1,086,287	25,823	3,041,357	14,307,727	310,063,969	635,635,153
Capital increase	30	-	-	-	-	-	-	-	-	-
Dividend payout	30	-	-	-	-	-	-	-	(34,600,338)	(34,600,338)
Purchase of own shares	30	-	-	-	-	-	-	(50,124,800)	-	(50,124,800)
Use of own shares	30	-	-	-	-	-	-	40,386,923	(11,519,240)	28,867,683
Stock options	30	-	-	-	-	-	-	(941,857)	8,057,773	7,115,916
Creation of reserves	30	-	5,808,000	-	-	-	-	-	(5,808,000)	-
Other	30	-	-	-	-	-	-	-	-	-
Profit for the year - 2011		-	-	-	-	-	-	-	191,127,533	191,127,533
Other comprehensive income (losses)		-	-	-	-	-	-	(4,597,706)	-	(4,597,706)
Total comprehensive income		-	-	-	-	-	-	(4,597,706)	191,127,533	186,529,827
Balance at 31 December 2011		58,080,000	11,616,000	243,221,990	1,086,287	25,823	3,041,357	(969,713)	457,321,697	773,423,441

	Share capital	Legal reserve	Extraordinary reserve	Reserve for VAT deductions 4-6% (various laws)	Reserve for grants (Law 696/83)	Equity investment transfer reserve (Leg. Decree 544/92)	Other reserves	Retained earnings	Shareholders’ equity
	€	€	€	€	€	€	€	€	€
Balance at 1 January 2010	29,040,000	5,808,000	243,221,990	1,086,287	25,823	3,041,357	(2,437,512)	252,479,316	532,265,261
Capital increase	29,040,000	-	-	-	-	-	-	(29,040,000)	-
Dividend payout	-	-	-	-	-	-	-	(34,593,285)	(34,593,285)
Purchase of own shares	-	-	-	-	-	-	(9,260,365)	-	(9,260,365)
Use of own shares	-	-	-	-	-	-	14,676,678	(3,720,913)	10,955,765
Stock options	-	-	-	-	-	-	3,901,089	3,062,227	6,963,316
Creation of reserves	-	-	-	-	-	-	3,776,000	91,853	3,867,853
Other	-	-	-	-	-	-	-	39,462,778	39,462,778
Profit for the year - 2010	-	-	-	-	-	-	-	82,493,080	82,493,080
Other comprehensive income (losses)	-	-	-	-	-	-	3,651,837	(171,087)	3,480,750
Total comprehensive income	-	-	-	-	-	-	3,651,837	82,321,993	85,973,830
Balance at 31 December 2010	58,080,000	5,808,000	243,221,990	1,086,287	25,823	3,041,357	14,307,727	310,063,969	635,635,153

Notes to the financial statements

1. General information

Davide Campari S.p.A. is a company listed on the Italian stock market, with registered office at Via Franco Sacchetti 20, 20099 Sesto San Giovanni (MI), Italy.
The company is registered with the Milan companies register and REA (business administration register) under no. 1112227.
The company is 51%-owned by Alicros S.p.A.
Davide Campari-Milano S.p.A. is the Parent Company of the Campari Group and operates directly in Italy, and through its subsidiaries on international markets for alcoholic and non-alcoholic beverages.
The Campari Group is a leading global player in the beverage sector, with a presence in almost 200 countries and a product portfolio in three segments: spirits, wines and soft drinks.
The spirits segment boasts internationally-recognised brands such as Campari, Carolans, SKYY Vodka and Wild Turkey, as well as brand leaders in local markets including Aperol, Cabo Wabo, CampariSoda, Cynar, Frangelico, Glen Grant, Ouzo 12, X-Rated Fusion Liqueur, Zedda Piras and Brazilian brands Dreher, Old Eight and Drury's.
In the wines segment, apart from Cinzano, which is well-known all over the world, the main regional brands are Liebfraumilch, Mondoro, Odessa, Riccadonna, Sella & Mosca and Teruzzi & Puthod.
Lastly, the soft drinks segment covers the extended ranges of Crodino and Lemonsoda, which are leading brands on the Italian market.

These financial statements are presented in euro while the relevant notes to the financial statements are prepared in thousands of euro, unless otherwise stated.
As the Parent Company, Davide Campari-Milano S.p.A. has also drawn up the consolidated financial statements of the Campari Group for the year ending 31 December 2011.
The financial statements of Davide Campari-Milano S.p.A. for the year ending 31 December 2011 were approved on 12 March 2012 by the Board of Directors, which has authorised their publication.
The Board of Directors reserves the right to amend the results should any significant events occur that require changes to be made, up to the date of the shareholders' meeting.

2. Preparation criteria

The financial statements were prepared on a cost basis, with the exception of financial derivatives, which are reported at fair value.
The carrying value of assets and liabilities subject to fair value hedging transactions, which would otherwise be recorded at cost, has been adjusted to take account of the changes in fair value attributable to the risk being hedged.

Compliance with IFRS

The financial statements of Davide Campari-Milano S.p.A. (which represent the "separate financial statements") for the years ending 31 December 2011 and 2009, were prepared in accordance with the international financial reporting standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Union, including all the revised international accounting standards (International Accounting Standards - IAS) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor, the Standing Interpretations Committee (SIC).
No exceptions to the application of the international accounting standards were made in the preparation of these separate financial statements.

Form and content

In accordance with the format chosen by the Campari Group, and also adopted for the financial statements of the Parent Company, the income statement is classified by function, and the statement of financial position shows current and non-current assets and liabilities separately.
We consider that this format will provide a more meaningful representation of the items that have contributed to the Company's results and its assets and financial position.
In the income statement, income and charges from one-off transactions such as sales of fixed assets, restructuring costs and any other non-recurring income/expenses are shown separately.
The definition of "non-recurring" or "one-off" conforms to that set out in the Consob communication of 28 July 2006 (DEM/6064293).

During the year, the Parent Company did not carry out any atypical or unusual transactions, as defined in the same communication.
Lastly, in accordance with Consob Resolution 15519 of 27 July 2006, transactions with related parties are shown separately, in the statement of financial position and income statement, as also required by IAS 24.
The statement of cash flows was prepared using the indirect method.

3. Summary of accounting principles

Intangible assets

Intangible assets include all assets without any physical form that are identifiable, controlled by the company and capable of producing future economic benefits, as well as goodwill when purchased for consideration.
Intangible assets acquired are recognized, in accordance with IAS 38 - Intangible Assets, when it is likely that the use of the assets will generate future economic benefits, and when the cost can be reliably determined.
If acquired separately, these assets are reported at purchase cost including all allocable ancillary costs.
Assets produced internally, excluding development costs, are not capitalised and are reported on the income statement in the financial year in which they arose.

Intangible assets with a finite life are amortised on a straight-line basis in relation to their remaining useful life, taking into account any previously recorded impairment..
The period of amortisation of intangible assets with a finite life is reviewed at least at the end of every financial year in order to ascertain any changes in their useful life, which if identified, will be considered as changes in estimates.
The costs of development projects and studies are recorded in the income statement in full in the year in which they are incurred.
Advertising and promotional costs are recorded on the income statement when the company has received the goods or services in question.
Costs relating to industrial patents, concessions, licences and other intangible fixed assets are listed on the assets side of the statement of financial position only if they are able to produce future economic benefits for the Company. These costs are amortised according to the period of use, if this can be defined, or according to contract duration.
Software licences represent the cost of purchasing licences and, if incurred, external consultancy fees or internal personnel costs necessary for development. These costs are booked in the year in which the internal or external costs are incurred for training personnel and other related costs.
Costs recorded under intangible assets are amortised over their useful life, generally taken to be three years.
Goodwill and brands, which result from acquisitions and qualify as intangible assets with an indefinite life, are not amortised. The possibility of recovering their reported value is ascertained at least annually, and in any case, when events occur leading to the assumption of a reduction in value using the criteria indicated in the “Impairment” section.
For goodwill, a test is performed on the smallest cash-generating unit to which the goodwill relates. On the basis of this, management directly or indirectly assesses the return on investment including goodwill.
Goodwill impairments are not reversed in subsequent periods.

Tangible fixed assets

Property, plant and equipment are recorded at acquisition or production cost, gross of capital grants (if received) and directly charged expenses, and are not revalued.
Any costs incurred after purchase are capitalised provided that they increase the future financial benefits generated by using the asset.
The replacement costs of identifiable components of complex assets are allocated to assets on the statement of financial position and depreciated over their useful life. The residual value recorded for the component being replaced is allocated to the income statement; other costs are charged to the income statement when the expense is incurred.
Financial charges are posted to the income statement when incurred.
Ordinary maintenance and repair expenses are charged to the income statement in the period in which they are incurred. The depreciation period runs from the time the asset is available and ready for use, and the depreciation charge is allocated directly to the asset.
If there are current obligations for dismantling or removing assets and cleaning up the related sites, the assets’ reported value includes the estimated (discounted) costs to be incurred when the structures are abandoned, which are reported as a offsetting entry to a specific reserve.
The impact of revising the estimate of these costs is explained in the “provisions for risks and charges” section.

Assets held under finance lease contracts, which essentially assign to the Company all the risks and benefits tied to ownership, are recognised as Company assets at their current value, or the present value of the minimum lease payments, whichever is lower.

The corresponding liability to the lessor is reported in the financial statements under financial payables.
These assets are depreciated using the policies and rates indicated below.
Leasing arrangements in which the lessor, in essence, retains all the risks and benefits tied to the ownership of the assets, are classified as operating leases, and the related costs are reported in the income statement over the term of the contract.
Depreciation ceases on the date when the asset is classified as available for sale, in accordance with IFRS 5, or on the date on which the asset is derecognised for accounting purposes, whichever occurs first.
Depreciation is applied using the straight-line method, based on each asset's estimated useful life as established in accordance with the company's plans for use of such assets, taking into account wear and tear and the superseding of technology, and the likely estimated realisable value net of disposal costs.
When the tangible asset consists of several significant components with different useful lives, depreciation is applied to each component individually.
The amount to be depreciated is represented by the reported value less the estimated net market value at the end of its useful life, if this value is significant and can be reasonably determined.
Land, even if acquired in conjunction with a building, is not depreciated, nor are available-for-sale tangible assets, which are reported at the lower of their recorded value and fair value less disposal costs.
Rates are as follows:

property	
buildings	3%
light constructions	10%
plant and machinery	
plant and machinery	10%
tanks	10%
industrial and commercial equipment	
miscellaneous equipment	20%
commercial equipment	20%
other tangible fixed assets	
furniture	12%
office equipment	12%
electronic equipment	20%
miscellaneous minor equipment	20%
goods vehicles	20%
cars	25%

A tangible asset is derecognised from the statement of financial position at the time of sale or when there are no future economic benefits associated with its use or disposal.
Any profits or losses are included in the income statement in the year of this derecognition.

Government grants

Government grants are recorded when there is a reasonable assurance that all requirements necessary for access to such grants have been met and that the grant will be received.
Government grants relating to tangible fixed assets are reported as deferred revenues and credited to the income statement over the period corresponding to the useful life of the asset concerned.

Impairment

The Company ascertains, at least annually, whether there are indicators of a potential loss in value of intangible and tangible assets. If the Company finds that such indications exist, it estimates the recoverable value of the relevant asset.
In addition, intangible assets with an indefinite useful life, or that are not available and ready for use, and goodwill, are subject to an impairment test each year, or more frequently if there is an indication that the asset may have been subject to a loss in value.
The ability to recover the assets is ascertained by comparing the carrying value to the related recoverable amount, which is represented by the greater of the fair value less disposal costs and the value in use.
In the absence of a binding sale agreement, the fair value is estimated on the basis of recent transaction values in an active market, or based on the best information available to determine the amount that could be obtained from selling the asset.
The value in use is determined by discounting expected cash flows resulting from the use of the asset, and if significant and reasonably determinable, the cash flows resulting from its sale at the end of its useful life.

Cash flows are determined on the basis of reasonable, documentable assumptions representing the best estimate of the future economic conditions that will occur during the remaining useful life of the asset, with greater weight given to outside information.
The discounting is done using a rate that takes into account the implicit risk of the business segment.
When it is not possible to determine the recoverable value of an individual asset, the Company estimates the recoverable value of the unit that incorporates the asset and generates cash flows.
A loss of value is reported if the recoverable value of an asset is lower than its carrying value.
This loss is posted to the income statement unless the asset was previously written up through a shareholders' equity reserve.
In this case, the reduction in value is first allocated to the revaluation reserve.
If, in a future period, a loss on assets, other than goodwill, no longer exists or is reduced, the carrying value of the asset or cash generating unit is increased up to the recoverable value, and may not exceed the carrying amount that would have been determined if no impairment losses had been recognised.
The reversal of impairment losses is recognized in the income statement, unless the asset was previously reported at its revalued amount.
In this case, the recovery in value is first allocated to the revaluation reserve.

Investment property

Property and buildings held to generate lease income (investment property) are valued at cost less accumulated depreciation and losses due to a reduction in value.
The depreciation rate for buildings is 3%, while land is not depreciated.
Investment property is derecognised from the statement of financial position when sold or when it becomes permanently unusable and no future economic benefits are expected from its disposal.

Equity investments

Investments in subsidiaries are recorded at cost and adjusted for any loss in value.
The positive difference arising at the time of the acquisition between the purchase cost and the current value of the Company's stake is included in the book value of the holding; any write-downs of this positive difference are not reinstated in subsequent periods, even if the reasons for the write-down no longer apply.
If the Company's portion of the subsidiary's losses exceeds the carrying value of the holding, the carrying value is eliminated and the portion of any further losses is posted to liabilities as a specific reserve to the extent to which the parent company is required to fulfil legal or implicit obligations with respect to the subsidiary or in any event to cover its losses.
Investments in subsidiaries are subject to impairment tests on an annual basis, or more frequently if necessary.
If the tests show evidence of impairment, the loss in value must be recorded as a write-down in the income statement.
Investments in other companies that are not held for trading (available for sale) are recorded at fair value, if determinable, and this value is allocated to shareholders' equity up to the date of sale or the identification of a loss in value, at which time the effects previously booked to shareholders' equity are recorded in the income statement for the period.
When the fair value cannot be reliably determined, investments are valued at cost, adjusted for any loss in value.
Dividends received are recognised in the income statement when the right to receive payment is established, only if they arise from the distribution of profits subsequent to the acquisition of the subsidiary.
If, however, the dividends relate to the distribution of the subsidiary's reserves preceding the acquisition, these dividends are recorded as a reduction in the cost of the investment.

Financial instruments

Financial instruments held by the Company are categorised in the items below:
Financial assets include holdings in subsidiaries, affiliates and joint ventures, short-term securities and financial receivables, which in turn include the positive fair value of financial derivatives, trade and other receivables and cash and cash equivalents.
Specifically, cash and cash equivalents include cash, bank deposits and highly liquid securities that can be quickly converted into cash, and which carry an insignificant risk of a change in value.
The maturity of deposits and securities in this category is less than three months.
Short-term securities include securities maturing in one year or less, and liquid securities representing a temporary investment of cash that do not meet the requirements for classification as cash equivalents.
Financial liabilities include financial payables, which in turn include the negative fair value of financial derivatives, trade payables and other payables.

Financial assets and liabilities, other than equity investments, are booked in accordance with IAS 3 - Financial Instruments: Recognition and Measurement in the following categories:

Financial assets at fair value with changes recorded in the income statement

This category includes all financial instruments held for trading and those designated at the initial reporting at fair value with changes recorded in the income statement.
Financial instruments held for trading are all those instruments acquired with the intention of sale in the short term.
This category also includes derivatives that do not meet the hedging criteria set out in IAS 39.
These instruments measured at fair value with changes recorded in the income statement are booked in the statement of financial position at fair value, while the related profits and losses are reported in the income statement.

Investments held to maturity

Current financial assets and securities to be held until maturity are reported on the basis of the trading date, and, at the time they are first reported, they are valued at purchase cost, represented by the fair value of the initial consideration given in exchange plus transaction costs (e.g. commissions, consulting fees, etc).
The initial reported value is then adjusted to take into account repayments of principal, any write-downs and the amortisation of the difference between the repayment amount and the initial reported value. Amortisation is applied on the basis of the effective internal interest rate represented by the rate which, at the time of initial reporting, would make the present value of expected cash flows equal to the initial reported value (known as the amortised cost method).
The profits and losses are entered in the income statement when the investment is derecognised for accounting purposes or when impairment occurs beyond the amortisation process.

Loans and receivables

Loans and receivables are non-derivative financial instruments with fixed or determinable payments, which are not listed on an active market.
After the initial reporting, these instruments are valued according to the criterion of amortised cost using the effective discount rate method net of any provision for loss of value.
Profits and losses are recorded in the income statement when loans and receivables are derecognised or impaired and throughout the amortisation process.

Financial assets available for sale

Financial assets available for sale, excluding derivatives, are those designated as such or not classified under any of the three previous categories.
After the first reporting, the financial instruments available for sale are measured at fair value.
If the market price is not available, the present value of financial instruments available for sale is measured using the most appropriate valuation methods, such as the analysis of discounted cash flows performed using market information available on the reporting date. In the absence of reliable information, they are held at cost.
Profits and losses on financial assets available for sale are recorded directly in shareholders' equity up to the time the financial asset is sold or impaired. At that time the accumulated profits and losses, including those previously posted to shareholders' equity, are included in the income statement for the period.

Impairment of a financial asset

The Company assesses, at least annually, whether there are any indicators that a financial asset or a group of financial assets could have been impaired.
An impairment loss is booked in the reporting period only if there is objective evidence of a loss in value caused by one or more events that occurred following the initial reporting date of the asset or group of assets and which had an impact that can be reliably estimated on the future cash flows that may be generated by the asset or group of assets themselves.

Derecognition of financial assets and liabilities

A financial asset (or where applicable, part of a financial asset or part of a group of similar financial assets) is derecognised from the financial statements when:
- the rights to receive income from financial assets are no longer held;
- the Company reserves the right to receive income from financial assets, but has taken on a contractual obligation to pay such income in full and without delay to a third party;
- the Company has transferred the right to receive income from financial assets and (i) has transferred substantially all the risks and rewards relating to the ownership of the financial asset, or (ii) has neither transferred nor retained all the risks and rewards relating to the ownership of the financial asset, but has transferred control of the asset.

When the Company has transferred the rights to receive financial income from an asset, and it has neither transferred nor retained all the risks and benefits, or it has not lost control of the same, the asset is reported in the statement of financial position to the extent of the Company's remaining involvement in the asset.
A financial liability is derecognised from the financial statements when the underlying obligation of the liability is no longer held, or cancelled, or has been settled.
In cases where an existing financial liability is substituted by another with the same lender under different conditions, or where the conditions of an existing liability are changed, the substitution or change is treated in the financial statements as a derecognition of the original liability, and a new liability is reported, with any difference in the accounting values allocated to the income statement.

Financial derivatives and hedging transactions

Financial derivatives are used solely for hedging purposes to reduce exchange and interest rate risk.
In accordance with IAS 39, financial derivatives are recorded using hedge accounting procedures only if, at the beginning of the hedge, a formal designation has been made and the documentation for the hedge relationship exists, and if it is assumed that the hedge is highly effective; it must be possible for this effectiveness to be reliably measured, and the hedge must prove highly effective during the accounting periods for which it is designated.
All financial derivatives are measured at their fair value pursuant to IAS 39.
Where financial instruments meet the requirements for being reported using hedge accounting procedures, the following accounting treatment is applied:

- fair value hedge - if a financial derivative is designated to hedge exposure to changes in the fair value of an asset or liability attributable to a particular risk that could have an impact on the income statement, the profits or losses resulting from the subsequent measurements of the fair value of the hedging instrument are reported in the income statement. The gain or loss on the hedged entry, which is attributable to the hedged risk, is reported as a portion of the carrying value of this entry and as an offsetting entry in the income statement.
- cash flow hedge - if a financial instrument is designated as a hedge of exposure to fluctuations in future cash flows arising from an asset or liability reported in the financial statements, or of a highly likely expected transaction that could have an impact on the income statement, the effective portion of the profits or losses on the financial instrument is reported under shareholders' equity.

Accumulated profits or losses are removed from shareholders' equity and recorded in the income statement in the same period in which the transaction being hedged has an impact on the income statement.
The profit or loss associated with a hedge, or the portion of the hedge that has become ineffective, is posted to the income statement when the ineffectiveness is reported.
If a hedge instrument or hedge relationship is closed out, but the transaction being hedged has not been carried out, the accumulated profits and losses, which, until that moment had been posted to shareholders' equity, are reported in the income statement at the time the related transaction is carried out.
If the transaction being hedged is no longer considered likely to take place, the pending unrealised profits or losses in shareholders' equity are recorded in the income statement.
If hedge accounting cannot be applied, the profits or losses resulting from the valuation of the financial derivative at its present value are posted to the income statement.

