DAVIDE CAMPARI MILANO S.p.A.

ANNUAL REPORT FOR THE YEAR ENDING
31 DECEMBER 2012

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Highlights

	31 December 2012 € million	31 December 2011 € million	Change %	% change at constant exchange rates
Net sales	**1,340.8**	**1,274.2**	**5.2**	**3.1**
Contribution margin	532.3	505.5	5.3	2.1
EBITDA before non-recurring items	337.4	329.0	2.6	-1.4
EBITDA	**320.2**	**325.8**	**-1.7**	**-5.8**
Result from recurring activities	304.7	298.7	2.0	-2.1
Operating result	**287.5**	**295.5**	**-2.7**	**-7.0**
ROS %	**21.4%**	**23.2%**		
Profit before tax	236.2	250.6	-5.8	
Group net profit	**156.7**	**159.2**	**(1.6)**	
Basic and diluted earnings per share (€)	0.27	0.27		
Average number of employees	2.450	2.278		
Free cash flow	128.2	136.0		
Acquisitions of companies and trademarks	321.6	26.0		
Net debt	869.7	636.6		
Shareholders' equity-Group and minorities	1,433.1	1,367.5		
Fixed assets	2,063.1	1,810.5		
Working capital and other assets and liabilities	239.7	193.6		
ROI %	**13.9%**	**16.3%**		

Corporate officers

Board of Directors[1]

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

Board of Statutory Auditors[2]

Pellegrino Libroia	Chairman
Enrico Colombo	Statutory Auditor
Carlo Lazzarini	Statutory 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 Internal Audit Committee (previously the Audit Committee) and the Remuneration and Appointments Committee were appointed by the Board of Directors on 30 April 2010, and confirmed by the Board of Directors on 27 April 2012 for the three-year period 2010-2012.

Report on operations

Significant events during the year

Acquisition of Lascelles deMercado&Co. Ltd.

Structure of the operation

On 11 December 2012, Davide Campari-Milano S.p.A. announced that it had successfully concluded a tender offer for the shares of Lascelles deMercado&Co. Ltd., a company listed on the Jamaican stock exchange, based in Kingston, Jamaica. The purpose of the offer, aimed at the company's Board of Directors and shareholders, was to purchase in cash all the ordinary and preference shares issued by the company.

On 3 September 2012, the Group announced that it had signed an agreement with CL Financial Ltd. to acquire its shareholding (81.4%).

The total price for 100% of the share capital of Lascelles deMercardo&Co. Ltd. was US$ 414,754,200, corresponding to a price of US$ 4.32 per ordinary share and US$ 0.57 per preferred share.

The price agreed equates to an historical multiple of 15 times EBITDA reported in the 12 months ending 30 June 2012, excluding any potential synergy.

In accordance with the Offer Circular of 8 November 2012, the Takeovers and Mergers Rules of the Jamaican Stock Exchange and other applicable laws, the tender offer was conducted through Campari España S.L., a company with registered office in Madrid, established in August and wholly owned by Davide Campari-Milano S.p.A.

The offer was closed on 10 December 2012. On that date, holders of 94,639,100 ordinary shares (equivalent to approximately 98.6% of the ordinary share capital) and of 59,727 preferred shares (equivalent to approximately 99.5% of the preferred shares) in Lascelles deMercado&Co. Ltd. had taken up the offer, for a total value of approximately US$ 409 million. On 9 January 2013, the company shares were delisted from the Jamaican Stock Exchange.

The Group subsequently purchased the remaining shares. As of the date of this report, the ordinary and preferred shares acquired by the Group totalled 94,685,897 (98.6% of the ordinary shares) and 59,727 (99.5% of the preferred shares) respectively.

Description of the acquired business

The business perimeter of the acquisition ('Acquired Business') includes the spirits business as well as the activities relating to the upstream supply chain and a local convenience goods distribution business.

The spirits business is represented by a portfolio of rums, including Appleton Estate (super premium and aged rum, designed for sipping), Appleton Special/White, Wray&Nephew and Coruba, Jamaican leader and distributed internationally.

Upstream supply chain activities, all located in Jamaica, include sugar cane cultivation, two distilleries, a sugar production plant and various warehouses.

The Acquired Business also includes a local company (merchandise division), which markets and distributes a wide range of consumer products for well-known international companies, and produces and sells a wide range of consumer products.

In 2012, the Acquired Business reported pro-forma sales of € 205.7 million and pro-forma EBITDA of € 19.9 million.

The net debt to EBITDA ratio of the Campari Group at 31 December 2012 was 2.4, considering for the acquisition, the pro-forma value of the EBITDA in the 12 months ending 30 June 2012.