Own shares

Own shares are reported as a reduction in respect of shareholders' equity.
The original cost of the own shares and the economic effects of any subsequent sales are reported directly under shareholders' equity.

Inventories

Inventories of raw materials and semi-finished and finished products are valued at the lower of purchase or production cost, determined using the weighted average method, and market value.
Work in progress is recorded at the purchase cost of the raw materials used including the actual production costs incurred at the point of production reached.
Inventories of raw materials and semi-finished products no longer useable in the production cycle and inventories of unsalable finished products are fully written down.
Low-value replacement parts and maintenance equipment not used in connection with a single asset item are reported as inventories and recorded in the income statement when used.

Non-current assets held for sale

Non-current assets classified as available for sale include fixed assets (or disposal groups) whose carrying value will be recovered primarily from their sale rather than their ongoing use, and whose sale is highly probable in the short term (within one year) and in the assets' current condition.

Non-current assets classified as available for sale are valued at the lower of their net carrying value and current value, less sale costs.

Employee benefits

Post-employment benefit plans

The Company provides post-employment benefits through defined contribution and/or defined benefit plans.

- Defined benefit plans
  The Company's obligation and annual cost reported in the income statement are determined by independent actuaries using the projected unit credit method.
  The net accumulated value of actuarial gains and losses is reported in the income statement.
  The costs associated with an increase in the present value of the obligation, resulting from the approach of the time when benefits will be paid, are included under financial charges.
- Defined contribution plans
  Since the Company fulfils its obligations by paying contributions to a separate entity (a fund), with no further obligations, the company records its contributions to the fund in respect of employees' service, without making any actuarial calculation.
  Where these contributions have already been paid at the reporting date, no liabilities are recorded in the financial statements.

Compensation plans in the form of stock options

The Company pays additional benefits in the form of stock option plans to employees, directors and individuals who regularly do work for one or more Group companies.

Pursuant to IFRS 2 - Share-Based Payment, the total fair value of the stock options on the allocation date is to be reported as a cost in the income statement, with an increase in the respective shareholders' equity reserve, in the period beginning at the time of allocation and ending on the date on which the employees, directors and individuals who regularly do work for one or more Group companies become fully entitled to receive the stock options.

Changes in the present value following the allocation date have no effect on the initial valuation, while in the event of changes to the terms and conditions of the plan, additional costs are booked for every change in the plan that determines an increase in the present value of the recognised option.

No cost is recognised if the stock options have not been vested; if an option is cancelled, it is treated as if it had been vested on the cancellation date and any cost that has not been recognised is recorded immediately.

The fair value of stock options is represented by the value of the option determined by applying the Black-Scholes model, which takes into account the conditions for exercising the option, as well as the current share price, expected volatility and the risk-free rate.

The Company applied the transitional provisions of IFRS 2, and therefore applied the principle to allocations of stock options approved after 7 November 2002 that had not accrued on the effective date of IFRS 2 (1 January 2005).

Provision for risks and charges

Accruals to the provision for risks and charges are reported when:

- the existence of a current legal or implicit obligation, resulting from a past event, is likely;
- it is likely that the fulfilment of the obligation will require some form of payment;
- the amount of the obligation can be reliably estimated.

Accruals are reported at a value representing the best estimate of the amount the company would reasonably pay to discharge the obligation or transfer it to third parties on the reporting date.

Where the financial impact of time is significant, and the payment dates of the obligations can be reliably estimated, the provision is discounted. The increase in the related reserve over time is accounted for in the income statement under financial income (charges).

Provisions are periodically updated to reflect changes in cost estimates, collection periods and discount rates. Estimate revisions made in respect of provisions are booked to the same item in the income statement where the accrual was previously reported, or, if the liability relates to tangible assets (e.g. dismantling and restoration), these revisions are reported as an offsetting entry to the related asset.

When the Company expects that all or part of the reserves will be repaid by third parties, the payment is booked under assets only if it is virtually certain, and the provision is posted to the income statement net of the related repayment.

Restructuring provisions

The Company reports restructuring provisions only if there is a legal or implicit obligation and a detailed formal restructuring programme that has led to the reasonable expectation by the third parties concerned that the Company will carry out the restructuring, either because it has already started the process or because it has already communicated the main aspects of the restructuring to the third parties concerned.

Recording of revenues, income and charges in the income statement

Revenues are reported to the extent to which it is likely that the financial benefits will accrue to the Company and in respect of the amount that can be determined reliably.
Revenues are reported at the fair value of the sum received, net of current and deferred discounts, allowances, excise duties, returns and trade allowances.
Specifically:
- sales revenues are recorded when the risks and benefits associated with owning the items are transferred to the buyer, and the revenue amount can be reliably determined;
- service revenues are reported when services are rendered; allocations of revenues related to partially performed services are reported on the basis of the percentage of the transaction completed on the reporting date, when the revenue amount can be reliably estimated;
- financial income and charges are booked in the period to which they relate;
- capital grants are credited to the income statement in proportion to the useful life of the related assets;
- dividends are reported on the date the shareholders' meeting passes the related resolution;
- lease income from investment property is booked on a straight-line basis for the duration of the existing leasing contracts.

Costs are recognised in the income statement when they relate to goods and services sold or consumed during the period, as a result of systematic apportionment or when the future utility of such goods and services cannot be determined.
Personnel and service costs include stock options (in keeping with their largely remunerative nature) that were allocated to employees, directors and individuals who regularly do work for the Company starting in 2004. The cost is determined in relation to the fair value of the option assigned. The portion applicable to the period is determined proportionally over the period to which the incentive applies (known as the vesting period).
Costs incurred in studying alternative products or processes, or in conducting technological research and development are considered current expenses and recorded to the income statement in the period when they are incurred.

Taxes

Current income taxes are calculated on the basis of estimated taxable income.
Payables and receivables in respect of current taxes are recorded in the amount expected to be paid to/received from tax authorities by applying the tax rates and regulations in force or effectively approved on the reporting date.
Current taxes relating to items posted directly to shareholders' equity are included in shareholders' equity.
Other non-income taxes, such as property and capital taxes, are included in operating expenses.
Deferred tax assets and liabilities are calculated on temporary differences between the asset and liability values recorded in the financial statements and the corresponding values recognised for tax purposes using the liability method.
Deferred tax assets are reported when their recoverability is likely.
Deferred tax assets and liabilities are determined on the basis of tax rates that are expected to apply in those periods when the temporary differences are generated or reversed.
Current and deferred tax assets and liabilities are offset when they relate to income taxes levied by the same tax authority and a legal right to set-off exists, provided that realisation of the asset and settlement of the liability take place simultaneously.
Deferred tax assets and liabilities are classified under non-current assets and liabilities.
The balance of any set-off, made only in cases where income taxes have been levied by the same tax authority and there is a legal right of set-off, is posted to deferred tax assets if positive and deferred tax liabilities if negative.
The Company has also taken the decision to adopt the option to adopt the national tax consolidation procedure, governed by article 117 *et seq* of the consolidated law on corporate income tax (TUIR) for 2010, 2011 and 2012, pursuant to the regulation drawn up by Alicros S.p.A, the direct controlling entity of the Company.
The decision to adopt this procedure is reflected in the accounting entries.

Transactions in foreign currencies (not hedged with derivatives)

Revenues and costs related to foreign currency transactions are reported at the exchange rate in force on the date the transaction is completed.
Monetary assets and liabilities in foreign currencies are converted to euro at the exchange rate in effect on the reporting date with any related impact posted to the income statement.

Use of estimates

The preparation of the financial statements and related notes in accordance with IFRS requires the management to make estimates and assumptions that have an impact on the value of balance sheet assets and liabilities and on disclosures concerning contingent assets and liabilities at the reporting date.
The actual results could differ from these estimates.
Estimates are used to identify provisions for risks in respect of receivables, obsolete inventory, depreciation and amortisation, asset impairments, employee benefits, taxes, restructuring provisions and other provisions and reserves.
Figures for the individual categories are set out in the notes to the financial statements.
Estimates and assumptions are reviewed periodically, and the effects of each change are reflected in the income statement in the period in which the review of the estimate occurred if such review had an impact on that period only, or additionally in subsequent periods if the review had an impact on both the current and future years.
Goodwill is subject to annual impairment tests to verify any losses in value.
The calculations are based on the financial flows expected from the cash-generating units to which the goodwill is attributed, as inferred from the budget and multi-year plans.

4. Changes in accounting principles

Accounting standards, amendments and interpretations applied since 1 January 2011

The following accounting standards, amendments and interpretations were applied by the Group for the first time from 1 January 2011.

IAS 24 – Related Party Disclosures

The amendment, which was issued on 4 November 2009 and applied with effect from 1 January 2011, broadens the definition of related parties and clarifies the information to be provided in the notes to the financial statements.
The adoption of this amendment did not have a significant impact on the disclosures in the Company's financial statements.

IAS 32 – Financial Instruments: Presentation - classification of rights issues

This amendment, issued on 8 October 2009 and applicable retrospectively pursuant to IAS 8, clarifies how to account for certain rights (rights, options or warrants) when the instruments issued are denominated in a currency other than the issuer's functional currency.
In the past, these rights were accounted for as liabilities arising from financial derivatives; the amendment requires that under certain conditions these rights are classified under shareholders' equity regardless of the currency in which the exercise price is denominated.
If such instruments are offered pro rata to all shareholders for a fixed amount of cash, they should be classified as equity instruments even if their exercise price is denominated in a currency other than the issuer's functional currency.
The adoption of this amendment had no effect on the Company's income statement or statement of financial position.

On 6 May 2010, the IASB published a series of improvements to seven IFRS as part of its annual improvement programme. On 18 February 2011, the competent bodies of the European Union completed the endorsement process for these improvements.

- IFRS 3 (2008) – Business Combinations: the amendment clarifies that for each business combination, the purchaser must value the components of minority interests that do not give holders the right to receive a proportional share of the subsidiary's net assets in the event of liquidation at their fair value on the acquisition date or as specified by the applicable accounting standards. If the components of minority interests do give holders the right to receive a proportional share of the subsidiary's net assets in the event of liquidation, these must be valued either at their fair value on the acquisition date or at the value of their proportional share of the subsidiary's assets.
- IFRS 7 – Financial Instruments: Disclosures: this amendment highlights how the interaction between qualitative and quantitative information about risks helps to provide readers of the financial statements with a general description of the nature and scale of the risks associated with financial instruments. The disclosure requirement regarding financial assets that are past due but which have been renegotiated or impaired and that regarding collateral have also been removed.

- IAS 1 – Presentation of Financial Statements: this amendment requires entities to present a reconciliation of every change to the components of the statement of comprehensive income, as well as the amount of dividends approved in the period and their value per share, either in the notes to the financial statements or in the statement of changes in shareholders' equity.
- IAS 21 – The Effects of Changes in Foreign Exchange Rates: IAS 27, as amended in 2008, introduced some changes to IAS 21. Loss of control in a foreign subsidiary, and loss of significant influence in a foreign associate or a foreign joint venture, are to be booked as the sale of an investment in a foreign company, including when the parent company continues to hold an equity interest. The currency translation reserve for the minority portion of the shareholding sold must be eliminated, but not reclassified in the income statement.
- IAS 28 – Investments in Associates: IAS 27, as amended in 2008, also introduced some changes to IAS 28, relating mainly to the accounting treatment of loss of control in associated companies.
- IAS 31 – Interests in Joint ventures: IAS 27, as amended in 2008, also introduced some changes to IAS 31, relating mainly to the accounting treatment of loss of control in joint ventures.
- IAS 34 – Interim Financial Reporting: this amendment introduces a series of clarifications regarding the additional information that must be presented in interim financial reports.

Accounting standards, revisions and interpretations applicable from 1 January 2011 that are not relevant for the Company

The following accounting standards and interpretations applicable from 1 January 2011, governing issues irrelevant to the Company or without significant effects, were also issued.

IFRIC 13 – Customer Loyalty Programmes

The change made by the IASB, applicable from 1 January 2011, clarifies that when measuring the fair value of awards for the purposes of valuing award points relating to customer loyalty programmes, account must also be taken of the discounts or incentives that are normally offered to the customers that buy these products.

IFRIC 14 – Prepayment of a Minimum Funding Requirement

This amendment, issued on 26 November 2009 and applicable retrospectively from 1 January 2011, allows prepayments of a minimum funding requirement to be recognised as an asset.

IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments

The amendment, issued on 26 November 2009 and applicable from 1 January 2011, states that if a company renegotiates the terms of an agreement with a creditor to which it issues equity instruments to extinguish a financial liability, these equity instruments become part of the price paid and must be valued at fair value.
In addition, the difference between the carrying value of the original financial liability and the fair value of the equity instruments must be taken to the income statement.

IFRS 1 – First-time Adoption of International Financial Reporting Standards

The amendment, which was issued on 6 May 2010 in the document "Improvements to IFRS", was endorsed on 18 February 2011 by the competent European Union bodies. The amendment clarifies that:

- The first-time adopter that changes the accounting standards used after publication of its first interim financial statements must include these changes in the presentation of the effects arising from the first adoption of IFRS.
- The first-time adopter has the option to use as deemed cost the fair value determined at the time of a privatisation or IPO taking place on the same date as, or prior to, the change to IFRS.
- A business operating in sectors where remuneration is based on regulated tariffs may have booked costs or charges in the pre-IFRS balance sheet under plant or intangible assets that do not qualify for capitalisation under IFRS. In this case, the business must recalculate these values as if IFRS had been applied from the start, or use the fair value as deemed cost exemption.

Accounting standards, amendments and interpretations not yet applicable to the Company that have not been adopted in advance of their effective dates

IFRS 1 – First-time Adoption of International Financial Reporting Standards

The amendment, which was issued on 20 December 2010 and was not yet endorsed at the date of these annual financial statements, will apply to accounting periods beginning after 1 July 2011.
The amendment removed the reference to 1 January 2004 contained in the previous version, defined as the date of transition to IFRS, and sets out guidelines on the presentation of financial statements in accordance with IFRS following a period of hyperinflation.

IFRS 7 – Financial Instruments: Disclosures

The amendments, which were issued on 7 October 2010 and were endorsed on 23 November, will apply to accounting periods beginning after 1 July 2011.
The amendments were issued with the aim of improving understanding of transactions involving the transfer of financial assets that are not derecognised because the risks are still borne by the company transferring the assets. The amendment also specifies that additional information must be provided even when the financial assets transferred are derecognised but the entity is still exposed to risks or rewards associated with the transferred assets.
The additional information should enable users of the financial statements to understand the relationship between the transferred financial asset and the associated liability, and to evaluate the nature of, and the risks associated with, the transferred asset that has not been derecognised.
The amendments also expand the disclosures required in the event that a significant number of transactions of this type are generated at the end of the reporting period.
In December 2011, the IASB issued two further amendments to IFRS 7. The first one, *IFRS 7 – Financial Instruments: Disclosures – Provisional Information,* which will apply from 1 January 2015, follows on from the amendment, also issued in December, to *IFRS 9 – Financial Instruments*, and establishes the information to be provided on financial instruments at the time that IFRS 9 is first applied. The second amendment, *IFRS 7 – Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities* requires information to be disclosed that will enable readers of the financial statements to evaluate the effects or potential effects on the Group's financial position of offsetting the financial assets and liabilities of the company and its associates.
These amendments relate exclusively to the presentation of the financial statements and will therefore have no effect on the Company's financial position or profitability.

IFRS 9 - Financial Instruments

This standard, issued on 12 November 2009, was amended on 28 October 2010 and again on 16 December 2011.
At the reporting date, the competent bodies of the European Union had not yet completed the endorsement process necessary for the application of the new standard.
This standard, which is applicable from 1 January 2015, represents the first stage of a process to fully replace IAS 39.
IFRS 9 introduces new criteria for the classification and measurement of financial assets and liabilities and for the derecognition of financial assets. Specifically, the new standard requires financial assets to be classified based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets. Assets are initially measured at their fair value plus transaction costs and subsequently at fair value or amortised cost.
The standard also redefines the methods of calculating impairment of financial assets and the methods of applying hedge accounting. The main change in relation to financial liabilities regards the accounting treatment of changes to the fair value of a financial liability measured at fair value through profit and loss, in the event that these are due to changes in the credit risk of the liability; these changes will be recorded in the statement of comprehensive income.
The amendment issued on 16 December 2011, which postpones the date of application of the new standard, defines the guidelines for applying it in advance of the effective date.
The Company is still assessing the possible impact of IFRS 9 on its financial assets and liabilities.

IAS 12 – Income Taxes

The amendment, which was issued on 20 December 2010 and was not yet endorsed at the date of these annual financial statements, will apply to accounting periods beginning after 1 January 2012. Early adoption permitted.
The amendment clarifies the criteria for calculating deferred tax assets or liabilities relating to investment property measured at fair value. It also introduces the presumption that deferred tax assets or liabilities calculated on an investment property measured at fair value must be determined based on the recoverable amount that may be obtained through sale. The amendment also requires that deferred tax assets or liabilities relating to a non-depreciable asset measured using the revaluation model set out in IAS 16 should be calculated taking into account the manner in which the carrying value of that asset will be recovered.
As a result, the interpretation SIC 21 – Income Taxes – Recovery of Revalued Non-Depreciable Assets will no longer apply.
The Company does not expect the application of this amendment to have any significant impact on the financial statements.

On 12 May 2011, the IASB issued the following new accounting standards, not yet endorsed by the European Union at the date of these annual report, which will take effect on 1 January 2013, although early application is permitted.

IFRS 10 – Consolidated Financial Statements
The new standard identifies the concept of control as the determining factor for including a company in the consolidated financial statements of the Parent Company.
The standard also provides guidelines for determining control in cases in which this is difficult to assess.
IFRS 10 will replace SIC 12 and part of IAS 27, from which any reference to the consolidated financial statements has been removed.

IFRS 11 – Joint Arrangements
The standard provides a more realistic reflection on the definition of joint arrangements, focusing on the rights and obligations contained in the contract, rather than on its legal form. Therefore, each party in the joint arrangement will account for its rights and obligations arising from its involvement. The option to choose the method of proportional consolidation of joint ventures no longer allowed.
IFRS 11 will replace SIC 13 and IAS 31.

IFRS 12 – Disclosure of Interests in Other Entities
The new standard defines the information to be included in the notes to the financial statements relating to all forms of investments in other entities, including joint ventures, associates, SPEs and all other forms of interest, including off-balance-sheet interests.

IFRS 13 – Fair Value Measurement
The standard introduces for the first time a clear single definition of fair value, provides a guide for measuring fair value and identifies the information to be included in the notes to the financial statements. The standard will be applied in all cases in which another standard requires or allows for fair value measurement.

Also in March 2011, the IASB issued amendments to IAS 27 – Consolidated and Separate Financial Statements and to IAS 28 – Investments in Associates, following the issue of IFRS 10 and IFRS 12. These standards, which have not yet been endorsed by the European Union at the date of these annual financial statements, will take effect on 1 January 2013.

On 16 June 2011, the IASB issued the amendment to IAS 1 – Presentation of Items of Comprehensive Income and the amended version of IAS 19 – Employee Benefits, which will apply to financial statements for reporting periods beginning after 1 July 2012 and 1 January 2013 respectively. Neither of these amendments has yet been endorsed by the European Union at the date of these financial statements.

IAS 1 – Presentation of Items of Comprehensive Income
The amendment to IAS 1 clarifies the presentation of items in the statement of comprehensive income. The main change introduced will be the requirement to group items of comprehensive income according to whether they can be reclassified in the income statement. This amendment relates exclusively to the presentation of the financial statements and will therefore have no effect on the Company's financial position or profitability.

IAS 19 – Employee Benefits

The amendments to IAS 19 have introduced a significant number of modifications to the previous accounting standard including:

- the "corridor method" for booking actuarial gains and losses has been eliminated;
- the presentation of changes to assets and liabilities related to defined-benefit plans has been simplified, so that the remeasurements of these are included in comprehensive income and only changes arising from operational transactions are booked to the income statement;
- disclosure relating to defined-benefit plans has been improved, including information on the features of the plans and the risks that the Company is exposed to by participating in them.

The Company is assessing the impact of the changes introduced by the amendments to IAS 19.

IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine

The IFRIC clarifies when and how to account for stripping costs. This standard will not apply to the Company.

IAS 32 – Financial Instruments: Presentation

The amendment to IAS 32, issued in December 2011, which is to be effective from 1 January 2014, clarifies the requirements for offsetting financial assets and liabilities in the statement of financial position. This amendment relates exclusively to the presentation of the financial statements and will therefore have no effect on the Company's financial position or profitability.

5. Default risk: negative pledges and debt covenants

The agreements relating to the bonds issued by the Company include negative pledges and covenants.

The negative pledge clauses are intended to limit the Company's ability to grant significant rights to the assets of the Company and the companies it directly or indirectly controls to third parties, in particular by establishing specific restrictions on selling or pledging assets.

The covenants include the Company's obligation to attain particular levels for certain financial indicators, most notably the ratio of net debt to measures of Company profitability.

These indicators are calculated at consolidated level, i.e. taking into account all the companies directly or indirectly controlled by the Company.

The Company therefore monitors both the restrictions and the levels of the financial indicators, as it is also the guarantor of the private placements issued by its subsidiary Redfire, Inc., whose agreements include the same covenants.

If the Company fails to fulfil these obligations, after an observation period in which any breach has not been rectified, it could be served with notice to repay the residual debt.

These ratios are monitored by the Company on a regular basis, and have so far been a long way from reaching the thresholds that would constitute non-compliance.

6. Segment reporting

Segment information is provided in detail in the notes to the consolidated financial statements.

7. Net sales

Net sales totalled € 545,499 thousand, representing an overall increase of 10.6% compared with the previous year. They include sales to third-party customers on the Italian market for € 370,334, an increase of 1.90% compared with the 2010 figure on a same-structure basis, and € 174,924 thousand in sales to Group companies that conduct most of their operations on international markets.

For more detailed analysis of net sales, please refer to the information in the Report on operations in the "Sales performance" section.

8. Cost of goods sold

	2011 €/000	2010 €/000
Materials and manufacturing costs	246,407	244,195
Distribution costs	19,845	19,276
Total cost of goods sold	**266,252**	**263,471**

	2011 €/000	2010 €/000
Raw materials and finished goods acquired from third parties	208,251	207,616
Miscellaneous sales adjusted for cost of goods sold	(4,564)	(2,034)
Sales of materials, refunds	(309)	(933)
Transaction costs	-	51
Personnel costs	18,625	18,387
Other staff costs	1,652	1,308
Depreciation and amortisation	9,559	9,527
Utilities	3,843	3,470
External production and maintenance costs	8,783	8,740
Variable transport costs	13,285	12,411
Operating leases and rental expenses	1,222	688
Services, consultancy and insurance costs	4,374	5,869
Taxes	677	371
Workbenches costs	(86)	278
Other income and charges	940	(2,278)
Total cost of goods sold	**266,252**	**263,471**

The cost of goods sold, totalling € 266,252 thousand, increased by 1.1% on the previous year, less than growth in sales. As a percentage of net sales, it fell 0.46 points from 54.4% to 48.8%, due to a good performance by high-margin products, greater production cost efficiency in production units and improved efficiency in the logistics and distribution chain.

9. Advertising and promotional costs

	2011 €/000	2010 €/000
Advertising and promotional costs	62,050	63,528
Total advertising and promotional costs	**62,050**	**63,528**

	2011 €/000	2010 €/000
Advertising space	31,473	32,211
Sponsorships, trade fairs and events	6,015	4,601
Equipment production	8,045	8,615
Consumer promotions	2,253	6,585
Customer promotions	20,653	14,794
Market research	1,763	1,809
Other advertising and promotional costs	2,069	2,214
A&P contributions received	(10,221)	(7,301)
Total advertising and promotional costs	**62,050**	**63,528**

Advertising and promotional costs, which totalled € 62,050 thousand, were down by 2.3% in absolute terms compared with 2010 and by 1.5% as a percentage of net sales.
These costs are shown net of advertising and promotional contributions from commercial partners with which the Group has distribution agreements, as provided for under these contracts.

10. Overheads

	2011 €/000	2010 €/000
Sales costs	23,060	21,718
General and administrative expenses	47,589	44,229
Other operating income and costs	2,943	5,870
of which: non-recurring	*(973)*	*(3,405)*
Total overheads	**73,592**	**71,817**

	2011 €/000	2010 €/000
Depreciation and amortisation	5,457	4,559
Personnel costs	29,110	25,356
Other staff costs	4,691	5,366
Meetings and conferences	1,234	911
Travel, business trips, training and meetings	3,579	3,173
Fees and other agent-related expenses	5,974	6,036
Utilities	2,623	2,330
Services, maintenance and insurance	16,855	16,167
Operating leases and rental expenses	2,136	3,192
Taxes	1,516	526
Property income	(572)	(572)
Services rendered to group companies	(646)	(438)
Other income and charges	1,635	5,211
Total overheads	**73,592**	**71,817**

Overheads increased by 2.5% overall compared with the previous year, less than growth in net sales.
In particular, sales costs increased by 6.2%, mainly reflecting higher personnel costs.

The 7.6% year-on-year rise in general and administrative costs mainly reflects the financial effects of investments in the new integrated IT platform, used by the Company from 1 January 2011, as well as the strengthening of the structure in certain specific and strategic areas of the organisation.

The decrease in other recurring operating income and costs, which at 31 December 2011 comprised total net charges of € 1,971 thousand, is mainly due to a smaller provision for risks in respect of trade receivables compared with the amount required a year earlier.

Capital gains on the sale of buildings include a capital gain of € 0.3 million relating to the sale of property held by Campari Schweiz in the canton of Ticino.

Other non-recurring operating income and costs, amounting to net costs of € 973 thousand, included a net capital gain of € 1,777 thousand deriving from the agreement to sell the Ponte Galeria area in Rome and the associated building rights. A capital loss of € 799 thousand was also entered under other operating income and costs, generated by the sale of assets in the Sulmona industrial area, which had not been used since 2007, for € 5,700 thousand, as well as a capital loss of € 320 thousand from the disposal of various maintenance materials remaining at the production site but no longer usable. Both these assets were already recognised in the 2010 financial statements under non-current assets held for sale. Lastly, other non-recurring operating income and costs also include an employment liability of € 524 thousand.

Other non-recurring operating income and costs also include € 921 thousand in charges for penalties relating to tax declarations, which are described more extensively in note 17 (Current and deferred taxes).

A breakdown of non-recurring income and charges is shown in the following table:

	2011 €/000	2010 €/000
Capital gains on disposals of fixed assets	1,777	929
Total other non-recurring income	**1,777**	**929**
Accrual of provision for risks and charges	(981)	(1,695)
Capital losses on disposals of fixed assets	(799)	-
Personnel restructuring costs	(524)	(924)
Rental fees	-	(1,090)
Miscellaneous non-recurring charges	(446)	(625)
Total other non-recurring charges	**(2,750)**	**(4,334)**
Other non-recurring income (charges)	**(973)**	**(3,405)**

11. Depreciation and amortisation

The depreciation and amortisation reported in the income statement are broken down by asset type as follows. It should be noted that there were no impairment losses in the two periods reported.

	2011 €/000	2010 €/000
Depreciation, amortisation and any losses in value:		
- Depreciation of tangible assets	12,372	12,230
- Amortisation of intangible assets	2,644	1,856
	15,016	**14,086**
of which		
Amounts included in cost of goods sold:		
- Depreciation of tangible assets	9,544	9,506
- Amortisation of intangible assets	15	21
Included in sales costs		
- Depreciation of tangible assets	133	97
- Amortisation of intangible assets	-	-
Included in overheads:		
- Depreciation of tangible assets	2,695	2,627
- Amortisation of intangible assets	2,629	1,835
	15,016	**14,086**

12. Personnel costs

This item breaks down as follows:

	2011 €/000	2010 €/000
Salaries and wages	34,318	32,016
Social security contributions	10,374	10,035
Other costs	1,666	1,718
Costs for post-employment benefits	2,520	2,486
Cost of share-based payments	4,346	4,147
	53,224	**50,402**
of which		
Included in cost of goods sold	19,396	18,893
Included in sales costs	12,085	11,315
Included in general and administrative expenses	21,219	19,520
Included in non-recurring costs	524	674
	53,224	**50,402**

13. Miscellaneous management costs

	2011 €/000	2010 €/000
Taxes and penalties	2,532	1,262
Entertainment costs	759	977
Membership fees	601	525
Newspapers, journals and other publications	154	141
Charitable donations	98	338
Wine consortium costs	516	490
Capital losses on the sale of tangible assets	289	8
Capital losses on the sale of real estate	510	-
Capital losses on the scrapping of materials	60	89
Costs for managing leased buildings	11	18
Free gifts	394	470
Expenses relating to faulty bottling habillage	-	499
Expenses relating to previous financial years	38	2,520
Miscellaneous expenses	601	2,858
	6,563	**10,195**
of which		
Included in cost of goods sold	1,543	3,511
Included in advertising and promotional expenses	696	1,930
Included in sales costs	436	585
Included in general and administrative expenses	1,983	3,545
Included in non-recurring operating costs	1,905	624
	6,563	**10,195**

14. Other costs

Rental costs on operating leases are broken down below.

	2011 €/000	2010 €/000
Hardware	511	476
Software	47	35
Cars	1,583	1,621
Lifting apparatus	113	189
Plant equipment	93	97
Protective clothing	152	97
Photocopiers	138	114
Gym equipment	32	40
Tanks	40	27
Pallets	80	-
Other	22	20
	2,811	**2,716**

15. Research and development costs

The Company's research and development activities relate solely to ordinary production and commercial activities, in particular, product quality control and packaging studies, the cost of which (€ 1,692 thousand) is included in advertising and promotional expenses.
These costs are not capitalised, but fully expensed to the income statement in the period when incurred.

16. Net financial income and charges

The table below shows the changes in the items relating to financial income and charges between 2009 and 2010.

	2011 €/000	2010 €/000
Bank and term deposit interest	1,196	518
Dividends from other companies	7	6
Other income	141	37
Total financial income	**1,344**	**561**
Net interest payable on bonds and private placements	(24,709)	(22,237)
Interest payable on leases	(88)	(108)
Interest payable to banks and on loans	(27)	(80)
Miscellaneous interest payable	(87)	-
Total interest payable to third parties	**(24,911)**	**(22,425)**
Net interest payable to Group companies in respect of centralised cash system	(310)	(520)
Interest on loans from Group companies	(5,357)	(4,085)
Total interest payable to Group companies	**(5,667)**	**(4,605)**
Total interest payable	**(30,578)**	**(27,030)**
Actuarial effects relating to defined benefit plans	(328)	(338)
Bank charges	(371)	(63)
Other charges and exchange rate differences	(72)	(351)
Total financial charges	**(31,349)**	**(27,782)**
Income from financial assets	-	784
Other non-recurring financial charges	**(1,767)**	-
Non-recurring financial income (charges)	**(1,767)**	**784**
Net financial income (charges)	**(31,772)**	**(26,437)**

Financial management for the period shows an overall result of € 31,772 thousand in net financial charges, representing an increase on the previous year. This increase partly reflects the higher cost of debt in 2011, as well as the recognition of € 1,767 thousand in non-recurring charges relating to interest payable on taxes for previous years arising as a result of tax investigations, which are more extensively described in note 17 (Current and deferred taxes). Finally, the year-on-year comparison was influenced by the absence of € 784 thousand in non-recurring income posted in 2010 arising from the definitive sale of the receivables from Lehman Brothers International Europe.

The financial income and charges arising from bond issues and the related hedging instruments are shown below.

	2011 €/000	2010 €/000
Financial charges payable to USD bondholders	(10,075)	(10,351)
Financial charges payable to USD bondholders	(18,813)	(18,757)
Financial charges payable to bondholders (coupons)	**(28,888)**	**(29,108)**
Financial charges relating to bond derivative (in USD)	(9,241)	(8,835)
Financial charges relating to bond derivative (Eurobond)	(7,871)	(7,595)
Total financial charges relating to derivatives	**(17,112)**	**(16,430)**
Financial income relating to bond derivative (in USD)	10,084	10,351
Financial income relating to bond derivative (Eurobond)	10,750	12,831
Total financial income from derivatives	**20,834**	**23,182**
Net cost of coupons and hedges	**(25,166)**	**(22,356)**
Net changes in fair value and other amortised cost components	(359)	(503)
Cash flow hedge reserve reported in the income statement during the year	816	622
Net interest payable on bonds and private placements	**(24,709)**	**(22,237)**

More information on financial management performance is provided in the notes on the financial situation and financial instruments (note 38).

17. Current and deferred taxes

Details of current and deferred taxes included in the Company's income statement are as follows:

	2011 €/000	2010 €/000
Income tax - current		
- taxes for the year	38,433	20,446
- taxes relating to previous financial years	4,729	604
Income tax - deferred		
- liabilities	799	(103)
- assets	1,744	5,766
Provisions	-	6,456
Income tax reported in the income statement	**45,705**	**33,169**

Taxes relating to previous financial years reflect the conclusion of two agreements regarding litigation with the tax authorities for 2005 and 2006. The facilitated settlement of the potential litigation entailed total interest of € 1,767 thousand, reported under non-recurring financial charges, and penalties amounting to € 981 thousand, reported under other non-recurring charges.
The amounts of current and deferred taxes credited and debited directly to shareholders' equity during the period relate only to the valuation at fair value of cash flow hedging contracts on bonds.

	2011 €/000	2010 €/000
Deferred taxes relating to items debited or credited to shareholders' equity		
- Deferred tax assets	-	(16)
- Deferred tax liabilities	(1,435)	1,556

Taxes are calculated based on the regulations in force, applying the current rate of 27.5% for IRES and 3.9% for IRAP.
The following table shows a reconciliation of the theoretical tax charge with the Company's actual tax charge.

The theoretical rate used is that in force on the reporting date, based on legal provisions, taking into account the rates for both IRES and IRAP, which have different tax bases.
Tax base differences are included under the permanent differences item.

	2011	2010
	€/000	€/000
Profit before tax	**232,103**	**108,602**
Current tax rate	31,40%	31,40%
Theoretical taxes	72,880	34,101
Permanent differences	(32,064)	(3,728)
Other differences	4,889	2,796
	(27,175)	(932)
Effective tax charge	**45,705**	**33,169**
Effective tax rate	19,69%	30,54%

Pre-tax profit represents the income on which tax is calculated, in accordance with current tax regulations.
Permanent differences mainly concern the tax effect of dividends received from subsidiaries.
Other differences are mainly due to the total tax relating to previous years.

Details of deferred tax assets and liabilities posted to the income statement and statement of financial position are broken down by nature below:

	Statement of financial position		Income statement	
	31 December 2011	31 December 2010	2011	2010
	€/000	€/000	€/000	€/000
Deferred tax assets				
Deferred expenses	513	831	318	250
Taxed funds	1,220	1,830	610	(1,654)
Other	3,637	4,453	816	(4,362)
Total deferred tax assets	**5,370**	**7,114**	**1,744**	**(5,766)**
Deferred tax liabilities				
Accelerated depreciation	(2,622)	(3,775)	(1,153)	607
Capital gains subject to deferred taxation	(1,150)	(606)	544	1,035
Goodwill and brands deductible locally	(12,651)	(10,560)	2,091	(2,091)
Leasing	(2,629)	(2,629)	-	-
Other	(497)	(2,614)	(683)	552
Total deferred tax liabilities	**(19,549)**	**(20,184)**	**799**	**103**
Total	**(14,179)**	**(13,070)**	**2,543**	**(5,663)**

A breakdown of all the changes is given in the tables below.

Deferred tax assets and liabilities

Deferred taxes arise solely from temporary differences and mainly relate to the creation of taxed provisions, such as provisions for inventory write-downs, provisions for miscellaneous risks and future liabilities, bad debt provisions and costs that are deductible on the basis of certain tax measures, such as taxes and directors' remuneration.
Temporary differences involving the reporting of deferred tax liabilities relate mainly to accelerated depreciation and amortisation and the deferral of capital gains carried out in previous years.
The rates applied for the purpose of allocating deferred tax assets correspond to those in force, based on existing regulations, in the period in which the related release is expected (the current rate of 27.5% for IRES and 3.9% for IRAP).
The amounts credited and debited in relation to this item are taken from the income statement for the period, or are recorded directly under shareholders' equity if the temporary difference is also recorded under shareholders' equity.
The table below summarises the deferred tax assets and liabilities reported and the related effects.

Type of temporary difference (*)	31 December 2011 Amount of temporary difference	Tax effect IRES 27.5% IRAP 3.9%	31 December 2010 Amount of temporary difference	Tax effect IRES 27.5% IRAP 3.9%
	€/000	€/000	€/000	€/000
Deferred tax assets				
Entertainment costs	-	-	61	19
Miscellaneous reserves	4,317	1,220	6,546	1,830
Write-downs of assets listed under fixed assets	2,993	859	917	288
Cash flow hedge reserve	2,177	599	2,560	704
Differences arising from depreciation/amortisation	4,191	1,234	3,967	1,173
Directors' remuneration	1,317	362	2,418	665
Other	3,834	1,096	8,694	2,435
Total deferred tax assets	**18,829**	**5,370**	**25,163**	**7,114**
Deferred tax liabilities				
Differences arising from depreciation/amortisation	8,545	2,350	12,736	3,503
Capital gains spread over a number of years	4,182	1,150	2,205	606
Inventories	2,195	457	2,674	810
Cash flow hedge	144	40	6,559	1,804
Leasing	8,101	2,629	8,101	2,629
Brand amortisation	40,290	12,651	33,631	10,560
Other	945	272	945	272
Total deferred tax liabilities	**64,402**	**19,549**	**66,851**	**20,184**
Total deferred tax liabilities, net of deferred tax assets	**45,573**	**14,179**	**41,688**	**13,070**

(*) IRAP tax effect where applicable

The change in the balance of deferred tax assets, of € 1,744 thousand, is broken down below.

	€/000
Deferred tax assets at 31 December 2010	**7,114**
IRES deferred tax assets in the year	1,946
IRES deferred tax assets in the year (from cash flow hedging)	-
Use of IRES deferred tax assets in the year	(3,589)
Use of IRES deferred tax assets in the year (from cash flow hedging)	(106)
Adjustment to IRES deferred tax assets relating to previous financial years	7
Use of IRAP deferred tax assets	(5)
Adjustment to IRAP deferred tax assets relating to previous financial years	3
Total change in the year	(1,744)
Deferred tax assets at 31 December 2011	**5,370**

The change in deferred tax liabilities in the period, of € 636 thousand, is shown below.

	€/000
Deferred tax liabilities at 31 December 2010	**20,184**
Increase in IRES deferred tax liabilities in the year	2,890
Increase in IRES deferred tax liabilities in the year (from cash flow hedging)	-
Use of IRES deferred tax liabilities in the year	(1,799)
Use of IRES deferred tax liabilities in the year (from cash flow hedging)	(1,764)
Increase in IRAP deferred tax liabilities in the year	260
Use of IRAP deferred tax liabilities in the year	(222)
Total change in the year	**(635)**
Deferred tax liabilities at 31 December 2011	**19,549**

The use of IRES deferred tax liabilities for the year includes the tax effect on adjustment to the cash flow hedge reserve booked under shareholders' equity as well as the tax effect on reversal. The reserve was increased in response to the hedging instrument on the bond issue (see note 38 - Financial instruments).

18. Net tangible fixed assets

	Land and buildings	Plant and machinery	Other	Total
	€/000	€/000	€/000	€/000
Carrying value at start of period	104,235	139,078	12,653	255,966
Accumulated depreciation at start of period	(25,679)	(97,278)	(9,484)	(132,441)
Balance at 31 December 2010	**78,556**	**41,800**	**3,169**	**123,525**
Capital expenditure	2,332	3,776	1,631	7,739
Disposals	-	(331)	(13)	(344)
Depreciation	(2,883)	(8,355)	(1,115)	(12,353)
Reclassification from "assets held for sale"	-	-	-	-
Other reclassifications	(2,265)	35	2,230	-
Write-downs	(4)	(56)	-	(60)
Other changes	-	-	-	-
Balance at 31 December 2011	**75,736**	**36,869**	**5,902**	**118,507**
Carrying value at end of period	103,285	128,909	17,127	249,321
Accumulated depreciation at end of period	(27,549)	(92,040)	(11,225)	(130,814)

These factors are described in more detail below.

Land and buildings

This item mainly includes the land that the Novi Ligure facility occupies, the buildings essential for carrying out the business, i.e. the building that accommodates the Company's headquarters and the Crodo, Canale and Novi Ligure production units.
The Novi Ligure industrial complex is covered by a finance leasing contract signed on 16 February 2004.
This item also includes the water system, plumbing works and light buildings.
The increase registered for the year of € 2,332 thousand mainly relates to rebuilding and improvement works at the Canale industrial site for € 1,457 thousand and the completion of green and external spaces at the Company headquarters for a total of € 536 thousand. Other, less extensive work was also carried out at the other production units.