Financing and cost of the operation

In light of preliminary agreements made relating to the acquisition of Lascelles deMercado&Co. Ltd., in July 2012, the Group secured the necessary financing for the transaction with a bridge loan negotiated with three banks, Intesa Sanpaolo, Bank of America Merrill Lynch and Deutsche Bank, with which it has long-standing commercial relationships.

Following the placement of a € 400 million bond issue on the Euro capital market, described in the section below, the Parent Company cancelled the bank loan mentioned above.

The price agreed for the acquisition of US$ 414.7 million, following hedging transactions implemented by the Group from September 2013, equates to € 321.6 million.

At the date of this report, the amount already paid is US$ 409.3 million (€ 317.3 million). The amount still to be paid to the minority shareholders who did not take up the offer (US$ 5.6 million, or € 4.3 million) is included in the Group's current financial payables.
Legal and consultancy fees for the activities undertaken in the year relating to the acquisition totalled € 7.0 million, and financial charges relating to the structuring of the bridge loan obtained by the Group of € 2.4 million were also incurred.
Note also that at the time of the acquisition, the Group started negotiations with Kobrand Corporation, the holder of the distribution rights to the Appleton rum portfolio in the US, with a view to acquiring these rights.
Following the completion of the Lascelles deMercado&Co. Ltd. acquisition, the parties officially came to an agreement on 15 February 2013: from 1 March 2013, through wholly-owned subsidiary Campari America, the Group acquired from Kobrand Corporation the distribution and marketing rights of the Appleton rum portfolio in the US, for US$ 20 million.
For the effects of the acquisition on the Group's financial statements, see note 7-Acquisitions, in the notes to the consolidated financial statements.

Bond issue on the Euromarket

On 18 October 2012, in order to finance the acquisition of Lascelles deMercado&Co. Ltd. as described above, Davide Campari-Milano S.p.A. completed an unrated € 400 million seven-year bond issue on the Euro capital market, maturing on 25 October 2019.
The bond pays a fixed annual coupon of 4.5% and the issue price was 99.068% of par, corresponding to a gross yield to maturity of 4.659%. Bond settlement was made on 25 October 2012.
Banca IMI, Bank of America Merrill Lynch and Deutsche Bank acted as joint lead managers and bookrunners for the issue.
The offer was targeted at institutional investors only, and attracted significant interest from a very wide range of high-quality European institutional investors. Most of the bonds were placed with investors in the UK, Italy, Germany and France.
The bonds were admitted for trading on the regulated market of the Luxembourg Stock Exchange.

Distribution of Tullamore DEW in Germany

The Group announced a major new distribution agreement, under which, the Irish whiskey, Tullamore Dew, owned by William Grant&Sons, and for which Germany is the core sales market, is to be distributed by Campari Deutschland GmbH.

Creation of Campari South Africa

In August 2012, the Group formed the subsidiary Campari South Africa, based in Cape Town, in order to distribute, sell and promote Group products in South Africa and other African countries.
The company will become operational in 2013.

New bottling plants

On 23 February 2012, the Group announced an investment plan for the Wild Turkey production site at Lawrenceburg in Kentucky (US), with the aim of bringing in-house the bottling of major Group brands, including Wild Turkey and SKYY, an activity currently performed by third parties.
The investment, to be spread over three years, totals approximately US$ 41 million, net of US$ 2.4 million in financial incentives from the Kentucky authorities for the creation of new jobs.
The plant's production capacity, initially projected to handle up to four million nine-litre cases, will support future demand for Group products in North America and the rest of the world, in response to expected growth in Wild Turkey, American Honey, Russell's Reserve, Rare Breed and SKYY Vodka.
Bottling operations are expected to start in autumn 2013.
The Group also plans to build a new plant at the Rothes distillery in Scotland, to bring the bottling of GlenGrant whiskies in house.
The new line is set to be operational in the first half of 2013, with the investment totalling GBP 4.9 million.

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 Cabo Wabo, LLC and Rare Breed Distilling, LLC were merged into Skyy Spirits, LLC, which changed its trading name to Campari America.
At 30 September 2012, Redfire, Inc. was absorbed into Campari America through a reverse merger.
Camargen S.R.L. was also merged into Campari Argentina S.A., and the name of Vasco (CIS) OOO was changed to Campari RUS OOO.

Group operating and financial results

Sales performance

Overall performance

Consolidated net sales totalled € 1,340.8 million in 2012, an increase of 5.2% on the previous year.
On a same-structure basis and at constant exchange rates, organic growth was 2.8%, since, as shown in the table below, exchange rate variations and external growth also had positive effects, of 2.2% and 0.3% respectively.