Plant and machinery

The item includes plant and machinery and tanks for the production units, as well as the facilities attached to the building that houses the Company's headquarters.
It also includes equipment at the Novi Ligure site, which is covered by a finance lease.
The increase mainly relates to investments in production lines at the facilities, specifically investments in new plants to expand the production lines of the Novi Ligure facility totalling € 2,402 thousand, in cellars and lines for producing liqueurs and sparkling wines and in the Aperol production lines at the Canale site totalling € 961 thousand, and investments of € 307 thousand in the Crodo production unit.
The decreases during the year mainly include the sale of some production lines with a net carrying value of € 331 thousand.

Other

This item includes various equipment, including laboratory apparatus and other assets such as furniture, office machines, electronic machines, minor equipment, cars and goods vehicles.
The increase mainly relates to furniture and fittings for € 774 thousand, principally for completion of the area dedicated to the history and development of the aperitif at Galleria Campari at the Sesto San Giovanni headquarters, and to purchases of industrial equipment for € 338 thousand.

Tangible assets by ownership

The following table provides a breakdown of tangible fixed assets by ownership.

	Owned fixed assets	Fixed assets under finance leases	Total
	€/000	€/000	€/000
Land	615	2,553	3,168
Buildings	55,339	17,229	72,568
Plant and machinery	36,458	411	36,869
Industrial equipment	3,039	-	3,039
Other assets	2,863	-	2,863
	98,314	**20,193**	**118,507**

Also note that the leasing contract on the Novi Ligure industrial complex expires in February 2012.

Additional information is provided below, in accordance with paragraph 79 of IAS 16.

	Land and buildings	Plant and machinery	Other	Total
	€/000	€/000	€/000	€/000
Gross value of fully depreciated assets still in operation	2.820	45,700	8,210	56,730
Net value of assets removed from service and not classified as held for sale	-	520	20	540

19. Investment property

Investment property (€ 531 thousand) consists of apartments and commercial premises in Milan and Verbania.
It also includes two buildings in rural locations in the province of Cuneo. Depreciation of € 19 thousand was reported under overheads.
These buildings are recorded in the financial statements at their approximate fair value at the reporting date.

20. Goodwill and brands

Goodwill and brands are recorded at € 307,082 thousand and € 120,542 thousand respectively.
There were no changes during the year.
The goodwill was generated following the merger of subsidiaries.

Specifically, the goodwill relating to the merger into the Parent Company of Francesco Cinzano & C.ia S.p.A. (completed in 2003), Campari-Crodo S.p.A. (completed in 2004) and Barbero 1891 S.p.A. (2006) is reported at € 71,046 thousand, € 98,177 thousand and € 137,859 thousand respectively.
Goodwill is not amortised, but is instead subject to impairment tests which are carried out annually, or more frequently if events or changes in circumstances indicate a possible loss.

Brands include the value of the brands Glen Grant (€ 98,264 thousand), Riccadonna (€ 11,300 thousand), Old Smuggler and Braemar (€ 6,000 thousand), Cynar in Brazil and Switzerland (€ 1,626 thousand), Cinzano (€ 771 thousand), X-Rated Fusion Liqueur on international markets (€ 1,553 thousand) and Mondoro in the US (€ 1,028 thousand).
Brands are not amortised because they are deemed to have an indefinite useful life, and are instead subject to impairment tests on an annual basis, or more frequently if events or changes in circumstances indicate a possible loss of value.

At 31 December 2011, the impairment tests carried out on both brands and goodwill reported in the financial statements did not reveal any permanent loss of value.

21. Impairment

The company ascertains the possibility of recovering amounts relating to goodwill and brands that are recorded in the financial statements by carrying out impairment tests annually, or more frequently if there are indications of a loss in value.
The recoverability of the amounts relating to goodwill and brands is assessed through an estimate of their value in use, which is the present value of future cash flows discounted at a rate that reflects the time value of money and specific risks on the valuation date.
For the purposes of the impairment tests, the amounts for goodwill and brands were allocated to the respective units (or groups of units) that generate cash flows ("cash generating units" of CGUs) on the reporting date. The company identified the CGUs in the businesses, or groups of business acquired by them, that correspond to an individual brand or portfolios of brands, or to entities that produce and / or distribute one or more brands.
Estimates of cash flows generated by individual CGUs were used for estimating the recoverable value based on value in use.
Forecasts of operating cash flows come from the 2012 budget and the strategic plans prepared by the Group's subsidiaries in 2011 for the period 2013-2016.
In addition, the five-year plan was adapted for a ten-year period, factoring in medium to long-term growth rates, which do not exceed the average long-term growth rates for the market in which the Group operates.
The use of a ten-year period was justified by the extension of the life cycle of the brands in the spirit market, as well as the length of the ageing process of certain brands in some CGUs.
The key assumptions used to determine the value in use of the CGUs are the operating cash flow projections on a ten year period, the discount rate and the growth embedded in the terminal value.
The cash flows were projected based on the historical growth rate and on reasonable management expectations on future growth.

Estimates of future cash flows were calculated based on prudent criteria in respect of growth rates and trends in profit margins. In addition, projections are based on reasonableness, prudence and consistency with respect to the allocation of future general expenses, trends in capital investment, conditions of financial equilibrium and the main macroeconomic variables.
Estimates of future cash flows were determined by also taking into account the Group's historical averages. Cash flow projections relate to current operating conditions and therefore do not include cash flows connected with any one-off operations.
For the purposes of determining the terminal value, the perpetuity growth method of discounting was used. Specifically, the terminal growth rate was taken to be 1.5%, which does not exceed the sector's estimated long-term growth rate.
Moreover, in view of the large amount of stock on hand required to finance the future development of those CGUs whose main business relates to products with a long ageing period, it was considered appropriate also to use the exit multiple method to determine the terminal value in order to take into account the excess stocks of ageing liquid.
The value in use of the CGUs was calculated by discounting the estimated value of future cash flows, including the terminal value, which it is assumed will derive from the continuing use of the assets, at a discount rate (net of taxes and adjusted for risk) that reflects the weighted average cost of capital.
Specifically, the discount rate used is the Weighted Average Cost of Capital ('WACC'), which was determined with reference to observable market indicators and parameters, the present value of money and specific risks connected with the business being valued: a discount rate of 8.6% was used on the date that the valuation was performed.
Furthermore, to estimate the recoverable value, as a control method with respect to the main methodology based on estimated value in use, the fair value criterion less sales costs was used, in conjunction with the comparable transactions multiples method.
This methodology applies parameters to the CGU being valued that were deduced from the valuation attributed to a comparable company acquired in an active market: these are implicit parameters or multipliers deduced from the ratio of the price paid to acquire comparable companies to specific economic and financial indicators relating to those companies.
The procedure to identify a relevant sample consists of selecting a number of recent transactions relating to the acquisition of companies with similar characteristics based on operational and financial criteria.
For the purposes of determining the fair values of the CGUs, the EV/EBITDA multiple was used.

The use of this multiplier is considered particularly effective as it avoids distortions caused by the different tax regulations and financial structures, is less sensitive to distortions caused by variations in extraordinary profit, and facilitates comparison at international level.
At 31 December 2011, based on the methodologies and assumptions set out above, the impairment tests revealed that the value of goodwill and brands was fully recoverable.
To take into account current market volatility and uncertainty over future economic prospects, sensitivity analyses have been carried out to assess the recoverability of amounts relating to goodwill and brands.
Specifically, a sensitivity analysis of recoverable values was carried out based on the assumption of a half-point increase in WACC and a half-point reduction in the terminal growth rate.
The sensitivity analysis described above confirmed that the values of the goodwill and brands of the CGUs are fully recoverable.
In addition, the results of the sensitivity analysis performed on the recoverable amount show that a reasonable change in the key assumptions would not cause the carrying amount to exceed the recoverable amount of the most significant CGUs in terms of goodwill and trademark value (including Barbero, Glen Grant, and the former Bols products).

The allocation of goodwill and brands at 31 December 2011 is reported in the table below. Please see note 23 – Investments in affiliated companies for details.

	31 December 2011 €/000	31 December 2010 €/000
Brands		
Riccadonna	11,300	11,300
Cinzano	771	771
Cynar (Brazil and Switzerland)	1,626	1,626
X-Rated	1,553	1,553
Glen Grant	98,264	98,264
Mondoro (USA)	1,028	1,028
Old Smuggler	6,000	6,000
Total brands	**120,542**	**120,542**
Goodwill		
from Francesco Cinzano & C.ia S.p.A. merger	71,046	71,046
from Campari-Crodo S.p.A. merger (former Bols products)	98,177	98,177
from Barbero 1891 S.p.A. merger	137,859	137,859
Total goodwill	**307,082**	**307,082**

22. Intangible assets with a finite life

Changes in this item are indicated in the table below.

	Software €/000	Other €/000	Total €/000
Carrying value at start of period	3,824	23,390	27,214
Accumulated amortisation at start of period	(3,207)	(8,396)	(11,603)
Balance at 31 December 2010	**617**	**14,994**	**15,611**
Additions	2,462	2,779	5,241
Disposals	(162)	(2,364)	(2,526)
Amortisation for the period	(1,971)	(673)	(2,644)
Write-downs	-	-	-
Reclassifications and other changes	3,699	(3,699)	-
Balance at 31 December 2011	**4,645**	**11,037**	**15,682**
Carrying value at end of period	17,817	11,935	29,751
Accumulated amortisation at end of period	(13,171)	(898)	(14,069)

Significant investments in information technology relate to the completion of major projects to incorporate Parent Company IT systems into the new global Group platform. The systems of all the Group companies will also be integrated in the next few years. These investments were made not only for operational purposes, but also for various processes in business intelligence and business process management systems.

These entailed the purchase of user and software licences totalling € 1,035 thousand, and the finalisation of further incremental spending on software for € 3,274 thousand, part of which, relating to work in progress, is reported under Other fixed assets.

23. Investments in subsidiaries

During the year, the Company paid capital grants to subsidiary Campari do Brasil Ltda. totalling € 9,500 thousand. In August the Company finalised the acquisition of Sagatiba Brasil S.A., which owns the leading brand and is growing rapidly on the Brazilian premium *cachaça* market.
During the year, the wholly-owned subsidiary Zedda Piras S.p.A. was also incorporated by reverse merger into Sella & Mosca S.p.A., 88%-owned by Zedda Piras S.p.A.. As the remaining 12% of the capital of the incorporating company was also owned by Parent Company Davide Campari-Milano S.p.A., article 2505 c.1 of the Italian Civil Code applies and therefore no provision was made for an exchange ratio or capital increase by the incorporating company (except as necessary to reconstitute the current share capital) after cancellation of the equity investment in the company being merged.
Other changes recorded in the value of shareholdings relate to the booking of portions of stock option plans issued by the Company, with options allocated to directors and employees of subsidiaries, and the related recognition of the capitalisation at the subsidiaries themselves.
The negative difference remains between the cost recorded in relation to the Campari do Brasil Ltda. and Zedda Piras S.p.A. equity investments and the related portion of shareholders' equity. However, this difference does not represent impairment, according to the impairment tests carried out.

Description	31 December 2010 €/000	Increases €/000	Decreases €/000	31 December 2011 €/000
Campari do Brasil Ltda	115,910	9,945	22	125,833
DI.CI.E Holding B.V.	29,686	1,616	169	31,133
Redfire, Inc.	495,628	694	-	496,322
Campari Benelux S.A.	64,001	-	-	64,001
T.J. Carolan&Son Ltd.	100,781	13	-	100,794
Turati Ventisette S.r.l,	25	-	-	25
Zedda Piras S.p.A.	81,675	-	81,675	-
Sella & Mosca S.p.A.	4,196	81,904	36	86,064
	891,902	**94,172**	**81,902**	**904,172**

Investments in subsidiaries			Share capital	Shareholders' equity at 31 December 2011	Profit/loss at 31 December 2011	Percentage investment		Carrying value
Name	Head office	Currency	Amount	€/000	€/000	Direct	Indirect	€/000
Cabo Wabo LLC	San Francisco	US$	100,000	78	0		100	
Campari (Beijing) Trading Co. Ltd.	Beijing	RMB	25,189,930	-3,177	-1,589		100	
Camargen SRL	Buenos Aires	AR$	11,750,000	1,882	218		100	
Campari Argentina S.A.	Buenos Aires	AR$	125,213,591	22,040	533		100	
Campari Australia PTY Ltd.	Sydney	AU$	21,500,000	23,467	7,560		100	
Campari Austria Gmbh	Vienna	€	500,000	2,145	1,638		100	
Campari Deutschland GmbH	Oberhaching	€	5,200,000	21,565	16,079		100	
Campari do Brasil Ltda	Barueri	BRC	239,778,071	103,848	4,603	100		125,833
Campari Benelux S.A.	Brussels	€	246,926,407	292,248	7,797	26	74	64,001
Campari France	Nanterre	€	2,300,000	5,830	22		100	
Campari International S.A.M.	Monaco	€	70,000,000	75,238	3,284		100	
Campari Japan Ltd.	Tokyo	JPY	3,000,000	72	1		100	
Campari Schweiz A.G.	Baar	CHF	2,000,000	5,275	1,926		100	
CJSC Odessa Sparkling Wine Company	Odessa	UAH	48,041,016	3,660	-3,337		99.80	
Vasco (CIS) OOO	Moscow	RUB	10,000,000	-2,056	-1,996		80.00	
Campari Mexico S.A. de C.V.	Jalisco	MXN	294,945,500	11,988	74		100	
DI.CI.E Holding B.V.	Amsterdam	€	15,015,000	422,727	20,459	100		31,133
Glen Grant Distillery Company Ltd.	Rothes	GBP	0	0	503		100	
Glen Grant Ltd.	Rothes	GBP	24,949,000	114,585	-18,261		100	
Gregson's S.A.	Montevideo	UYU	175,000	507	22		100	
Kaloyannis-Koutsikos Distilleries S.A.	Volos	€	8,884,200	9,284	1,120		75	
Vahrol B.V.	Amsterdam	€	90,000	377	-51		80	
Rare Breed Distilling LLC	Delaware: (operational headquarters: Lawrenceburg	US$	655,794,461	508,195	4,185		100	
Red Fire Mexico S. de R.L. de C.V.	Jalisco	MXN	1,254,250	-154	-70		100	
Redfire, Inc.	Delaware: (operational headquarters: San Francisco	US$	566,321,274	617,498	38,385	100		496,322
Sella&Mosca Commerciale S.r.l.	Alghero	€	100,000	2,013	-226		100	
Sella&Mosca S.p.A.	Alghero	€	15,726,041	33,071	2,143	100		86,064
Skyy Spirits, LLC	San Francisco	US$	54,897,463	85,955	50,255		100	
Société Civile du Domaine de la Margue	Saint Gilles	€	6,793,200	438	-519		100	
Lamargue SARL	Saint Gilles	€	750,000	583	-167		100	
T.J. Carolan&Son	Dublin	€	2,600	138,392	6,109	76.92	23.08	100,794
Turati Ventisette S.r.l,	Sesto San Giovanni, Milan	€	20,000	13	-2	100		25
Total investments in subsidiaries								**904,172**

Investments in affiliated companies			Share capital	Shareholders' equity at 31 December 2011	Profit/loss at 31 December 2011	Percentage investment		Carrying value
Name	Head office	Currency	Amount	€/000	€/000	Direct	Indirect	€/000
International Marques V.O.F.	Harleem	€	210,000	563	345		33.33	

24. Other non-current assets

	31 December 2011 €/000	31 December 2010 €/000
Fair value on derivatives	13,172	3,630
Non-current financial assets	**13,172**	**3,630**
Equity investments in other companies	**150**	**150**
Security deposits	8	9
Receivables from other parties	1	1
Tax credits	515	515
Other non-current receivables	**524**	**525**
	13,846	**4,305**

Equity investments in other companies have been shown in euro for greater clarity.

	31 December 2011 €	31 December 2010 €
Ag.Pollenzo Bra	77,446	77,446
Emittente Titoli S.p.A.	38,257	38,257
Società Cooperativa Lavorazione Vinacce	16,009	16,009
Soc.Cons.For.Alba	6,000	6,000
Sapi Immobiliare Padua	5,320	5,320
Unione Italiana Vini (Italian Wines Union)	4,638	4,638
Conai	1,097	1,097
ISTUD Istituto Studi Direzionali S.p.A.	1,033	1,033
Banca Credito Coopoerativo Alba	220	220
Pejo Funivie	10	10
Alberghi popolari	1	1
Gazzetta Vinicola	1	1
Società Promozione Piemonte (Piedmont Promotions Company)	1	1
Equity investments in other companies	**150,033**	**150,033**

Non-current financial assets include the derivative used to hedge the interest rate on the Euro-denominated bond issued on the European market in 2009, recorded at its fair value on 31 December 2011 (€ 350,000 thousand). The interest rate swap with a variable rate of 6-month Euribor +210 basis points was negotiated in 2009 on an underlying of € 250,000 thousand, and reduced to € 200,000 thousand during 2010.
At 31 December 2010, the valuation of this financial instrument represented an asset of € 3,630 thousand.

25. Inventories

This item breaks down as follows:

	31 December 2011 €/000	31 December 2010 €/000
Raw materials	6,742	12,380
Packaging materials	5,634	5,490
Ancillary materials	1,437	1,221
Maintenance materials	1,364	1,553
Work in progress and semi-finished products	30,635	36,795
Finished products and goods for resale	31,774	32,131
	77,586	**89,570**

Inventories are reported minus the relevant provisions for write-downs. The changes are shown in the table below.

	€/000
Balance at 31 December 2010	**24**
Accruals	167
Utilisations	(24)
Balance at 31 December 2011	**167**

The value of inventories at 31 December 2011 was lower than in the previous year, reflecting more efficient stock flows and more effective inventory planning.
The write-down of the inventories figure at 31 December 2010 relates to stocks that were destroyed during the year, which led to the use of the relevant provisions for write-downs created the previous year.
The impact on the income statement of the change in inventories totals € 11,984.

26. Trade receivables and other receivables

	31 December 2011 €/000	31 December 2010 €/000
Trade receivables		
Trade receivables from external customers - Italy	32,320	40,760
Receivables in respect of contributions to promotional costs	6,668	9,465
Trade receivables from external customers - exports	78	423
Trade receivables from related parties	50,315	31,276
	89,381	**81,924**
Tax credits	298	273
Non-trade receivables from customers	3,317	1,172
Payments on account on tangible assets	195	34
Receivables from suppliers	1,428	1,199
Receivables from agents	12	-
Agricultural levies receivable	35	114
Receivables from employees	320	136
Receivables from pension organisations	377	303
Receivables from related parties	4,475	3,343
Receivables for prepaid costs	921	410
Receivables from others	16	19
Miscellaneous doubtful receivables	178	603
Miscellaneous bad debt provisions	(178)	(328)
	11,394	**7,278**

For further details on receivables from related parties, please refer to note 41 - Related parties.
These receivables are all due within 12 months.
Receivables from tax authorities consist of various tax refunds.

The table below breaks down receivables by maturity.
For the purpose of this analysis, other receivables from third parties exclude payments on account to suppliers of fixed assets, receivables from suppliers for the corresponding advance payments, tax receivables and receivables from employees and pension organisations.