	€ million	% change on 2011
net sales 2012	1,340.8	
net sales 2011	1,274.2	
total change	66.6	5.2%
of which		
organic growth	35.5	2.8%
external growth	3.4	0.3%
exchange rate effect	27.7	2.2%
total change	66.6	5.2%

While satisfactory overall, 2012 sales were undoubtedly less exceptional than those registered in recent years, owing to specific circumstances that had a negative impact on Group performance in important markets.
Specifically, in Italy, following the introduction of painful measures to cut public debt, from September 2012 onwards, there was a sharp and significant decline in consumer spending; in the rest of western Europe, confidence remained at very low levels for the whole of the year, while in Brazil, the contraction in consumption triggered by consumers' excessive recourse to debt was not totally reabsorbed in 2012.
In contrast, other important markets for the Group, such as Australia, the US and Russia, capitalised on both the less severe economic environment and the strong potential of the Group's brands, and overall reported better results than expected.
Lastly, also worthy of note was Argentina, where in a complex macroeconomic environment, the Group managed to register very high sales figures, owing to the strength of the main brands.
This demonstrated the soundness of the Group's strategy to invest not only in the acquisition and/or development of brands with high growth potential, but also the creation of sales organisations in markets with expected high growth rates (for example, Australia, Russia, Argentina and Mexico).
Organic sales growth registered by the Group in 2012, at just 2.8%, may therefore be interpreted as the result of contrasting sales trends in the core markets where the Group has been present for some years, as well as the excellent sales performance in markets where the Group has more recently brought distribution in-house.
The table that follows shows organic sales growth for each quarter of 2012 and 2011, compared with the same period of the previous year.
The fourth quarter, the most important of the year in terms of seasonality, registered organic sales growth of 4.1%, a significant progression on the 0.2% growth registered in the third quarter, and also the best quarterly organic growth rate of 2012.

Organic growth - % change	2012/2011	2011/2010	2010/2009
first quarter	+2.8%	+10.5%	+14.5%
second quarter	+3.6%	+13.6%	+4.3%
first half	**+3.2%**	**+12.2%**	**+8.7%**
third quarter	+0.2%	+7.3%	+3.7%
first nine months	**+2.2%**	**+10.5%**	**+6.8%**
fourth quarter	+4.1%	+5.2%	+12.0%
Total for the year	**+2.8%**	**+8.8%**	**+8.4%**

External growth had a relatively modest effect, with a positive net balance of € 3.4 million, representing 0.3% of total growth.
This amount was the result of a broad balance between additional sales of third-party brands related to new distribution agreements and those relating to the termination of older distribution agreements.
The table below provides a more detailed breakdown of sales due to external growth.

2012 sales: breakdown of external growth	€ million
Third-party brands in Russia	0.7
New still wines in Italy	3.2
New agency brand spirits (including Tullamore DEW in Germany)	8.1
Termination of distribution of Cutty Sark in the US	-3.5
Termination of distribution of other agency brands	-5.1
Total external growth	3.4

Changes in average exchange rates had a significant positive effect on 2012 sales, amounting to € 27.7 million and equivalent to 2.2% of growth.
Specifically, the US dollar (+8.2%) and Australian dollar (+8.6%) both strengthened against the euro, and, to a lesser extent, against almost all other currencies.
With the euro generally depreciating against other currencies, the Brazilian real and the Argentine peso bucked the trend, and weakened against the euro by 7.3% and 1.8% respectively
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: currency x € 1	2012	2011	**% change**
US$ average for the period	**1.286**	**1.392**	**8.2%**
US$ rate at 31 December	1.319	1.294	-1.9%
BRL average for the period	2.509	2.326	-7.3%
BRL rate at 31 December	2.704	2.416	-10.6%
CHF average for the period	1.205	1.234	2.4%
CHF rate at 31 December	1.207	1.216	0.7%
CNY average for the period	8.110	8.995	10.9%
CNY rate at 31 December	8.221	8.159	-0.8%
GBP average for the period	0.811	0.868	7.0%
GBP rate at 31 December	0.816	0.835	2.4%
ARS average for the period	5.846	5.743	-1.8%
ARS rate at 31 December	6.486	5.568	-14.2%
AUD average for the period	1.241	1.348	8.6%
AUD rate at 31 December	1.271	1.272	0.1%
MXN average for the period	16.906	17.279	2.2%
MXN rate at 31 December	17.185	18.051	5.0%
RUB average for the period	39.923	40.878	2.4%
RUB rate at 31 December	40.330	41.765	3.6%

Sales by region

Group sales growth in 2012 was determined by the particularly positive result achieved in the Rest of the world and duty free region, which registered double-digit growth (+19.8%), and in the Americas (+8.8%). The Rest of Europe region also registered highly satisfactory growth overall (+5.5%), although in this case, the overall result was mainly determined by the sharp rise in sales in a very important market, Russia.
Finally, for the first time in the last four years, Italy closed a year with a decrease in sales compared with the previous year (-2.9%).
An analysis of the contributions of individual regions at the end of 2012 shows that cumulative sales of the two regions, the Americas and the Rest of the world, where the Group has recently strengthened its presence, partly through major acquisitions, represented 45.1% of total Group sales.
Concurrently, for the first time in the Group's history, Italy's contribution has fallen to under 30%, and following the integration of the recent acquisition of Lascelles deMercado, it is set to represent around a quarter of total Group sales this year.

	2012		2011		% change
	€ million	%	€ million	%	2012/2011
Italy	391.1	29.2%	402.6	31.6%	-2.9%
Rest of Europe	345.3	25.8%	328.1	25.7%	5.3%
Americas	464.8	34.7%	427.0	33.5%	8.8%
Rest of the world and duty free	139.5	10.4%	116.5	9.1%	19.8%
Total	**1,340.8**	**100.0%**	**1,274.2**	**100.0%**	**5.2%**

In **Italy**, sales in 2012 came in at € 391.1 million, down 2.9% compared with the previous year; stripping out an external growth component of 0.5%, organic sales were down 3.3%.
The business performance on the domestic market must be assessed in light of the significant decline in the country's socio-economic environment, particularly in the second half of the year, and the consequent sharp contraction in food and drink consumption.
As shown in the table below, in terms of organic sales growth, the contraction was due mainly to wines, with a decrease of 12.1%, while the core business of spirits Ltd. the drop to 2.9%, while soft drinks closed the year broadly in line with 2011 (-0.5%).

Italy	2012 € million	2011 € million	total change	organic growth	external growth	exchang e rate effect
Spirits	258.2	266.2	-3.0%	-2.9%	-0.1%	0.0%
Wines	40.0	43.1	-7.1%	-12.1%	5.0%	0.0%
Soft drinks	92.9	93.4	-0.5%	-0.5%	0.0%	0.0%
Total	**391.1**	**402.6**	**-2.9%**	**-3.3%**	**0.5%**	**0.0%**

Regarding the main spirit brands, sales of Campari and Aperol were broadly in line with those of the previous year, while Campari Soda registered a more marked drop in sales, which are highly correlated to the decrease in consumption in Italy's daytime bars.
Still in the spirits category, SKYY Vodka performed very well, benefitting from the introduction of the flavoured range onto the market, while sales of GlenGrant, Cynar and Zedda Piras decreased, as they are clearly correlated to the negative trend in consumption in their respective categories of whiskies, bitters and sweet liqueurs.
The relative performance of spirits and aperitifs in particular may be considered highly satisfactory. Nielsen sell-out figures for 2012 show a decrease in the aperitifs and vermouth categories, but growth in market share compared with the previous year for Campari, Aperol and the Group's single-serving alcoholic aperitifs, with the increase in Aperol Spritz more than offsetting the drop in Campari Soda.
2012 was not a particularly brilliant year for sales of wine in Italy: overall, they decreased by 7.1%, but, stripping out the positive contribution of external growth (+5.0%), they decreased by 12.1% on a same-structure basis.
The negative result affected all the main brands of the wine portfolio, that is Sella&Mosca, the Cinzano brand and Riccadonna sparkling wines. Specifically, the contraction in the still wines range was due to the sharp drop in consumption in the restaurant channel, while for Cinzano sparkling wines, the decrease in sales was also determined by the Group's Ltd. advertising over the Christmas season, which brought in high sales volumes, but showed a very low profit margin.
External growth, at 5.0%, is attributable to the positive impact of the new distribution agreements, the most important of which is for the Fazi Battaglia brand.
Finally, in the soft drink segment, the decrease in sales was Ltd. to 0.5%, as the contraction for Crodino was offset by the positive result of the Lemonsoda range, which registered a good relative performance over the summer.
The less positive performance of Crodino was due to the decrease in sales in both channels; in daytime bars, like Campari Soda, where Crodino maintains a good market leadership, , the performance was affected by the general negative consumption trend. While in the off-trade channel, the brand was negatively affected by the aggressive marketing of private and low-price brands.

In the **Rest of Europe,** sales in 2012 totalled € 345.3 million, a rise of 5.3% compared with 2011. Organic growth was 3.4%, external growth 0.8%, and the exchange rate effect, mainly owing to the Swiss franc, was positive at 1.0%.
The markets that generated organic growth of 3.4% were Austria, Switzerland, Belgium and above all Russia, while in Germany, Spain, France and Greece, the Group registered a decrease in sales.