31 December 2011	Trade receivables from external customers €/000	Receivables in respect of contributions to promotional costs €/000	Trade receivables from related parties €/000	Other receivables from third parties €/000	Other receivables from related parties €/000	Total €/000
Not due and not written down	7,893	5,000	50,315	1,619	2,033	66,860
Due and not written down:						
Less than 30 days	7,236	784	-	483	-	8,503
30 - 90 days	6,651	766	-	758	2,335	10,510
Within 1 year	6,083	113	-	508	-	6,704
Within 5 years	1,054	5	-	-	-	1,059
Due after 5 years	50	-	-	-	-	50
Total due and not written down:	21,074	1,668	-	1,749	2,335	26,826
Due and written down	6,791	-	-	(178)	-	6,613
Amount written down	(3,360)	-	-	178	-	(3,182)
	32,398	6,668	50,315	3,368	4,368	97,117
Receivables not significant for breakdown by maturity	-	-	-	3,551	107	3,658
Total	32,398	6,668	50,315	6,919	4,475	100,775

31 December 2010	Trade receivables from external customers	Receivables in respect of contributions to promotional costs	Trade receivables from related parties	Other receivables from third parties	Other receivables from related parties	Total
	€/000	€/000	€/000	€/000	€/000	€/000
Not due and not written down	15,320	7,555	31,276	1,085	2,743	57,979
Due and not written down:						
Less than 30 days	11,422	599	-	37	(530)	11,528
30 - 90 days	7,650	805	-	16	104	8,575
Within 1 year	2,549	264	-	165	341	3,319
Within 5 years	457	242	-	2	183	884
Due after 5 years	61	-	-	-	(1)	60
Total due and not written down:	22,139	1,910	-	220	97	24,366
Due and written down	7,132	-	-	603	-	7,735
Amount written down	(3,408)	-	-	(328)	-	(3,736)
	41,183	9,465	31,276	1,580	2,840	86,344
Receivables not significant for breakdown by maturity	-	-	-	2,355	503	2,858
Total	41,183	9,465	31,276	3,935	3,343	89,202

Trade receivables at 31 December 2011 were down on the previous year. The composition of these receivables, which are exclusively from national customers, are extremely varied in terms of the different market channels, their size and commercial characteristics, and importance of volumes. It includes a high number of clients from all over Italy, with a balance between the two sales channels (mass retail and purchasing consortia, and traditional retail) with a significant presence in the horeca (hotels/restaurants/cafés) sector.

The Company has an extremely broad product portfolio, formed of both the Campari Group's products and products distributed under licence.

There is no market concentration risk because the first ten customers account for only 19.73% of total sales.

The Company has a Credit Management department exclusively dedicated to monitoring the progress of receivables, chasing up payment and managing in a targeted and timely manner the exposure of individual customers using internal risk monitoring procedures.

Bad debts are pursued regularly with the assistance of lawyers in order to continuously update progress on individual cases. This is then reflected in the provisions for doubtful receivables.

Trade receivables from third parties for which there is impairment are classified as doubtful; these have mainly been due for more than one year and are the subject of legal proceedings.

These receivables totalled € 6,791 thousand at 31 December 2011, gross of write-downs; the related provisions for doubtful receivables of € 3,360 thousand posted a decrease in 2011 due to accruals of € 1,922 thousand and utilisation of € 1,970 thousand, due almost entirely to the settlement of lawsuits outstanding from previous years.

Losses recorded during the year came to 0.41% of sales.

Provisions for doubtful receivables are put in place to cover write-downs made to specific positions until the estimated realisable value is accurately represented in the financial statements.

Changes in provisions for doubtful receivables during the year are as follows:

	Provisions for doubtful receivables Trade receivables
	€/000
Balance at 31 December 2010	3,408
Accruals	1,922
Utilisations	(1,970)
Balance at 31 December 2011	**3,360**

Balance at 31 December 2009	134
From Campari Italia S.p.A. merger	2,540
Provisions from Campari Italia S.p.A. merger	2,128
Accruals	9
Utilisations from Campari Italia S.p.A. merger	(1,391)
Utilisations	(12)
Balance at 31 December 2010	**3,408**

The total value of trade payables falling due at the reporting date is € 7,893 thousand, representing 24.4% of total receivables (€ 32, 398). The amount expiring at the end of 2010 was € 15,320, representing 36.7% of the total receivables at this date (€ 41,183).
As shown in the table, 66% of the total relates to receivables that were less than 90 days past due at the reporting date.
The average number of days for payment to be made is 94.
Current receivables were down on the previous year. In addition, changes in the bands falling due within the year were entirely due to general financial difficulties experienced on the key markets. However, thanks to the stricter receivables management policy implemented by the Company, the average number of days for payment remained unchanged compared with the previous year, and total receivables decreased.
Lastly, the best estimate of the credit risk to which the Company is exposed corresponds to the total figure for bad debts of € 6,791 thousand.
Receivables in respect of contributions to promotional costs, of € 6,668 thousand, are recorded under commercial partners with which the Company has existing distribution licences, which also stipulate that promotional costs incurred relating to the brands distributed must be shared.
Trade payables to related parties, of € 50,315 thousand, are all due; see note 41 – Related parties, for further details.
Other doubtful receivables from third parties, gross of write-downs, totalled € 178 thousand, and the related provision for doubtful receivables of € 178 thousand posted utilisations of only € 150 thousand, as the following table shows.

	Provisions for doubtful receivables Other receivables €/000
Balance at 31 December 2010	328
Utilisations	(150)
Balance at 31 December 2011	**178**
Balance at 31 December 2009	235
From Campari Italia S.p.A. merger	12
Accruals	93
Utilisations from Campari Italia S.p.A. merger	(12)
Balance at 31 December 2010	**328**

27. Short-term financial receivables

	31 December 2011 €/000	31 December 2010 €/000
Net accrued swap interest income on bonds	1,147	1,399
Short-term financial receivables from related parties	43,813	40,088
Short-term financial receivables	**44,960**	**41,487**

Accrued interest on hedging derivatives relating to the Eurobond and the bond of the Parent Company (€ €1,147 thousand) reflects current market rates.
For further details on receivables from related parties, please refer to note 41 - Related parties.

28. Cash and equivalents and reconciliation with net debt

The table below provides a reconciliation of this item with the cash and cash equivalents shown on the statement of cash flows.

	31 December 2011	31 December 2010
	€/000	€/000
Current accounts at banks	45,084	27,134
Cash and liquidity	12	10
Term deposits	15,000	10,000
Total cash and cash equivalents	**60,096**	**37,144**

Cash and cash equivalents totalled € 60,096 thousand, significantly higher than in the previous year.
The reconciliation with the Company's net debt is set out below.

	31 December 2011	31 December 2010
	€/000	€/000
Cash and cash equivalents	60,096	37,144
Liquidity (A)	**60,096**	**37,144**
Short-term financial receivables (B)	**44,960**	**41,487**
Short-term bank debt	1	73
Other short-term financial payables	163,360	264,328
Short-term financial debt (C)	**163,361**	**264,401**
Net short-term financial debt (A+B+C)	**58,305**	**185,770**
Bonds issued	596,385	578,854
Other non-current payables	74,468	80,054
Medium/long-term financial debt (D)	**670,853**	**658,908**
Net financial debt (A+B-C-D)	**729,158**	**844,678**
Reconciliation with net debt:		
Other non-current receivables	13,171	3,630
Medium / long-term financial receivables	**13,171**	**3,630**
Net debt	**715,987**	**841,048**

For all information concerning the items that make up net debt excluding liquidity, see note 24 - Non-current financial receivables, note 27 - Short-term financial receivables and note 31 - Financial liabilities.

29. Non-current assets held for sale

During the year, assets of the Sulmona industrial complex that had not been productive since 2007 were sold for € 5,700 thousand. The transaction generated a capital loss of € 799 thousand, which was entered under other operating income and costs in the income statement.
The Ponte Galeria plot in Rome is subject to an agreement with the Rome municipal authorities, which is expected to be finalised in the first half of 2012. At 31 December 2011, the plot is reported at a value of € 1,231 thousand, corresponding to the compensation guaranteed by the municipal authorities for the expropriation of the land. This agreement involved the sale during the year by the Parent Company of the building rights, generating a net consideration of € 1,777 thousand reported under non-recurring income.
A residual portion of the Termoli site is still recorded under non-current assets held for sale, for € 1,022 thousand. Definitive but complex negotiations for the sale of the land are under way with potential buyers, with whom the difficult sales programme is being prepared.
Lastly, real estate assets in Crodo were booked, totalling € 38 thousand.

30. Shareholders’ equity

The Company manages its capital structure and makes changes to it depending on the economic conditions and the specific risks of the underlying asset.

To maintain or change its capital structure, the Company may adjust the dividends paid to the shareholders and/or issue new shares.
Note that risk capital management is carried out at Group level. Please see the relative notes to the consolidated financial statements.
For information on the composition and changes in shareholders' equity for the periods under review, please refer to "Statement of changes in shareholders equity".

Share capital

At 31 December 2011, the share capital was made up of 580,800,000 ordinary shares with a nominal value of € 0.10 each, fully paid-up.
Following a resolution of the shareholders' meeting of 29 April 2011, the Company allocated 2010 profit, equal to € 82,493 thousand, to the payment of dividends totalling € 34,600 thousand, equivalent to € 0.06 per outstanding share, to the legal reserve (€ 5,808 thousand) and to earnings carried forward (€ 42,085).

Outstanding shares and own shares

Changes in outstanding shares and own shares during the year were as follows:

	No. of shares			Nominal value		
	31 December 2011	31 December 2010	31 December 2009	31 December 2011	31 December 2010	31 December 2009
				€	€	€
Outstanding shares at the beginning of the period	578,522,820	287,945,880	288,459,253	57,852,282	28,794,588	28,845,925
Purchases for the stock option plan	(9,540,000)	(1,160,000)	(2,199,000)	(954,000)	(116,000)	(219,900)
Disposals for the stock option plan	8,470,615	1,491,496	1,685,627	847,061	149,150	168,563
Allocation of new shares for the capital increase	-	290,400,000	-	-	29,040,000	-
Allocation of new own shares held	-	(2,122,624)	-	-	(212,262)	-
Disposals made after the allocation of new shares	-	1,968,068	-	-	196,806	-
Outstanding shares at the end of the period	577,453,435	578,522,820	287,945,880	57,745,343	57,852,282	28,794,588
Total own shares held	3,346,565	2,277,180	2,454,120	334,657	227,718	245,412
Own shares as % of total shares	0,6%	0,4%	0,8%			

In 2011, 9,540,000 own shares were acquired at a purchase price of € 50,125 thousand, which equates to an average price of € 5.254 per share. In the same period, 8,470,615 own shares were sold for a sum of € 28,868 thousand.
In addition, subsequent to the reporting date for these financial statements, and until the authorisation of publication, further sales were carried out for a total of 903,110 own shares through the exercise of stock options. This brings the number of own shares held to 2,443,455.

Dividends paid and proposed

The table below shows the dividends approved and paid in 2010 and 2009 and the dividend subject to the approval of the shareholders' meeting to approve the financial statements for the year ending 31 December 2011.

	Total amount		Dividend per share	
	31 December 2011	31 December 2010	31 December 2011	31 December 2010
	€/000	€/000	€	€
Dividends approved and paid during the period on ordinary shares	34,600	34,593	0.06	0.06
Dividends proposed on ordinary shares	40,422(*)	34,726	0.07	0.06

(*) calculated on the basis of outstanding shares at the date of the Board of Directors' meeting on 12 March 2012.

Other reserves

	Reserve for own shares (€/000)	*Stock options* (€/000)	Cash flow hedge reserve (€/000)	Programme contract reserve (€)	Total (€/000)
Balance at 31 December 2010	**(9,085)**	**16,718**	**2,899**	**3,776**	**14,308**
Cost of stock options for the year		4,364			4,364
Purchase of own shares	(50,125)				(50,125)
Sale of own shares	40,387				40,387
Investments in portions of subsidiaries' stock options		2,997			2,997
Release for utilisations and not exercise		(8,303)			(8,303)
Cash flow hedging - adjustment in period			(3,782)		(3,782)
Reversals in period			(816)		(816)
Balance at 31 December 2011	**(18,823)**	**15,776**	**(1,699)**	**3,776**	**(970)**

With regard to sales of own shares in the year, shown in the table above at the original purchase price, the Company registered a net loss of € 11,519 thousand booked under shareholders' equity.

- Reserve for own shares
  The reserve includes the changes arising from the purchase and sale of own shares intended for the Company's stock option plans.
- Stock option reserve
  Provisions made to the stock option reserve during the year in respect of share-based payments totalled € 7,361 thousand, with an offsetting entry posted to the related shareholdings of € 2,997 thousand, for the allocation of stock options to directors and employees of subsidiaries.
  During the year, options exercised by beneficiaries at Davide Campari-Milano S.p.A. and its subsidiaries amounted to € 6,084 thousand and € 1,974 thousand respectively.
  Lastly, options cancelled during the year amounted to € 245 thousand.
  For more information see note 37 - Stock option plans.
- Cash flow hedge reserve
  The cash flow hedge reserve includes the offsetting entry for the instruments used to hedge interest rate risk relating to the bonds placed by the Company in US dollars at a fixed rate on the US market, and in euro at a fixed rate on the European institutional market (Eurobond).
  The portion of the reserve recorded under shareholders' equity is taken to the income statement when, in respect of the transactions put in place to hedge interest rates, the hedged cash flows are realised and they affect profit or loss.
  The deferred tax effects on the cash flow hedge reserve amounted to € 559 thousand.
  Changes in the cash flow hedge reserve, with the related deferred tax effect, are shown in note 38 - Financial instruments.

Reserve for the Programme Contract, "Agricultural and industrial consortium for disadvantaged areas in Piedmont"

The reserve of € 3,776 thousand was created in 2010 following the request for financial assistance submitted under the programme contract agreed on 24 July 2008 between the Piedmont agricultural and industrial consortium, of which the Company is a part, and the Italian Ministry of Economic Development, pursuant to the legislation in force. This reserve may not be removed for the entire duration of the investment programme.

Retained earnings

Following the resolution of the shareholders' meeting of 29 April 2011, the profit for the year to 31 December 2010, amounting to € 82,493 thousand, was allocated as follows:

- € 5,808 to the legal reserve;
- € 34,600 to dividends;
- € 42,085 carried forward.

Profits (losses) allocated directly to shareholders' equity

During 2011, the cash flow hedge reserve was adjusted downwards by € 5,217 thousand (€ 3,782 thousand net of the related deferred tax effect).
In addition, the losses of € 11,519 thousand arising from the sale of own shares during the period were recorded under shareholders' equity.

Availability of items under shareholders' equity

Shareholders' equity at 31 December 2011 nature/description	Amount	Possibility of utilisation	Portion available	Summary of utilisations in 3 previous years: to hedge losses	for other reasons
Share capital (1)	58,080	- - -			
Capital reserves:					
Reserve for own shares	-335	- - -			
Legal reserve (2)	1,500	B	1,500		
Earnings reserves:					
Legal reserve	10,116	B	10,116		
Extraordinary reserve	243,222	A, B, C	243,222		
Equity investment transfer reserve (Leg. Decree 544/92)	3,041	A, B, C	3,041		
Reserve for VAT deductions - 4% (Law 64/86)	592	A, B, C	592		
Reserve for VAT deductions - 6% (Law 67/86)	451	A, B, C	451		
Reserve for VAT deductions - 6% (Law 130/83)	23	A, B, C	23		
Reserve for VAT deductions - 4% (Law 675/77)	2	A, B, C	2		
Reserve for VAT deductions - 6% (Law 526/82)	18	A, B, C	18		
Reserve for capital grants (Law 696/83)	26	A, B, C	26		
Programme contract reserve	3,776	- - -			
Merger surplus reserve	3,868	A, B, C	3,868		
Profit carried forward from previous years	243,614	A, B, C	243,614		31,179
Other reserves:					
Cash flow hedge reserve	-1,474	- - -	-		
Stock option reserve	15,776	- - -	-		
Total reserves	**582,296**		**506,473**		
Non-distributable portion			11,616		
Residual distributable portion			494,857		
Profit for the year	**191,127**				
Grand total	**773,423**				

(1) of which € 50,581 in earnings and € 7,499 for shareholder payments
(2) for shareholder payments
Key:
A: for capital increase
B: to hedge losses
C: for distribution to shareholders

31. Financial liabilities

	31 December 2011 €/000	31 December 2010 €/000
Non-current liabilities		
Bond issued in 2003 (US$)	235,542	226,875
Bond issued in 2009 (Eurobond)	360,843	351,979
Total bond issues	**596,385**	**578,854**
Property leases	-	3,001
Derivatives on bond issue (US$)	23,919	26,334
Assisted financing: Minindustria	549	719
Payables to related parties	50,000	50,000
Total non-current financial liabilities	**74,468**	**80,054**
Current liabilities		
Payables and loans due to banks	**1**	**73**
Accrued interest on bonds	8,764	8,612
Property leases	3,008	3,358
Payables to related parties	151,395	252,165
Other debt	193	192
Total other financial payables	**163,360**	**264,327**
Total	**834,214**	**923,308**

The table below shows a breakdown of the Company's main financial liabilities, together with effective interest rates and maturities.
Note that, as regards the effective interest rate of hedged liabilities, the rate reported includes the effect of the hedging itself.
Furthermore, the values of hedged liabilities are shown here net of the value of the related derivative, whether it is an asset or liability.

	Effective interest rate at 31 December 2011	Maturity	31 December 2011 €/000	31 December 2010 €/000
Bonds				
- issued in 2003 (US$)	fixed rate from 4.03% to 4.37% (1)	2015-2018	259,462	253,208
	6-month € LIBOR + 60 basis points(2)			
- issued in 2009 (Eurobond)	fixed rate 5.375%	2016	347,671	348,349
	6-month € LIBOR + 210 basis points(3)			
Property leases	3-month € LIBOR + 60 basis points	2012	3,008	6,359
Other debt	0.90%	2012-2015	742	912
			610,883	**608,828**

(1) Rate applied to the portion of the bond issue hedged by an interest rate swap, corresponding to a nominal value of € 171,900 thousand.
(2) Rate applied to the portion of the bond issue hedged by an interest rate swap, corresponding to a nominal value of € 85,900 thousand.
(3) Rate applied to the portion of the bond issue hedged by an interest rate swap, corresponding to a nominal value of € 200,000 thousand.

Bonds

Liabilities for bonds include the US$ 300,000 thousand bond issue placed on the US institutional market in 2003 and the € 350,000 thousand Eurobond issue placed on the European institutional market in October 2009.
The first transaction was structured in two tranches of US$ 100,000 thousand and US$ 200,000 thousand, maturing in 12 and 15 years respectively, with a bullet repayment at maturity.
The six-monthly coupons are based on fixed rates of 4.33% and 4.63% respectively.
The Eurobond issue was placed on the European market and matures in 2016.
It was placed solely with institutional investors at a price of 99.431%; coupons are paid annually at the fixed rate of 5.375%. The gross return on the bond is therefore 5.475%.

With regard to both these issues, the Company has put in place various instruments to hedge the exchange rate and interest rate risks.
On the first, a cross currency swap hedging instrument has been used to neutralise the risks related to fluctuations in the US dollar and movements in interest rates and change the US dollar-based fixed interest rate to a variable euro rate (6-month Euribor + 60 basis points).
In addition, various interest rate swaps were put in place involving the payment of an average fixed rate of 4.25% (rates from 4.03% to 4.37%) on total underlyings of US$ 50,000 thousand (maturing in 2015) and US$ 150,000 thousand (maturing in 2018).
For the second bond issue, carried out in 2009 (Eurobond), an interest rate swap was entered into that involves the payment of a variable rate (6-month Euribor + 210 basis points) on an underlying of € 200,000 thousand.
The changes in the item in 2011 relate to:
- in relation to the 2003 issue (USD), the valuation of existing hedging instruments (which have a positive effect of € 2,414 thousand) and the effects on the bonds of the actual hedges and the amortised cost (negative to the tune of € 8,668 thousand);
- in relation to the 2009 issue (Eurobond), the valuation of existing hedging instruments (which have a positive effect of € 9,542 thousand) and the effect on the bonds of the actual hedges (negative to the tune of € 8,864 thousand).

For more information on the changes during the year, see note 38 - Financial instruments.

Leasing

Financial payables for leasing relate to the non-current portion of the finance lease contract signed on 16 February 2004 and expiring in 2012, for the industrial building at Novi Ligure and directly related plants.

Other debt

This item includes a loan agreement with the Industry Ministry, with repayment in ten annual instalments starting in February 2015.

32. Other non-current liabilities

	31 December 2011 €/000	31 December 2010 €/000
Tax payables	7,113	-
Other non-current liabilities	**7,113**	**-**

Tax payables refer to payments in instalments under agreements reached with the tax authorities regarding direct tax claimed following inspections in previous years, which for the Parent Company related to the tax years 2004-2006, and for subsidiary Campari Italia S.p.A., incorporated in 2010, to 2004 only.
Pursuant to tax agreements established by the Company, tax payables were made payable in instalments as permitted under legislation on such tax agreements.