Rest of Europe	2012 € million	2011 € million	total change	organic growth	external growth	exchange rate effect
Spirits	218.5	214.7	1.8%	0.3%	0.9%	0.5%
Wines	109.5	98.2	11.5%	9.6%	0.1%	1.7%
Soft drinks	6.4	4.6	37.1%	35.8%	0.0%	1.3%
Other sales	11.0	10.6	3.6%	-6.1%	6.2%	3.5%
Total	**345.3**	**328.1**	**5.3%**	**3.4%**	**0.8%**	**1.0%**

By individual business area, spirits reported growth of 1.8%, which, on a same-structure basis and at constant exchange rates, was broadly stable with the previous year (+0.3%).
This result was heavily affected by the negative performance of Aperol and Campari in Germany, which was however offset by growth in Aperol sales in all other markets of the region. Note that in Germany in 2012, sales of these two core brands were affected by a longer than expected commercial dispute with a major customer, which had an extremely negative impact on sales during what is usually the Group's strongest period. Looking at the other major spirit brands in Europe, sales of SKYY Vodka registered growth, those of Ouzo 12, Cynar and Carolans remained broadly stable, while there was a contraction for Glen Grant (very Ltd.) and Frangelico (more marked owing to the decline of the Spanish market).
External growth of 0.9% was the positive net result of lower sales, the termination of distribution agreements in various markets and the new business generated in Germany with the start of distribution of Tullamore DEW.
Sales of wine, which registered overall growth of 11.5% and organic growth of 9.6%, benefitted from strong growth on the important Russian market, where the Group's new sales organisation, operational since the previous year, fully came on stream.
Although sales for the first nine months of the year in Russia had factored in the effects resulting from the absorption of surplus products placed on the market by previous distributors, the excellent result achieved in the second half of the year, and in particular the key fourth quarter, enabled the Group to meet the ambitious sales targets set at the beginning of the year.
The Group's three main brands in the Russian market are Cinzano vermouth, Mondoro and Cinzano sparkling wines, and their strong double-digit growth supported wine sales in Europe.
As regards Cinzano sparkling wines, however, their negative result in Germany more than offset the positive performance registered in Russia, leading to a decrease in the brand's sales in the Rest of Europe area.
Still within wines, 2012 sales were positive for Odessa sparkling wines in Ukraine and for Sella&Mosca wines, which are mainly sold in Germany.
The soft drink segment, which is marginal in this region, registered an increase in sales thanks to the good growth of the Lemonsoda range in Switzerland.
The other sales segment registered growth of 3.6%, on the back of bottling activities in Greece, the sale of the malt distillate produced in Scotland and sales of finished products that do not fall into the beverage category in Russia.

Sales in the **Americas** totalled € 464.8 million, with overall growth of 8.8% compared with 2011. The increase included organic growth of 5.6% and a positive exchange rate effect of 3.6%, with a slight negative external growth impact of -0.3%.

Americas	2012 € million	2011 € million	total change	organic growth	external growth	exchange rate effect
Spirits	432.0	395.4	9.3%	5.8%	-0.5%	3.9%
Wines	28.2	27.2	3.8%	3.6%	1.7%	-1.6%
Soft drinks	0.1	0.1	33.1%	23.0%	0.0%	10.1%
Other sales	4.5	4.4	1.6%	1.6%	0.0%	0.0%
Total	**464.8**	**427.0**	**8.8%**	**5.6%**	**-0.3%**	**3.6%**

In the Americas, where spirits account for approximately 93% of the total, organic sales increased by 5.6% (with growth of 5.8% for the main segment).
To provide a more detailed analysis of the region's sales performance, rather than analysing by business area, it is considered more efficient to provide the figures for the two main markets (US and Brazil) and the additional region of other countries on the American continent as in the two tables below.

	2012 € million	%	2011 € million	%	% change 2012/2011
US	293.9	63.2%	252.0	59.0%	16.7%
Brazil	90.7	19.5%	106.3	24.9%	-14.7%
Other countries	80.2	17.3%	68.8	16.1%	16.6%
Total Americas	**464.8**	**100.0%**	**427.0**	**100.0%**	**8.8%**

Breakdown of % change	Total	organic growth	external growth	exchange rate effect
US	16.7%	8.6%	-0.7%	8.7%
Brazil	-14.7%	-7.9%	0.0%	-6.7%
Other countries	16.6%	15.6%	0.5%	0.4%
Total Americas	**8.8%**	**5.6%**	**-0.3%**	**3.6%**

The **United States**, which accounts for 63.2% of sales on the American continent and 21.9% of total Group sales, registered overall growth of 16.7%. Organic growth alone was 8.6%, the strengthening of the US dollar accounted for 8.7% and external growth made a negative contribution of 0.7%.
The excellent result achieved is attributable to the generally good performance of almost all spirits, particularly the Wild Turkey franchise; the brand, acquired by the Group in 2009, again reported solid double-digit organic growth, supported first and foremost by sales of American Honey, which continues to be a great success.
Sales in 2012 were however also extremely positive for all the other main brands on the US market, particularly SKYY, which was sustained by the excellent result of the infusions range, and growth of core brand SKYY Vodka. Sales of Carolans, Espolón, Cabo Wabo, X-Rated and Campari were also positive compared with 2011; only Frangelico closed the year with a slight decrease in sales.
The wine segment, which is however extremely marginal in this market, registered a decrease in sales in all brands.
Negative external growth (0.7%) was the result of lower sales relating to the termination of distribution of Cutty Sark, in June 2011, partly offset by the positive impact of new distribution agreements.

The sales performance in **Brazil** contrasted with that of the US in 2012, registering an overall contraction of 14.7%, attributable to negative organic growth of 7.9% and a negative exchange rate effect of 6.7%, owing to the devaluation of the Brazilian real against the euro.
Despite a slight improvement in the second half, 2012 sales were affected by the negative trend in local brands, i.e. Dreher, Old Eight and Drury's, as well as Cynar. Among international brands, SKYY Vodka continues to register an extremely positive performance, having also benefitted from the launch of the infusions range, while Campari, the key brand in this market, closed the year with a very slight decrease in sales, which should be positively in light of the difficult market environment.

Sales in **other countries on the American continent** continue to follow a positive trend, with organic growth of 15.6%; also taking into account the slightly positive exchange rate and external growth effects, overall growth was 16.6%.
The three main markets of Argentina, Canada and Mexico continue with highly positive performance, while other emerging South American countries such as Peru, Chile and Uruguay, also made a positive contribution, and are of increasing interest going forward, given the growth rates of these economies and the relative size of the Group's current business.
In Argentina, the Group's three main brands, Cinzano vermouth, Campari and Old Smuggler, all registered solid, double-digit growth. The two key brands in Canada are Carolans and SKYY Vodka, both of which had an exceptional 2012. Campari too, albeit from a small basis, had a vary good sales performance in this market. Growth in Mexico continues to be driven by the SKYY Blue ready-to-drink range, by far the main brand on this market, while the other brands that have reached a satisfactory size, such as SKYY Vodka, Campari, Espolón and Frangelico, broadly maintained their positions on the market in 2012.

In the **Rest of the world and duty free region,** sales totalled € 139.5 million in 2012, and, thanks to growth of 19.8% compared with 2011, for the first time accounted for more than 10% of total Group sales. Even stripping out the highly positive exchange rate effect (+7.9%, mainly determined by the strengthening of the Australian dollar against the euro), the region registered double-digit organic growth of 11.9%.
Sales of this complementary segment are highly concentrated in the markets of the Asia-Pacific sub-region, and among these, Australia and China registered excellent results in 2012. However, the markets of the African continent, particularly Nigeria and South Africa, although still Ltd. in size in terms of Group sales, reported extremely interesting growth rates. Finally, thanks to an excellent fourth quarter of 2012, the duty free channel closed the year with solid organic sales growth.
The table below shows the sales performance by business area in the Rest of the world and duty free region as a whole.

Rest of the world and duty free	2012 € million	2011 € million	total change	organic growth	external growth	exchange rate effect
Spirits	119.7	98.9	21.0%	13.0%	0.0%	8.0%
Wines	18.7	16.6	12.7%	5.4%	0.0%	7.3%
Soft drinks	0.2	0.2	0.8%	0.8%	0.0%	0.0%
Other sales	0.9	0.7	26.7%	19.8%	0.0%	6.9%
Total	**139.5**	**116.5**	**19.8%**	**11.9%**	**0.0%**	**7.9%**

Spirits, which represent 85.8% of total sales in this area, registered overall growth of 21.0% (at constant exchange rates), or 13.0% at constant exchange rates.
The most significant contribution came from the entire Wild Turkey franchise, which registered sold double-digit growth, supported by sales on the Australian market, in which the ready-to-drink American Honey was successfully launched in the second half of the year.

As regards the Group's other spirit brands, Campari performed well in Australia, China and Nigeria, SKYY Vodka registered good results above all in China, and sales of Aperol made good progress in Australia, Japan and in the duty free channel.

Sales in the **wines** segment increased in 2012, with growth of 12.7% at current exchange rates and of 5.4% at constant exchange rates. This result was due to both the excellent performance on the Chinese market, where sales of Cinzano sparkling wines and those of the Group's still wines increased, and the strong results in Australia of Riccadonna, the main wine brand in this region.

Consolidated sales by business area and by key brand

The first of the two tables below shows sales growth by business area, while the second breaks down the overall change in each segment by organic growth, external growth and exchange rate effects.
The 5.2% growth registered by the Group overall was mainly determined by spirits, (+5.5%), but the other three segments also made positive contributions.