33. Employee indemnity liability and other employee-related funds

The employee liability indemnity (TFR), which relates to the Company's employees, pursuant to article 2120 of the Italian civil code, falls under the scope of IAS 19.
Following the reform relating to employee indemnity liabilities from 1 January 2007, significant changes have been made for companies with at least fifty employees in the various valuation components, in order to ensure the relevant international accounting standard is correctly adopted.
Following the reform of the supplementary pension scheme, TFR contributions accrued up to 31 December 2006 remain in the company, while for contributions accruing from 1 January 2007, employees have the choice to allocate them to a complementary pension scheme, or keep them in the company, which will transfer the TFR contributions to the INPS fund.
As a result, TFR contributions accrued up to 31 December 2006 will continue to be classified as defined benefit plans, with the actuarial valuation criteria remaining unchanged in order to show the current value of the benefits payable on the amounts accrued at 31 December 2006 when employees leave the company.
TFR contributions accrued from 1 January 2007 are classified as defined contribution plans.
Finally, as the Company usually pays contributions through a separate fund, without further obligations, it records its contributions to the fund for the year to which they relate, in respect of employees' service, without making any actuarial calculation.
Since the contributions in question had already been paid by the Company on the reporting date, no liability is recorded in the statement of financial position.

Employee indemnity liability (TFR) obligations for the last 4 years	Employee indemnity liability (TFR) 31 December 2011 €/000	Employee indemnity liability (TFR) 31 December 2010 €/000	Employee indemnity liability (TFR) 31 December 2009 €/000	Employee indemnity liability (TFR) 31 December 2008 €/000
Defined benefit obligations (to 31 December 2006)	6,841	7,889	5,896	6,933
Defined contribution obligations (from 1 January 2007	-	-	-	-
	6,841	**7,889**	**5,896**	**6,933**

The tables below summarise the components of the net cost of benefits reported in the income statement in 2011 and 2010.

Defined benefit obligations (to 31 December 2006)	Employee indemnity liability (TFR) 31 December 2011 €/000	Employee indemnity liability (TFR) 31 December 2010 €/000
Financial charges on the obligations	328	338
Net actuarial (gains)/losses	(156)	269
	172	**607**

Actuarial gains and losses are recognised under personnel costs, while financial charges on the obligations are classified as financial charges.

Changes in the present value of defined benefit obligations over the year are shown below.

	Employee indemnity liability (TFR) 31 December 2011 €/000	Employee indemnity liability (TFR) 31 December 2010 €/000
Present value at 1 January	7,889	5,896
From Campari Italia S.p.A. merger	-	2,101
Group company transfers	-	31
Benefits paid	(1,220)	(746)
Financial charges on the obligations	328	338
Actuarial gains (losses) on the obligations	(156)	269
Present value at 31 December	**6,841**	**7,889**

The main assumptions used in determining the obligations resulting from the plans described are indicated below.

	Employee indemnity liability (TFR) 31 December 2011	Employee indemnity liability (TFR) 31 December 2010
Discount rate	4.50%	4.50%
Future salary increases	2.82%	3.00%
Staff turnover rate	5.76%	5.00%
Inflation rate	2.00%	2.00%

The rates relating to the costs of health benefits are not included in the assumptions used in determining the above obligations. Thus, any changes in these rates would not have any effect.

34. Provisions for risks and charges

The table below indicates changes to this item during the period.

	Tax provision €/000	Provisions for industrial restructuring €/000	Agent severance fund €/000	Other €/000	Total €/000
Balance at 31 December 2010	**10,542**	**2,165**	**969**	**648**	**14,324**
Accruals	-	-	225	34	259
Utilisations	(9,304)	(2,165)	(107)	(128)	(11,704)
Effect of discounting to present value			(203)		(203)
Balance at 31 December 2011	**1,238**	**-**	**884**	**554**	**2,676**
of which, projected disbursement					
- due within 12 months	-	-	-	554	554
- due after 12 months	1,238	-	884	-	2,122

The tax reserve at 31 December 2011 included estimated potential liabilities of € 1,238 thousand for direct and indirect tax arising from inspections carried out in previous years relating to the tax years 2004 and 2005, both for the Company, and for subsidiary Campari Italia S.p.A., incorporated in 2010.
At the end of this period, the reserve also included the estimate of charges arising from inspections borne by the Company on the 2005 tax year. This sum of € 8,151 thousand comprised increased taxes of € 6,455 thousand and possible penalties of € 1,696 thousand. The Company had already submitted applications to reach agreements with the tax authorities in response to the tax inspection notices issued. All of these applications resulted in agreements and the payment of the related charges in 2011. The portion of the reserve relating to 2005 tax inspections was therefore fully utilised.

During the year, the reserve for industrial restructuring, which previously included employment liabilities following the termination of production at the Sulmona plant in 2007, was fully utilised in accordance with previous agreements with the trade unions.
At 31 December 2011, the provision for risks included under “Other” mainly related to estimated future liabilities that the Company will incur due to legal disputes in progress.

35. Payables to suppliers and other liabilities

	31 December 2011 €/000	31 December 2010 €/000
Trade payables to external suppliers - Italy	69,102	76,434
Trade payables to external suppliers - exports	6,610	6,200
Trade payables to related parties	1,964	14,959
Trade payables	**77,676**	**97,593**
Withholding tax payables	1,865	1,510
Production tax payables	1,691	844
Payables to employees	5,194	5,182
Payables to pension organisations	3,886	3,699
Payables to pension funds and INPS fund	375	284
Payables to customers	165	1,804
Payables to agents	1,618	1,522
Payables to other related parties	5,783	3,814
Payables in respect of contributions received	1,095	1,142
Payables for deferred revenues	812	966
Other	1,982	154
Other current liabilities	**24,466**	**20,921**

The taxes shown related to salaries, payments and supplier invoices for December.
These payables are all due within 12 months.
For further details on payables to related parties, please refer to note 41 - Related parties.
Payables for deferred revenues refer to capital grants, which are credited to the income statement in proportion to the useful life of the assets to which they relate.
As the initiating party, the Company successfully submitted a request for financing in 2011 pursuant to EC regulations 491/09 and 555/08, Campaign 2010/2011 *et seq*., to the Ministry for Agricultural, Food and Forestry Policy, through the AGEA (the agency responsible for allocating agricultural grants), in relation to the national share of funds for wine industry projects. Specifically, the funds are for promoting wines in third countries, and are contractually defined and paid out pursuant to the relative implementing decree as well as the AGEA contract, in accordance with the submitted and approved programme for product promotion in the three years from October 2011 to October 2014. The financing from the awarding body is no more than 50% of the expenditure for each phase of the planned programme, recognised as taxable and effectively sustained by the contractor to implement the measures set out in the contract, for an amount of € 2,389,119 in the first year. The payable of € 1,680 booked at 31 December 2011 under “Others” represents the portion of funds received for costs relating to 2012, and therefore not yet incurred but already defined in the approved programme.

Changes in payables for capital grants and deferred income relating to these grants are shown below.

	31 December 2011		31 December 2010	
	Payables to tax authorities €/000	Deferred income €/000	Payables to tax authorities €/000	Deferred income €/000
Balance at 1 January	1,142	965	-	1,119
Proceeds received in the period	-	-	1,291	-
Grants certain to be received posted to the income statement	-	(153)	-	(154)
Other changes	(47)		(149)	
Balance at 31 December	**1,095**	**812**	**1,142**	**965**

Overall, trade payables decreased in 2011. Payables to external suppliers comprise payables for invoices received (€ 56,280 thousand at 31 December 2011), while for the amounts relating to invoices and credit notes to be received (€ 19,432 thousand) the maturity cannot be determined until the relevant documents are issued by the suppliers.
These positions are therefore excluded from the table, as are payments to suppliers on account, equal to € 2,239 thousand.
In addition, as regards other current liabilities to third parties, deferred income, tax and social security items and payables to employees are excluded.
Trade payables to related parties of € 1,964 thousand relate mainly to the passing on of miscellaneous costs.
For further details on these transactions see note 41 - Related parties.

The following table shows a breakdown of payables by maturity.

31 December 2011	Trade payables €/000	Trade payables to related parties €/000	Other payables to third parties €/000	Other payables to related parties €/000	Total €/000
On demand	27,937	170	49	14	28,170
Within 1 year	28,334	1,794	4,637	2,845	37,610
Due in 1 to 2 years	-	-	-	20	20
Due in 3 to 5 years	9	-	-	-	9
Due in more than 5 years	-	-	-	-	-
	56,280	1,964	4,686	2,879	65,809
Payables not significant for breakdown by maturity	19,432	-	13,997	2,904	36,333
Total	75,712	1,964	18,683	5,783	102,142

31 December 2010	Trade payables €/000	Trade payables to related parties €/000	Other payables to third parties €/000	Other payables to related parties €/000	Total €/000
On demand	16,843	16	40	1	16,900
Within 1 year	40,582	14,943	1,781	2,278	59,584
Due in 1 to 2 years	-	-	-	36	36
Due in 3 to 5 years	-	-	-	-	-
Due in more than 5 years	-	-	-	-	-
	57,425	14,959	1,821	2,315	76,520
Payables not significant for breakdown by maturity	25,209	-	15,286	1,499	41,994
Total	82,634	14,959	17,107	3,814	118,514

The payment terms applied to suppliers are generally 90 days from the end of the month in which the invoice is issued for goods, and 60 days for services.
Other payables to third parties comprises payables to agents totalling € 1,618 thousand and chiefly includes accrued fees to agents not yet due, premiums to agents recognised and premiums that may be recognised.
Note that of the amounts included under other payables to third parties, € 3,430 thousand is due within 90 days.
As can be seen from a breakdown of "other payables to related parties" by maturity, the item chiefly relates to payables to directors (€ 1,317 thousand), which will be settled during 2012.
The company does not hold any financial assets pledged to secure liabilities.

36. Payables to tax authorities

This item breaks down as follows:

	31 December 2011 €/000	31 December 2010 €/000
IRAP payables	2,039	514
IRES payable	5,371	2,359
Payables to related parties	18,071	15,943
	25,481	**18,816**

37. Stock option plan

The Company has in place various stock option plans approved over the years, which are essentially governed by the framework plan approved by the shareholders' meeting on 2 May 2001, under which options are granted for the purchase of shares by directors, employees and individuals who regularly do work for one or more Group companies.
The purpose of offering stock options is to give the beneficiaries, who occupy key positions in the Group, the opportunity of owning shares in Davide Campari-Milano S.p.A., thereby aligning their interests with those of other shareholders and fostering loyalty, with a view to the strategic goals to be achieved.
The recipients are employees, directors and/or individuals who regularly do work for one or more Group companies, who have been identified by the Board of Directors of Davide Campari-Milan S.p.A., and who, on the plan approval date and until the date that the options are exercised, have worked as employees and/or directors and/or in any other capacity at one or more Group companies without interruption.
Since 2001, further options have been allocated each year, governed by the framework plan approved by the shareholders' meeting on 2 May 2001.
The exercise dates originally set differed in each allocation and provided windows in which options could be exercised. In 2009, the Board of Directors of the Parent Company approved a change in the exercise period, making it possible for options to be exercised in part, on any trading day in the exercise period set for each plan.
Lastly, with a resolution of the Board of Directors on 29 April 2011, the Company proceeded with new allocations of stock options (also governed by the framework plan approved by the shareholders' meeting on 2 May 2001).
The total number of options granted for the purchase of further shares was 699,452, divided into two separate allocations for the purchase of an equal number of shares at an average allocation price of € 5.43, equivalent to the weighted average market price in the month preceding the day on which the options were granted.

The following table shows changes in stock option plans during the periods concerned.

	31 December 2011		31 December 2010	
	No. of shares	Average allocation/exercise price (€)	No. of shares	Average allocation/exercise price (€)
Options outstanding at the beginning of the period	45,203,271	3.42	35,091,758	2.84
Options granted during the period	699,452	5.43	16,365,779	3.87
(Options cancelled during the period)	(1,167,155)	3.38	(1,303,206)	3.10
(Options exercised during the period) (*)	(8,470,615)	3.41	(4,951,060)	2.21
(Options expiring during the period)	-	-	-	-
Options outstanding at the end of the period	36,264,953	3.49	45,203,271	3.42
of which those that can be exercised at the end of the period	3,511,262	3.83	2,127,614	2.11

(*) The average market price on the exercise date was € 5.38.

At the end of the period, 19,118,284 options existed under plans assigned to employees of Davide Campari-Milano S.p.A. The exercise price interval for these options was from € 3.28 to € 5.59.

The average remaining life of outstanding options at 31 December 2011 was 4.07 years (4.48 years at 31 December 2010).
The average exercise price for the options allocated in each year is as follows:

	Average exercise price (€)
Allocation 2006	3.83
Allocation 2007	3.87
Allocation 2008	2.85
Allocation 2009	2.99
Allocation 2010	3.87
Allocation 2011	5.43

The average fair value of options granted during the year was € 1.24 (€ 1.27 in 2010).

The fair value of stock options is represented by the value of the option determined by applying the Black-Scholes model, which takes into account the conditions for exercising the option, as well as the current share price, expected volatility and the risk-free rate.
Volatility was estimated with the help of data supplied by a market information provider together with a leading bank, and corresponds to the estimate of volatility recorded in the period covered by the plan.
This estimate is required since there is no historical volatility with a duration equivalent to the plan period concerned.

The following assumptions were used for the fair value valuation of options issued in 2011 and 2010:

	2011	2010
Expected dividends (€)	0.06	0.06
Expected volatility (%)	22%	26%
Historical volatility (%)	22%	26%
Market interest rate	2.42%	2.70%
Expected option life (years)	7.00	6.00
Exercise price (€)	5.43	3.87

Davide Campari-Milano S.p.A. has a number of own shares that can be used to cover the stock option plan.
The following table shows changes in the number of own shares held during the comparison periods.

	own shares		Purchase price € / 000	
	2011	2010	2011	2010
Balance at 1 January	2,277,180	4,908,240	9,085	14,502
Purchases	9,540,000	2,320,000	50,125	9,260
Disposals	(8,470,615)	(4,951,060)	(40,395)	(14,677)
Balance at 31 December	3,346,565	2,277,180	18,815	9,085
% of share capital	0.58%	0.39%		

38. Financial instruments - disclosures

The value of individual categories of financial assets and liabilities held by the Group is shown below.

31 December 2011	Loans and receivables €/000	Financial liabilities at amortised cost €/000	Hedging transactions €/000
Cash and cash equivalents	60,096		
Short-term financial receivables	43,813		
Other non-current financial assets	-		
Trade receivables	89,381		
Payables to banks		(1)	
Real estate lease payables		(3,008)	
Bonds		(596,385)	
Accrued interest on bonds		(8,764)	
Other financial liabilities		(202,137)	
Trade payables		(77,676)	
Non-current assets for hedge derivatives			13,172
Current assets for hedge derivatives			1,146
Non-current liabilities for hedge derivatives			(23,919)
Total	193,290	(887,971)	(9,601)

31 December 2010	Loans and receivables €/000	Financial liabilities at amortised cost €/000	Hedging transactions €/000
Cash and cash equivalents	37,144		
Short-term financial receivables	40,088		
Other non-current financial assets	-		
Trade receivables	81,924		
Payables to banks		(73)	
Real estate lease payables		(6,360)	
Bonds		(578,854)	
Accrued interest on bonds		(8,612)	
Other financial liabilities		(303,077)	
Trade payables		(97,593)	
Non-current assets for hedge derivatives			3,630
Current assets for hedge derivatives			1,399
Non-current liabilities for hedge derivatives			(26,334)
Total	159,156	(994,569)	(21,305)

Fair value of financial assets and liabilities

For each category of financial assets and liabilities, a comparison between the fair value of the category and the corresponding carrying value is shown below.
The method used for determining fair value was as follows:

- for financial assets and liabilities that are liquid or nearing maturity, it is assumed that the carrying value equates to fair value; this assumption also applies to term deposits, securities that can be readily converted to cash and variable-rate financial instruments;
- for the valuation of hedging instruments at fair value, the company used valuation models based on market parameters;
- the fair value of non-current financial payables was obtained by discounting all future cash flows at the rates in effect at the end of the year.

For commercial items and other receivables and payables, fair value corresponds to the carrying value; these are not reported in the table below.

	Carrying value		*Fair value*	
	31 December 2011 €/000	31 December 2010 €/000	31 December 2011 €/000	31 December 2010 €/000
Cash and banks	60,096	37,144	60,096	37,144
for centralised cash system	43,813	40,088	43,813	40,088
Financial receivables from other companies	-	107	-	107
Accrued interest on bonds	1,146	1,399	1,146	1,399
Hedging transactions	13,172	3,630	13,172	3,630
Financial investments	**118,227**	**82,368**	**118,227**	**82,368**
Payables to banks	1	73	1	73
Real estate lease payables	3,008	6,359	3,008	6,359
Bonds in US$	235,542	226,875	232,349	220,263
Bonds in €	360,843	351,979	367,353	365,745
Accrued interest on bonds	8,764	8,612	8,764	8,612
Hedging transactions	23,919	26,333	23,919	26,333
Financial payables to subsidiaries	201,395	302,165	201,395	302,165
Other debt	742	912	742	912
Financial liabilities	**834,214**	**923,308**	**837,531**	**930,463**

Fair value - hierarchy

The Company enters into derivatives contracts with a number of top-rated banks.

Derivatives are valued using techniques based on market data, and largely consist of interest rate swaps.

The most commonly-applied valuation methods include the forward pricing and swap models, which use present value calculations.

The models incorporate various inputs, including the credit rating of the counterparty, market volatility, spot and forward exchange rates and current and forward interest rates.

The table below details the hierarchy of financial instruments valued at fair value, based on the valuation methods used:

- Level 1: the valuation methods use prices listed on an active market for the assets and liabilities subject to valuation;
- Level 2: the valuation methods take into account inputs which are different from previous prices, but which can be observed on the market directly or indirectly;
- Level 3: the methods applied use inputs that are not based on observable market data.

	31 December 2011 €/000	Level 1 €/000	Level 2 €/000	Level 3 €/000
Assets valued at fair value:				
Accrued interest on bond swaps	1,146		1,146	
Interest rate swap on bond (Eurobond)	13,172		13,172	
Liabilities valued at fair value				
Interest rate and cross currency swap on bond (US$)	23,919		23,919	

	31 December 2010 €/000	Level 1 €/000	Level 2 €/000	Level 3 €/000
Assets valued at fair value:				
Accrued interest on bond swaps	1,399		1,399	
Interest rate swap on bond (Eurobond)	3,630		3,630	
Liabilities valued at fair value				
Interest rate and cross currency swap on bond (US$)	26,334		26,334	

Hedging transactions

Hedging derivatives

The Company currently holds various derivative instruments to hedge both the fair value of underlying instruments and cash flows.

The table below shows the fair value of these derivative instruments, recorded as assets or liabilities, and their notional values.

	31 December 2011		31 December 2010	
	Assets	Liabilities	Assets	Liabilities
	€/000	€/000	€/000	€/000
Interest rate and cross currency swap on bond (US$)		(24.063)		(32.893)
Interest rate swap on bond (Eurobond)	13,172		3,630	
Accrued interest on bond swap	1,146		1,399	
Hedging derivatives at fair value	14,318	(24,063)	5,029	(32,893)
Interest rate swap on bond (US$)		144		6,559
Interest rate swap on bond (Eurobond)		-		-
Cash flow hedging derivatives	-	144	-	6,559
Total derivatives	14,318	(23,919)	5,029	(26,334)

Fair value hedging

The Company has in place the following contracts that meet the definition of hedging instruments based on IAS 39.

- Cross currency swap on bonds (US$)

  At the reporting date, the Company held a cross currency swap totalling a notional US$ 300 million on the bonds denominated in US dollars.

  This instrument has the same maturity as the underlying liability.

The derivative is valued at fair value and any changes are reported on the income statement; having established the effectiveness of the hedging transactions, the gain or loss on the hedged item attributable to the hedged risk is used to adjust the carrying value of the underlying liability and is immediately reported on the income statement.
At 31 December 2011, the cross currency swap had a negative fair value of € 24,063 thousand, reported under non-current financial liabilities.
The change in the fair value of these instruments reported in the income statement in 2011 represented income of € 8,830 thousand. The liability recorded on the hedged item was € 8,334 thousand.

- Interest rate swap on bonds
  The hedging instrument taken out during the year involves the payment of variable rates (6-month Euribor in arrears + 210 basis points) on underlying debt of € 200,000 thousand.
  The valuation of this instrument at 31 December 2011 represented an asset of € 13,172 thousand; the changes reported on the income statement relate to changes in the fair value of the swap (a profit of € 9,542 thousand and the related change in the underlying debt (a loss of € 8,628 thousand).

Gains and losses on the hedged and hedging instruments used in all fair value hedges, corresponding to the above-mentioned cross currency swap and interest rate swap, are summarised below.

	31 December 2011 €/000	31 December 2010 €/000
Gains on hedging instrument - US$ bond issue	8,830	20,925
Gains on hedging instrument - Eurobond	9.542	9,676
Losses on hedging instrument - US$ bond issue		
Losses on hedging instrument - Eurobond		
Total gains (losses) on hedging instruments	**18,372**	**30,601**
Gains on hedged item - US$ bond issue		
Gains on hedged item - Eurobond		
Losses on hedged item - US$ bond issue	(8,334)	(20,674)
Losses on hedged item - Eurobond	(8.628)	(8,732)
Total gains (losses) on hedged items	**(16,961)**	**(29,406)**

Cash flow hedging

The Company uses the following contracts to hedge its cash flows:

- Interest rate swap on Parent Company bonds (US$)
  The Company has put in place various interest rate swaps involving the payment of an average fixed rate of 4.25% (rates from 4.03% to 4.37%) on total underlyings of US$ 50 million (maturing in 2015) and US$ 150 million (maturing in 2018).
  Since these hedging transactions met the requirements for effectiveness, a specific shareholders' equity reserve was recorded for a gross value of € 144 thousand.
  As required by IAS 39, the cash flow hedge reserve for these contracts will be recycled to the income statement at the same maturity dates as the cash flows related to the liability.
  During the period, an unrealised gain of € 5,216 thousand was posted to the reserve, together with the corresponding deferred tax effect of € 1,435 thousand.
  Moreover, the realisation of the hedged cash flows generated the release of the cash flow hedge reserve, which had a positive impact on the income statement for the period of € 1,199 thousand.
- Interest rate swap on Parent Company bonds (Eurobond)
  Shortly after the allocation of the Eurobond, issued during the previous year, the Company entered into an interest rate hedging agreement.
  On the date the bond was listed, due to the changes in interest rate trends, this agreement resulted in an initial financial liability of € 2,998 thousand, recorded under shareholders' equity and released to the income statement with the cash flows generated by the underlying debt.
  In 2011 an effect of € 383 thousand was recycled to the income statement.

The following table shows, at 31 December 2011, when the Group expects to receive the hedged cash flows.

These cash flows only concern interest and have not been discounted.

31 December 2011	within 1 year €/000	1-5 years €/000	Due after 5 years €/000	Total €/000
Cash outflows	7,318	32,937	5,491	45,746
Cash inflows	7,041	31,857	5,367	44,265
Net cash flows	(277)	(1,080)	(124)	(1,481)

31 December 2010	within 1 year €/000	1-5 years €/000	Due after 5 years €/000	Total €/000
Cash outflows	10,979	53,069	18,304	82,352
Cash inflows	10,283	49,794	17,325	77,402
Net cash flows	(696)	(3,275)	(979)	(4,950)

The overall changes in the cash flow hedge reserve and the associated deferred taxes are shown below.

	Cash flow hedge reserve - 2003 bond issue €/000	Tax effect related to 2003 bond issue €/000	Cash flow hedge reserve - 2009 bond issue €/000	Tax effect related to 2009 bond issue €/000	Cash flow hedge reserve net of tax effect €/000
Balance at 31 December 2010	6,559	(1,804)	(2,560)	704	2,899
Adjustment in period	(5,216)		-	-	(5,216)
Reversals in period	(1,199)		383	-	(816)
Deferred tax (assets and liabilities)	-	1,435	-	-	1,435
Use of deferred taxes taken to income statement	-	329	-	(105)	224
Balance at 31 December 2011	**144**	**(40)**	**(2,177)**	**599**	**(1,474)**

	Cash flow hedge reserve - 2003 bond issue €/000	Tax effect related to 2003 bond issue €/000	Cash flow hedge reserve - bond issue 2009 €/000	Tax effect related to 2009 bond issue €/000	Cash flow hedge reserve net of tax effect €/000
Balance at 31 December 2009	1,884	(518)	(2,922)	803	(752)
Adjustment in period	5,659		-	-	5,659
Reversals in period	(984)	270	362	(99)	(451)
Deferred tax (assets and liabilities)	-	(1,556)	-	-	(1,556)
Balance at 31 December 2010	**6,559**	**(1,804)**	**(2,560)**	**704**	**2,899**

39. Nature and scale of the risks arising from financial instruments

Credit risk

Davide Campari-Milano S.p.A. enters directly into commercial transactions on the Italian market, and on the foreign markets via its Group companies.
As explained in more detail in note 26 – Trade and other receivables, the Company has internal procedures in place to monitor the progress of receivables. These procedures are geared towards actively seeking payment of receivables and managing on a timely basis the monitoring and control of the exposure of individual customers. Furthermore, the composition of trade receivables is extremely varied both in terms of the sales channel and the type of commercial partner; sales volumes are therefore developed with a high number of customers so that the risk is not concentrated on the related receivables.
The other trade receivables are in respect of Group companies.
Miscellaneous receivables from third parties mainly relate to the sale of grape must and marc, produced in conjunction with harvesting activities (Cinzano and Riccadonna).
Receivables are mainly denominated in euro.
The maximum credit risk to which the Company is exposed corresponds to the total figure for bad debts.

Liquidity risk

The Company's ability to generate substantial cash flow through its operations allows it to reduce liquidity risk. This risk is defined as the difficulty of raising funds to meet financial obligations.
The Company manages financial flows with the Italian subsidiaries through a centralised cash management department, with transactions settled at market rates (see note 41 - Related parties for more information).
Detailed information is provided below on payables and financial liabilities at 31 December 2011, compared with the previous year.
The table below summarises financial liabilities by maturity at 31 December 2011 compared with the previous year based on the contractual repayment obligations, including non-discounted interest.

It specifies the period in which financial flows are due.

31 December 2011	On demand €/000	Within 1 year €/000	Due in 1 to 2 years €/000	Due in 3 to 5 years €/000	Due in more than 5 years €/000	Total €/000
Financial liabilities						
Payables to banks	-	1	-	-	-	1
Financial payables to subsidiaries	-	151,395	-	-	50,000	201,395
Bonds	-	10,503	10,503	103,774	172,463	297,243
Derivatives on bonds	-	1,756	2,271	15,085	28,763	47,875
Eurobond	-	18,813	18,813	406,439	-	444,065
Real estate lease payables	-	3,036	-	-	-	3,036
Subsidised loan from industry ministry	-	196	196	393	-	785
Projected net cash flows	**-**	**185,700**	**31,783**	**525,691**	**251,226**	**994,400**
Derivatives on Eurobond	-	(3,101)	(4,540)	(9,432)	-	(17,073)
Expected cash flows, net of hedging activities	**-**	**182,599**	**27,243**	**516,259**	**251,226**	**977,327**

31 December 2010	On demand €/000	Within 1 year €/000	Due in 1 to 2 years €/000	Due in 3 to 5 years €/000	Due in more than 5 years €/000	Total €/000
Financial liabilities						
Payables to banks	-	73	-	-	-	73
Financial payables to subsidiaries	-	252,165	-	-	50,000	302,165
Bonds	-	10,171	10,171	103,731	167,003	291,075
Derivatives on bonds	-	(980)	(427)	12,456	23,662	34,712
Eurobond	-	18,813	18,813	56,438	364,893	458,956
Real estate lease payables	-	3,495	3,036	-	-	6,531
Subsidised loan from industry ministry	-	196	196	589	-	982
Projected net cash flows	**-**	**283,932**	**31,789**	**173,214**	**605,559**	**1,094,494**
Derivatives on Eurobond	-	(2,715)	(1,464)	1,633	1,601	(944)
Expected cash flows, net of hedging activities	**-**	**281,218**	**30,325**	**174,847**	**607,160**	**1,093,550**

Payables to banks for current accounts and lines of credit represent the negative balance of cash management, which decreased considerably in 2009 compared to the previous year.
Moreover, the Company has granted loans to subsidiaries, with interest charged at market rates.

Market risks

Interest rate risk

Financial liabilities, except those relating to bonds, are subject to variable rates.
In the case of bonds, as mentioned above, the Company has taken steps to convert a portion of the long-term financial instruments issued at fixed rates (and thus exposed to fair value risk) into variable-rate debt through an interest rate swap.
Thus the portion of debt at fixed rates was around 47% of total financial payables at 31 December 2011.
The Company is therefore only partially exposed to the risk of changes in interest rates.

Sensitivity analysis

The following table shows the effects on the income statement of a potential change in interest rates, if all the Company's other variables are held constant.
The assumptions used in terms of a potential change in rates are based on an analysis of the trend at the reporting date.
The table illustrates the full-year effects on the income statement in the event of a change in rates, calculated for the Company's variable-rate financial assets and liabilities.
The impact on the income statement is shown net of taxes.

31 December 2011	Income statement	
Increase/decrease in rates (in basis points)	Increase in interest rates	Decrease in interest rates
Euribor +/- 30 basis points	(1,532)	1,532

31 December 2010	Income statement	
Increase/decrease in rates (in basis points)	Increase in interest rates	Decrease in interest rates
Euribor +/- 28 basis points	(614)	614

Exchange rate risk

The Company has issued bonds denominated in US dollars for which it has a fair value hedge in place to hedge the related exchange rate risk.
The sensitivity analysis shows zero impact on the income statement, as a change in exchange rates generating a positive effect on the fair value of the derivatives would produce the same negative effect on the underlying, and vice versa.
Furthermore, there were no significant receivables or payables exposed to exchange rate risk at 31 December 2011.

40. Commitments and risks

The amounts owed by the Company in future periods for operating leases on equipment are indicated in the table below.

Minimum future payments	31 December 2011 €/000	31 December 2010 €/000
Within 1 year	2,176	2,056
1-5 years	2,838	2,346
More than 5 years	-	-
	5,014	4,402

Operating lease contracts relate to cars (€ 2,120 thousand), hardware (€ 1,800 thousand), photocopiers (€ 267 thousand) and equipment for manufacturing units and general services for headquarters (€ 827 thousand).

The commitment in relation to the finance lease for the industrial complex at Novi Ligure stipulates the following future minimum payments; the relationship between these and their present value is also reported.

	31 December 2011		31 December 2010	
	Minimum future payments €/000	Present value of future payments €/000	Minimum future payments €/000	Present value of future payments €/000
Within 1 year	3,017	3,001	3,487	3,358
1-5 years	-	-	3,017	3,001
Total minimum payments	3,017	3,001	6,504	6,359
Financial charges	(16)		(145)	-
Present value of minimum future payments	3,001	3,001	6,359	6,359

The Company's other commitments for purchases of goods or services are shown below.

	31 December 2011				
	Assets	Purchases of raw materials	Sponsorship	Other	Total
	€/000	€/000	€/000	€/000	€/000
Within 1 year	968	18,767	1,724	44,271	65,730
1-5 years	-	56,017	1,724	-	57,741
	968	74,784	3,448	44,271	123,471

Contractual commitments for fixed assets chiefly relate to the purchase of equipment and improvements to the manufacturing units (€ 476 thousand), improving production unit buildings (€ 45 thousand), the implementation of the Group's new IT system and management processes (€ 416 thousand) and other less important commitments (€ 31 thousand).
Purchases of raw materials relate to commitments to buy wine and grapes for Cinzano wine and sparkling wines.
Sponsorship refers to the contractual commitment with Dorna Sport for the MotoGP World Championship.
The item other includes an estimate of the contractual commitments in place for the purchase of semi-finished goods, habillage, goods, maintenance materials and supplies, as well as services associated with the activities of the Company's production units.

	31 December 2011
	€/000
Guarantees issued to third parties	
Belfor Italia - to guarantee payment of balance on works to Crodo	972
Milan customs authority - to guarantee authorisation to purchase excise tax stickers - Massalengo	9,800
Milan customs authority - to guarantee payment of excise duties on alcohol products - Massalengo	4,800
Milan customs authority - to guarantee alcohol products under excise-duty suspension arrangements - Massalengo	400
Ancona customs authority - to guarantee excise duties on goods stored in a fiscal warehouse	500
Piedmont customs agency - for withdrawal and holding of excise tax stickers	3,000
Piedmont customs agency - to guarantee duty on excise tax stickers	5,300
Piedmont customs dept. - to guarantee excise duties on products under excise-duty suspension arrangements	180
Piedmont regional authority - to guarantee site restoration after mineral water exploration	1
Alessandria customs agency - to guarantee excise duty on products	2,000
Alessandria customs agency - to guarantee customs services rendered	100
Alessandria customs agency - simplified customs procedures at Novi Ligure plant	10
Alessandria customs agency - to guarantee excise duty on alcohol products from Novi Ligure plant	3,000
Alessandria customs agency - to guarantee excise duty on products shipped within the EU from Novi Ligure	2,300
Alessandria customs agency - to guarantee the temporary import of white sugar	180
Cuneo customs office - to guarantee customs duties	1
Cuneo customs agency - to guarantee the temporary import of white sugar	60
Turin customs dept. - to guarantee excise duties on products in the EU	600
Cuneo customs district - to guarantee payment of customs duties	200
Lombardy regional authority - rental fees for well authorisation	4
Crodo local authority - to guarantee completion of works in Molinetto	4
Ministry of Productive Activities - to guarantee export certificates	49
Ministry of International Trade - to guarantee export certificates	101
Ministry of Economic Development – to guarantee promotional events	838
SNAM - to guarantee payment of gas bills	41
ANAS - to cover roadworks on SS 659 in Piedmont	2
Geico Nord - to guarantee payment of gas supplies	21
Sesto S.G. local authority - to guarantee charges for provision of utilities at new offices	200
Royal Bank of Scotland - guarantee on commitment undertaken by Glen Grant Distillery for GBP 40 thousand	48
Italian railways - to guarantee customs duties on sugar	16
Tax authorities - to guarantee the payable relating to the tax inspection of the former Campari Italia S.p.A.	51
Tax authorities - to guarantee the payable for tax inspection	10,650
AGEA – programme to promote wine in third countries	2,867
AGEA - to guarantee an EC loan for promotion of wine in third countries	358
	48,654

	31 December 2011
	€/000
Guarantees issued to third parties in the interests of Group companies	
Sella & Mosca S.p.A. - to guarantee miscellaneous guarantees issued to third parties	2,270
Sella & Mosca Commerciale S.r.l. - to guarantee miscellaneous guarantees issued to third parties	28
Sella & Mosca S.p.A. - to guarantee restructuring work and reconversion of vineyards	25
Koutsikos Distilleries S.A. - to guarantee credit lines	7,000
Campari Austria Gmbh - to guarantee credit lines	27
Campari Austria Gmbh - to guarantee customs	150
CJSC Odessa Sparkling Wine Company - to guarantee credit lines	5,000
CJSC Odessa Sparkling Wine Company - to guarantee guarantees on Credit Agricole	9,900
Campari Australia PTY Ltd. - to guarantee credit lines	15,732
Campari Australia PTY Ltd. - to guarantee commercial activity	2,473
Glen Grant Distillery - to guarantee credit lines	5,986
Campari (Beijing) Trading Co. - to guarantee credit lines	1,471
Redfire, Inc. - to guarantee credit lines	27,050
Campari Benelux S.A. - to guarantee customs	400
Campari Benelux S.A. - international guarantee for Soc.Europ.des Banques	60,000
T.J. Carolan & Son Ltd - to guarantee customs	200
	137,712
Guarantees issued to third parties	
Redfire, Inc. - to guarantee US$ 111,699,224.53 private placement	86,327
Redfire, Inc. - to guarantee US$ 250,792,541.67 private placement	193,827
	280,154

Guarantees in favour of third parties include a guarantee given by Davide Campari-Milano S.p.A. in relation to the US$ 362,491 thousand private placement issued by the subsidiary Redfire Inc. on the US institutional market.

41. Related parties

The Company has procedures in place governing transactions with related parties, as defined in IAS 24 and in the Consob communications on this subject, with the aim of monitoring and collecting the necessary information concerning transactions in which directors and managers have a personal interest, as well as transactions with related parties, in order to monitor, and in some cases, authorise them.
The procedures identify the individuals responsible for reporting the above-mentioned information, define which transactions should be reported, define the content of the information required, and set the timescales within which the information must be submitted.
In addition, pursuant to Consob Resolution 17221 of 12 March 2010, the Company has also adopted a procedure for transactions with related parties, approved by the Board of Directors on 11 November 2010 and in force from 1 January 2011.
The procedure sets out the principles to which the Company adheres to ensure the substantial and procedural transparency and probity of transactions with third parties, whether carried out directly or via subsidiaries, and also gives a definition of related parties (providing an updated list of related parties), in a manner consistent with IAS 24.
The procedure also identifies the individuals responsible for reporting the above-mentioned information, defines which transactions should be reported, defines the content of the information required, and sets the timescales within which the information must be submitted.
The main intra-group activities, paid for at market prices, are carried out on the basis of contractual relationships, which in particular, relate to:

- ✓ management of investments;
- ✓ settlement of financial flows through the centralised cash management system;
- ✓ sharing of general, administrative and legal services;
- ✓ IT support;
- ✓ commercial agreements.

In addition, a fiscal relationship exists with the controlling entity of the Company, Alicros S.p.A., following the decision taken to adopt the national tax consolidation procedure governed by article 117 *et seq* of the consolidated law on corporate income tax (TUIR) for 2010, 2011 and 2012.

Furthermore, on 1 January 2008, the Company joined the Group-wide VAT scheme, pursuant to article 73, paragraph 3 of Presidential Decree 633/72, in accordance with its status as a subsidiary.
The controlling entity, which adopted the Group VAT scheme as controlling entity, is Alicros S.p.A.
The receivables and payables arising as a result of the tax consolidation scheme are non-interest- bearing.

No other transactions have taken place with the controlling entities, nor with their directly and/or indirectly-owned subsidiaries, other than with Group companies.
Moreover, during the year, no off-balance sheet agreements, as described in article 2427, paragraph 1, point 22-ter of the Italian civil code, or other transactions, including between affiliates, took place that may generate exposures or benefits for the Company that would affect the financial position or operating results of the Company or the Group to which it belongs.

The Company is not subject to management and coordination activity by other companies, pursuant to articles 2497 *et seq* of the Italian civil code, in that all decisions made by the management bodies, including strategic decisions, are taken in complete autonomy and independence.

For further details on the relationships with Group companies please see the following tables.

Financial receivables from related parties

	31 December 2011 €/000	31 December 2010 €/000
Financial receivables from related parties	43,813	40,088

The table below shows the breakdown of receivables by company at 31 December 2011.

	31 December 2011		
	Accrued interest	Cash management	Total
	€/000	€/000	€/000
Sella & Mosca S.p.A.	175	32,723	32,898
Sella & Mosca Commerciale S.r.l.	37	9,851	9,888
Zedda Piras S.p.A.			0
Campari Benelux S.A.		1,027	1,027
	212	**43,601**	**43,813**

Intra-group transactions are carried out via the centralised cash management system, with interest charged at market rates (3-month Euribor on the day preceding the end of each quarter, plus a spread that reflects market conditions).

Trade receivables and other receivables from related parties

	31 December 2011 €/000	31 December 2010 €/000
Trade receivables from related parties	50,315	31,276
Other receivables from related parties	4,475	3,343
Current receivables from related parties	54,790	34,619

The table below shows the breakdown of these receivables at 31 December 2011.

	Trade payables	Miscellaneous	Group VAT scheme	Total
	€/000	€/000	€/000	€/000
Sella & Mosca Commerciale S.r.l.	1,016	55	-	1,071
Sella & Mosca S.p.A.	51	150	105	306
Alicros S.p.A.	-	2	-	2
Campari International S.A.M.	21,458	446	-	21,904
Campari Deutschland GmbH	12,794	729	-	13,523
Camargen S.r.l.	-	153	-	153
Campari Argentina SA.	361	379		740
Campari Australia Pty Ltd.	4,632	218	-	4,850
Campari Austria GmbH	638	63	-	701
Campari (Beijing) Trading CO. Ltd.	1,124	158	-	1,282
Campari do Brasil Ltda	1,077	127	-	1,204
Campari Schweiz A.G.	1,468	81	-	1,549
Campari Benelux S.A.	514	24		538
DI.CI.E Holding B.V.	-	59	-	59
CJSC Odessa Sparkling Wine Company	1,143	42	-	1,185
Campari Japan Ltd.	-	6	-	6
Société Civile du Domaine de Lamargue	-	68	-	68
T.J. Carolan&Son Ltd.	968	120	-	1,088
Glen Grant Limited	-	129	-	129
Skyy Spirits, LLC	1,593	924	-	2,517
Campari Benelux S.A.	1,478	151	-	1,629
Rare Breed Distilling, LLC	-	198	-	198
Vasco (CIS) OOO	-	81	-	81
Kaloyannis-Koutsikos Distilleries S.A.	-	7	-	7
	50,315	**4,370**	**105**	**54,790**

Financial payables to related parties

	31 December 2011	31 December 2010
	€/000	€/000
Current financial payables to related parties	151,395	252,165
Non-current financial payables to related parties	50,000	50,000
	201,395	302,165

The table below shows the breakdown of these payables at 31 December 2011.