	2012		2011		% change
	€ million	%	€ million	%	2012/2011
Spirits	1,028.5	76.7%	975.1	76.5%	5.5%
Wines	196.4	14.6%	185.1	14.5%	6.1%
Soft drinks	99.5	7.4%	98.2	7.7%	1.3%
Other sales	16.4	1.2%	15.8	1.2%	4.1%
Total	**1,340.8**	**100.0%**	**1.274.2**	**100.0%**	**5.2%**

Breakdown of % change	Total	organic growth	external growth	exchange rate effect
Spirits	5.5%	2.9%	0.0%	2.5%
Wines	6.1%	3.3%	1.5%	1.3%
Soft drinks	1.3%	1.2%	0.0%	0.1%
Other sales	4.1%	-2.8%	4.2%	2.7%
Total	**5.2%**	**2.8%**	**0.3%**	**2.2%**

Spirits

Sales of spirits totalled € 1,028.5 million, an increase of 5.5%, with organic growth of 2.9% and a positive exchange rate effect of 2.5%; external growth did not have any impact, as it was offset during the year by the contraction due to the termination of previous distribution agreements.
In addition to the information provided above on the sales performance of the main brands in individual regions, a summary of the overall results of the Group's main brands is provided below.

Main spirits brands of the Group 2012/2011 sales	change at constant exchange rates	change at current exchange rates
Campari	0.5%	0.3%
SKYY Vodka (including the Infusions range)	9.4%	16.8%
Aperol	-2.2%	-2.0%
Campari Soda	-4.9%	-4.9%
Wild Turkey franchise	19.2%	29.2%
of which Wild Turkey core brand	5.7%	14.4%
of which Wild Turkey ready-to-drink	14.3%	24.1%
of which American Honey	45.6%	57.6%
Brazilian brands (Old Eight, Drury's and Dreher)	-12.7%	-19.0%
Former C&C brands	0.9%	7.3%
of which Carolans	7.2%	14.8%
of which Frangelico	-4.6%	0.7%
GlenGrant	-6.5%	-5.5%
Old Smuggler	18.8%	19.0%
Ouzo12	0.5%	1.1%
Cynar	-5.5%	-6.9%
Tequila (Cabo Wabo and Espolón)	23.7%	33.4%

As regards third-party spirits distributed by the Group (which represent approximately 10% of sales in this segment), overall growth was 3.8% in 2012; stripping out a slight negative contribution from external growth (-0.8%) and a positive exchange rate effect (+1.2%), organic growth was 3.4%.

Wines

Sales of wines in 2012 totalled € 196.4 million, an increase of 6.1% compared with the previous year. This includes the effect of sales of third-party still wines resulting from new distribution agreements, which contributed 1.5%, as well as a positive exchange rate effect of 1.3%; stripping out these components, growth was 3.3% in organic terms.
The following is a summary of the consolidated sales performance of the key brands.

Wine brands of the Group 2012/2011 sales	change at constant exchange rates	change at current exchange rates
Cinzano sparkling wines	-7.8%	-7.0%
Cinzano vermouth	13.6%	14.7%
Other sparkling wines (Riccadonna, Mondoro and Odessa)	22.1%	25.9%
Sella&Mosca	-5.7%	-5.4%

In wines, the agency brands accounted for a lower proportion of total sales than in spirits (less than 5% in 2012).
As part of its strategy of achieving growth by also expanding the portfolio to include the distribution of new third-party brands, particularly for still wines, the Group concluded some important new agreements in 2012, notably that relating to Fazi Battaglia wines.

Soft drinks

In 2012, sales of soft drinks totalled € 99.5 million, up 1.3% compared with 2011 (+1.2% stripping out a marginally positive exchange rate effect).
The following is a summary of the key brand trends at consolidated level.

Soft drink brands of the Group 2012/2011 sales	change at constant exchange rates	change at current exchange rates
Crodino	-2.7%	-2.7%
Lemonsoda drinks range	10.6%	10.8%
Crodo mineral waters and other drinks	-8.8%	-8.8%

Other sales

In the ‘Other sales’ segment, which represents only 1.2% of total group sales, from March 2011, following the acquisition of Vasco (CIS) OOO (now Campari RUS OOO) in Russia, in addition to the sale of raw materials and semi-finished goods to third parties and bottling 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).
In 2012, the segment registered growth of 4.1% due to external growth and the exchange rate effect, chiefly owing to the sale of other finished products on the Russian market.

Income statement

The result from recurring activities increased by 2.0% in 2011 compared with 2011, when, it is worth remembering, it had come in 9.5% higher than in 2010.
The external economic and market factors that had a significant impact on the Group's business in certain regions are covered extensively in the Sales performance section above: profitability for the year was also partly affected by these negative factors, and growth in the result from recurring activities was lower than expected.
The operating result and net profit decrease in comparison with 2011, by 2.7% and 1.6% respectively, owing to high extraordinary charges, in part related to the acquisition of Lascelles deMercado&Co. Ltd..