	Financial payables	Cash management	Total
	€/000	€/000	€/000
Turati Ventisette S.r.l,	-	7	7
Campari Benelux S.A.	201,332	56	201,388
	201,332	**63**	**201,395**

Loans provided to Group companies carry interest at market rates.

Trade payables and other payables to related parties

	31 December 2011	31 December 2010
	€/000	€/000
Trade payables to related parties	1,964	14,959
Tax payables to related parties	18,071	15,943
Other payables to related parties	5,783	3,814
Payables to controlling companies, subsidiaries and affiliated companies	**25,818**	**34,716**

The table below shows the breakdown of these payables at 31 December 2011.

Payables	Trade payables €/000	Miscellaneous €/000	Consolidation for tax purposes €/000	Group VAT scheme €/000	Total €/000
Sella & Mosca S.p.A.	392	114	-	-	506
Sella & Mosca Commerciale S.r.l.	7	-	-	38	45
Glen Grant Ltd	1,187	2	-	-	1,189
Rare Breed Distilling, LLC	126	-	-	-	126
Campari International S.A.M.	-	22	-	-	22
Campari Benelux S.A.	-	69	-	-	69
Campari Australia Pty Ltd.	-	678	-	-	678
Campari Schweiz A.G.	2	-	-	-	2
Skyy Spirits, LLC	246	117	-	-	363
Campari Deutschland GmbH	-	53	-	-	53
T.J. Carolans&Son Ltd	4	-	-	-	4
Vasco (CIS) OOO	-	506	-	-	506
Alicros S.p.A.	-	-	18,071	2,866	20,937
	1,964	**1,561**	**18,071**	**2,904**	**24,500**
Payables to directors		1,318			1,318
Total	**1,964**	**2,879**	**18,071**	**2,904**	**25,818**

After the effect of the tax consolidation scheme, the Parent Company owes the controlling shareholder Alicros S.p.A. € 18,071 thousand. A payable of € 2,866 thousand is also reported in relation to the Group VAT scheme. These payables to Alicros S.p.A. are non-interest-bearing.

Financial transactions with subsidiaries and affiliated companies

	31 December 2011 €/000	31 December 2010 €/000
Net sales and cost of goods sold	164,559	70,689
Advertising and promotional costs	2,376	3,504
Overheads	4,074	3,962
Dividends	125,000	47,476
Net financial income (charges)	(5,689)	(4,830)
	290,320	**120,801**

The amounts of trade and financial transactions entered into with related parties are set out below.

	Revenues €/000	Costs €/000	Total €/000
Sella & Mosca Commerciale S.r.l.	5,814	(75)	5,739
Sella & Mosca S.p.A.	1,770	(1,157)	613
Campari International S.A.M.	54,118	(96)	54,022
Campari Deutschland GmbH	72,329	(260)	72,069
Campari Argentina S.A.	1,291	-	1,291
Campari Austria GmbH	6,373	-	6,373
Campari (Beijing) Trading CO.	892	-	892
Campari do Brasil Ltda	2,595	(150)	2,445
Campari France	9	(202)	(193)
Campari Schweiz A.G.	5,883	(2)	5,881
Société Civile du Domaine de Lamargue	41	-	41
DI.CI.E Holding B.V.	125,059	(650)	124,409
Glen Grant Ltd.	18	(4,159)	(4,141)
Glen Grant Distillery Company Ltd.	27	(4,522)	(4,495)
Kaloyannis-Koutsikos Distilleries S.A.	34	(6)	28
Campari Benelux S.A.	2,132	(83)	2,049
Skyy Spirits, LLC	10,924	(760)	10,164
Alicros S.p.A.	178	-	178
Vasco (CIS) OOO	48	(506)	(458)
Rare Breed Distilling, LLC	355	(398)	(43)
Campari Japan Ltd.	25	-	25
Campari Benelux S.A.	4,785	(5,762)	(977)
Campari Australia Pty Ltd.	9,142	(678)	8,464
Old Smuggler Whisky Company Ltd	-	(1,483)	(1,483)
T.J. Carolan & Son Ltd	6,619	(84)	6,535
CJSC Odessa Sparkling Wine Company	892	-	892
	311,353	**(21,033)**	**290,320**

Directors and general managers

The remuneration paid to the Company's directors with strategic responsibilities is set out below.

	31 December 2011 €/000	31 December 2010 €/000
Short-term benefits	4,250	5,348
Defined contribution benefits	39	42
Stock options	2,183	1,678
Total	**6,472**	**7,068**

42. Employees

All of the Company's employees are based in Italy.
The number of staff in each category is shown below.

	31 December 2011	31 December 2010
Managers	75	71
Office staff	369	363
Manual workers	193	224
Total	**637**	**658**

43. Publication of payments pursuant to article 149-*duodecies* of the Consob Issuer Regulation

PricewaterhouseCoopers S.p.A. has been engaged to audit the separate financial statements and the consolidated financial statements of Davide Campari-Milano S.p.A. from 2010 to 2018.

The following table, pursuant to article 149-*duodecies* of the Consob Issuer Regulation, shows payments made for 2011 for external auditing activities and for miscellaneous auditing services provided by a company of the PricewaterhouseCoopers network. Also note that these services are compatible with the provisions of Legislative Decree 39 of 27 January 2010.

No certification services were provided during the year.

	Party that provided the service	*Recipient*	*Payments in 2011* €/000
Audit	PricewaterhouseCoopers S.p.A.	Parent Company - Davide Campari-Milano S.p.A.	200.3
	PricewaterhouseCoopers S.p.A.	Subsidiary	431.0
	PricewaterhouseCoopers network	Subsidiary	436.1
Other services	PricewaterhouseCoopers network	Subsidiary	187.9
Total			**1,255.3**

(*): services related to the reorganisation of the Group's corporate structures

44. Events taking place after the end of the year

No significant events took place after the end of the year.

45. Proposal for the appropriation of profit

In conclusion to these notes to the financial statements, we invite you to approve the financial statements for the year ending 31 December 2011 and to allocate the profit for the year of € 191,127,533 as follows:

- distribution of a dividend of € 0.07 per ordinary share outstanding, except for own shares held by the Company at the ex-date; including own shares currently held, the total dividend is € 40.4 million;
- the remaining amount of around € 150.6 million to be carried forward as retained earnings.

It is proposed that the dividend of € 0.07 per share be paid on 24 May 2012 (coupon no. 9 should be detached on 21 May 2012).

Sesto San Giovanni (MI), Monday 12 March 2012

Chairman of the Board of Directors

Luca Garavoglia

Certification of the separate financial statements pursuant to article 81-*ter* of Consob regulation 11971 of 14 May 1999 and subsequent revisions and amendments

1. We, Robert Kunze-Concewitz, Stefano Saccardi, managing directors, and Paolo Marchesini, managing director and the director responsible for preparing the accounting documents of Davide Campari-Milano S.p.A., hereby certify, taking into account the provisions of paragraphs 3 and 4, article 154-*bis*, of legislative decree 58 of 24 February 1998:

• the appropriateness, in relation to the nature of the business, and

• the effective application

of the administrative and accounting procedures used to prepare the annual financial statements for 2011.

2. We furthermore certify that

2.1. The annual financial statements to 31 December 2011:

a) were prepared in accordance with the applicable international accounting standards recognised in the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;

b) correspond to the figures contained in the accounting records;

c) provide a true and fair view of the issuer's financial position.

2.2. The report on operations contains an accurate assessment of the company's performance and operating results, and on the position of the issuer, together with a description of the main risks and uncertainties to which it is exposed.

Sesto San Giovanni (MI), Monday 12 March 2012

Managing Director
Robert Kunze-Concewitz

Managing Director
Director responsible for preparing
the company's accounting statements
Paolo Marchesini

Managing Director
Stefano Saccardi

pwc

Auditors' Report in accordance with Articles 14 and 16 of Legislative Decree No. 39 of 27 January 2010

To the shareholders of
Davide Campari-Milano SpA

1 We have audited the consolidated financial statements of Davide Campari-Milano SpA and its subsidiaries ("Campari Group") as of 31 December 2011 which comprise the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the related notes. The Directors of Davide Campari-Milano SpA are responsible for the preparation of these financial statements in compliance with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards and criteria recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the consolidated financial statements of the prior period, which are presented for comparative purposes, reference is made to our report dated 4 April 2011.

3 In our opinion, the consolidated financial statements of Campari Group as of 31 December 2011 comply with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005; accordingly, they have been prepared clearly and give a true and fair view of the financial position, result of operations and cash flows of Campari Group for the period then ended.

4 The Directors of Davide Campari-Milano SpA are responsible for the preparation of a report on operations and a report on corporate governance and ownership structure published in section "investors/corporate governance" of the corporate website of Davide Campari-Milano SpA in compliance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the information referred to in paragraph 1, letters c), d), f), l), m), and paragraph 2,

PricewaterhouseCoopers SpA

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letter b), of article 123-bis of Legislative Decree No. 58/98 presented in the report on corporate governance and ownership structure, with the financial statements, as required by law. For this purpose, we have performed the procedures required under Italian Auditing Standard No. 001 issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili) and recommended by CONSOB. In our opinion, the report on operations and the information referred to in paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b), of article 123-bis of Legislative Decree No. 58/98 presented in the report on corporate governance and ownership structure are consistent with the consolidated financial statements of Campari Group as of 31 December 2011.

Milan, 26 March 2012

PricewaterhouseCoopers SpA

Signed by

Fabio Facchini
(Partner)

This report is an English translation of the original audit report, which was issued in Italian. This report has been prepared solely for the convenience of international readers.

Auditors' Report in accordance with Articles 14 and 16 of Legislative Decree No. 39 of 27 January 2010

To the shareholders of
Davide Campari-Milano SpA

1 We have audited the separate financial statements of Davide Campari-Milano SpA as of 31 December 2011 which comprise the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the related notes. The Directors of Davide Campari-Milano SpA are responsible for the preparation of these financial statements in compliance with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005. Our responsibility is to express an opinion on these separate financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards and criteria recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the separate financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the separate financial statements of the prior period, which are presented for comparative purposes, reference is made to our report dated 4 April 2011.

3 In our opinion, the separate financial statements of Davide Campari-Milano SpA as of 31 December 2011 comply with the International Financial Reporting Standards, as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005; accordingly, they have been prepared clearly and give a true and fair view of the financial position, result of operations and cash flows of Davide Campari-Milano SpA for the period then ended.

4 The Directors of Davide Campari-Milano SpA are responsible for the preparation of a report on operations and a report on corporate governance and ownership structure published in section "investors/corporate governance" of the corporate website of Davide Campari-Milano SpA, in compliance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the information referred to in paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b), of article 123-bis of Legislative Decree No. 58/98 presented in the report on corporate governance and ownership structure, with the financial statements, as required by law. For this purpose, we have performed the procedures required under Italian

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Auditing Standard No. 001 issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili) and recommended by CONSOB. In our opinion, the report on operations and the information referred to in paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b), of article 123-bis of Legislative Decree No. 58/98 presented in the report on corporate governance and ownership structure are consistent with the separate financial statements of Davide Campari-Milano SpA as of 31 December 2011.

Milan, 26 March 2012

PricewaterhouseCoopers SpA

Signed by

Fabio Facchini
(Partner)

This report is an English translation of the original audit report, which was issued in Italian. This report has been prepared solely for the convenience of international readers.

REPORT OF THE BOARD OF STATUTORY AUDITORS

pursuant to art. 153 *of Legislative Decree* 58/1998 and *art.* 2429 *of the Civil Code*

Dear shareholders,

This report covers the activities performed by the Board of Statutory Auditors of Davide Campari Milano S.p.A. (hereinafter the "Company", and together with its subsidiaries, the "Group") for the financial year ending 31 December 2011 (hereinafter the "Financial Year").

1. In the performance of its supervisory and control activities, the Board of Statutory Auditors hereby confirms that:

a) it oversaw compliance with the law, the company's articles of association and principles of proper administration in accordance with art. 2403 of the Italian Civil Code and art. 149 of Legislative Decree 58/1998 (hereinafter, the "T.U.F.") and the requirements set out in Consob Communication 1025564 of 6 April 2001, as amended, taking into account the principles of conduct issued by the board of the Italian association of chartered accountants;

b) it participated in meetings of the Board of Directors and Audit Committee pursuant to art. 21 of the articles of association, it received periodic information from directors on general operating performance, the outlook and the most significant operational, financial and balance-sheet transactions approved and carried out during the year by the Company and Group companies, also in accordance with art. 150, paragraph 1, of the T.U.F., and it ensured that the transactions approved and carried out complied with the law and articles of association, and that they were not manifestly imprudent, risky, a potential conflict of interest, or in conflict with resolutions passed by the Shareholders' Meeting, or such that they could compromise the integrity of the company's assets. Resolutions of the Board of Directors are executed with the utmost compliance by management and by the organisation;

c) it did not identify any atypical and/or unusual transactions with Group companies, third parties or related parties, nor did it receive any information to this effect from the Board of Directors, the external auditor or the head of internal audit. In its Report on Operations, the Board of Directors provided an appropriate description of the impact of the most significant operational, financial and balance-sheet transactions carried out as part of ordinary operations with subsidiaries under normal market conditions. In addition, the Board of Statutory Auditors considers that based on, inter alia, the activities performed by the Internal Auditing department, any transactions with related parties were managed appropriately. The Board of Statutory Auditors pointed out that Company procedures have been in place since 1 January 2011 for transactions with related parties in compliance with the provisions of Consob Regulation 17221 of 12 March 2010 and with Consob Communication of 24 September 2010. These procedures had been approved on 11 November 2010 by the Board of Directors, based on the favourable opinion of the committee made up of the Company's independent directors. Pursuant to art. 4 of the above Regulation, the Board of Statutory Auditors verified compliance of the procedures adopted with the principles of the Regulation, and confirmed that they were being followed;

d) it reviewed and supervised the adequacy of the Company's organisational structure to the extent of its authority and adherence to the principles of proper administration by gathering information from the heads of the relevant company departments and holding meetings with representatives of the external auditor, PricewaterhouseCoopers S.p.A. (which was awarded the statutory audit of the financial statements), also for the purposes of exchanging relevant data and information. No serious issues arose from these meetings.

In addition, no significant matters arose from an examination of the annual reports issued by the subsidiaries' Boards of Statutory Auditors and that accompany the financial statements;

e) it assessed and monitored, to the extent of its authority pursuant to art. 19 of Legislative Decree 39/2010, the financial disclosure process, the adequacy of the internal audit, administration and accounting systems and the reliability of the latter for the purposes of providing a true and fair view of operations by:

i. periodically sharing information with managing directors and, in particular, the manager in charge of preparing corporate accounting documents in accordance with the provisions of art. 154-bis of the T.U.F.;
ii. examining reports prepared by the head of internal audit, including information on the outcome of any corrective actions taken following audits;
iii. obtaining information from heads of company departments;
iv. holding meetings and sharing information with the control bodies of the subsidiaries Sella&Mosca S.p.A. and Sella&Mosca Commerciale S.r.l., pursuant to paragraphs 1 and 2 of art. 151 of the T.U.F., during which the Board of Statutory Auditors obtained information concerning the administration and control systems and the company's general business performance;
v. performing detailed analysis of activities performed, and reviewing the results of the work of the external auditor;
vi. participating in the work of the Audit Committee, and when specific issues so require, jointly working with the Committee on such issues.

From the work carried out, no irregularities were found that indicated inadequacies in the internal audit system;

f) it held meetings with managers of the external auditors pursuant to art. 150, paragraph 3, of the T.U.F. and art. 19 of Legislative Decree 39/2010, during which no facts or situations arose which should be highlighted in this report and it carried out the monitoring stipulated by art. 19 of Legislative Decree 39/2010;

g) it supervised the method of implementing the Code of Conduct for Listed Companies promoted by Borsa Italiana S.p.A. and adopted by the Company, as described in the Report on Corporate Governance and Ownership Structure approved by the Board of Directors on 12 March 2012. The Board of Statutory Auditors verified, inter alia, that the criteria and assessment procedures adopted by the Board of Directors to evaluate the independence of its members were correctly applied. The Board of Statutory Auditors also verified compliance with the criteria relating to the independence of its own members as stipulated in the Code of Conduct;

h) it reviewed and obtained information on organisational and procedural activities carried out pursuant to Legislative Decree 231/2001 on the administrative liability of organisations. The Company's Supervisory Body, in which the Board of Statutory Auditors normally participates, reported on activities performed during the Financial Year, but did not advise the Board of Statutory Auditors of any significant facts;

i) it ensured that information provided by non-EU subsidiaries was sufficient for conducting audits of annual and interim financial statements in accordance with art. 36 of the Market Regulations adopted by Consob resolution 16191 of 29 October 2007;

j) it monitored the implementation of organisational measures connected with the development of corporate activities;

k) it supervised the financial disclosure process pursuant to art. 19 of Legislative Decree 39/2010.

The Board of Supervisory Auditors issued opinions pursuant to art. 2389 of the Civil Code.

In 2011 the Board of Statutory Auditors met nine times and also participated in meetings of the Board of Directors, Audit Committee and Supervisory Body in accordance with Legislative Decree 231/2001, and met with the chairman of the Board of Statutory Auditors of the subsidiaries referenced above.

Based on the information obtained, the Board of Statutory Auditors believes that activities were conducted in compliance with the principles of proper administration, and that the organisational structure, internal audit system and accounting and administrative system in their entirety are appropriate to the company's requirements.

2. With regard to its relationship with the external auditors, the Board of Statutory Auditors confirms that:

    a) the external auditing company PricewaterhouseCoopers S.p.A. has issued today the annual confirmation of independence, pursuant to art. 17, paragraph 9, point b) of Legislative Decree 39/2010;

    b) the external auditor PricewaterhouseCoopers S.p.A. has today issued the report required by art. 19 of Legislative Decree 39/2010, in which it found no significant failings in the internal control system with respect to the financial disclosure process;

    c) the external auditor PricewaterhouseCoopers S.p.A. has issued, also today, pursuant to articles 14 and 16 of Legislative Decree 39/2010, the reports in which it found:
    i. that the consolidated and separate financial statements at 31 December 2011 were prepared clearly and provide a true and fair view of the Company's and Group's balance sheet, financial situation, operating results, changes in shareholders' equity and cash flows for the Financial Year;
    ii. that the Reports on Operations and the information indicated in paragraph 1), points c), d), f), l) and m) and in paragraph 2, point b) of art. 123-bis of the T.U.F. as provided in the Report on Corporate Governance and Ownership Structure are consistent with the company and consolidated financial statements;

    d) in addition to the tasks required by law for listed companies, the network of member firms of PricewaterhouseCoopers S.p.A. was awarded additional assignments for non-auditing services totalling EUR 188,000, compatible with the provisions of art.7 of Legislative Decree 39/2010.

    Based in part on the above, the Board of Statutory Auditors considers that there are no critical issues concerning the independence of PricewaterhouseCoopers S.p.A.;

    d) during the year, the external auditor did not issue any opinions required by law since the prerequisites for issuing such opinions were not met.

3. During the Financial Year, no formal complaints were received pursuant to art. 2408 of the Civil Code.

4. The Board of Statutory Auditors is not aware of any facts or statements that should be reported to the Shareholders' Meeting. During the course of the work carried out, and on the basis of information obtained, no omissions, non-conformities, irregularities or other circumstances were identified that would require notification to the Supervisory Body or mention in this report.

5. The Board of Directors provided the financial statements and report on operations to the Board of Statutory Auditors in a timely manner. To the extent of its authority, the Board of Statutory Auditors reports that the layouts used are in compliance with the law, that the accounting principles used, which are described in the notes to the financial statements, are appropriate for the activities and transactions carried out by the Company, that the test applied to determine any impairment of goodwill and trademarks reported in the accounts is adequate, and that the financial statements correspond to the facts and information as identified by the Board of Statutory Auditors following its participation in meetings with corporate bodies and the performance of its supervisory activities.

6. Taking into account the results of the specific tasks performed by the external auditor in its audit of the accounting records and of the reliability of the company financial statements, as well as its own supervisory activities, the Board of Statutory Auditors expresses its favourable opinion concerning the approval of the company financial statements at 31 December 2011 and agrees with the proposal of the Board of Directors concerning the distribution of profits.

Milan, 26 March 2012

The Board of Statutory Auditors

Pellegrino Libroia

Enrico Colombo

Carlo Lazzarini