	31 December 2012		31 December 2011		Change
	€ million	%	€ million	%	%
Net sales	1,340.8	100.0	1,274.2	100.0	5.2
Cost of goods sold after distribution costs	(571.3)	-42.6	(539.6)	-42.3	5.9
Gross profit after distribution costs	769.5	57.4	734.6	57.7	4.7
Advertising and promotional costs	(237.2)	-17.7	(229.1)	-18.0	3.5
Contribution margin	532.3	39.7	505.5	39.7	5.3
Overheads	(227.7)	-17.0	(206.8)	-16.2	10.1
Result from recurring activities	304.7	22.7	298.7	23.4	2.0
Non-recurring income (charges)	(17.2)	-1.3	(3.1)	-0.2	-
Operating result	287.5	21.4	295.5	23.2	-2.7
Net financial income (charges)	(48.7)	-3.6	(43.2)	-3.4	12.6
Non-recurring financial income (charges)	(2.6)	-0.2	(1.9)	-0.1	-
Portion of profit (loss) relating to companies valued at equity	(0.0)	0.0	(0.4)	0.0	-
Income (charges) relating to put options and earn-outs	(0.1)	0.0	0.5	0.0	-
Profit before tax and minority interests	236.2	17.6	250.6	19.7	-5.8
Taxes	(79.0)	-5.9	(90.9)	-7.1	-13.1
Net profit	157.2	11.7	159.8	12.5	-1.6
Minority interests	(0.5)	0.0	(0.6)	0.0	-
Group net profit	156.7	11.7	159.2	12.5	-1.6
			-		
			-		
Total depreciation and amortisation	(32.7)	-2.4	(30.3)	-2.4	8.1
EBITDA before non-recurring income and charges	337.4	25.2	329.0	25.8	2.6
EBITDA	320.2	23.9	325.8	25.6	-1.7

Net sales for the year were € 1,340.8 million, an overall increase of 5.2%, due to organic growth of 2.8%, a positive exchange rate effect of 2.2% and a marginal external growth effect of 0.3%.
For more details on these effects and on sales by region and business area, please refer to the section above.

The **cost of goods sold** represented 42.6% of sales in 2012, 30 basis points higher compared with the previous year (42.3%).
The various cost components had a variety of effects on the Group's profitability in 2012.
The eroding effect on the profit margin of the overall increase in materials and production costs was relatively Ltd. (10 basis points); specifically as regards raw materials, the strong pressure on the prices of some materials (particularly sugar in Europe) was offset by the synergies implemented by the Group through its global purchase policies, which mainly benefitted glass.
Conversely, the exchange rate effect, mainly attributable to the strengthening of the Australian dollar and the US dollar against the euro, had a positive impact on the costs of goods sold as a percentage of sales of 40 basis points in 2012.
Finally, distribution costs, which reflect the general increase in unit costs of transport and the Group's expansion in new markets entailing higher logistics costs (particularly Russia), led to an increase of the overall incidence of the cost of goods sold of 60 basis points.

Gross profit was € 769.5 million, up 4.7% compared with the previous year. As a proportion of sales, it was 57.4%, compared with 57.7% in 2011, due to the greater incidence of the cost of goods sold, commented on above.

Advertising and promotional costs stood at 17.7% of sales, lower than the previous year (18.0%). This was partly due to lower production costs for new television commercials.

The **contribution margin** for the year was € 532.3 million, with total growth of 5.3%, of which organic growth contributed 2.1% and the favourable exchange rate effect 3.2%; the positive and negative effects of external growth offset each other, and did not have any effect.

Overheads, which include the cost of the sales organisations and general and administrative costs, increased by 10.1% in total .
This strong growth was partly due to an exchange rate effect of 1.9% and an external growth effect of 1.7%, which was fully attributable to the launch of direct distribution on the Russian market, as this entailed substantial and ongoing investments to reinforce the entire structure of Vasco (CIS) OOO (now Campari RUS OOO), acquired in March 2011.
Stripping out these items, organic growth in overheads in 2012 was 6.5%, and includes both the strengthening of the Group's central and commercial structures, and losses on receivables relating to the Italian market, which in 2012 increased significantly compared with previous years, and are equivalent to 1.1% of overall growth.

The **result from recurring activities** was € 304.7 million, an increase of 2.0% compared with 2011, and represents 22.7% of sales (23.4% in 2011).
Stripping out external growth and exchange rate movements, the result from recurring activities decreased by 1.1%.
As regards the exchange rate effect, which had a positive impact of 4.2%, the factors outlined above under the cost of goods sold again apply:
External growth, which had a negative impact of 1.1% on the result from recurring activities, was wholly determined by costs relating to the strengthening of the Group's sales structure in Russia.

Non-recurring income and charges showed net charges of € 17.2 million in 2012, a significantly higher amount than the charges of € 3.1 million registered in 2011.
The charges that had the greatest effect on this item in the year were those relating to legal and consultancy fees sustained in relation to the acquisition of Lascelles deMercado&Co. Ltd., which totalled € 7.0 million.
The other most significant items of the year were: restructuring provisions for a total of € 4.5 million, and a provision for risks in Brazil of € 3.1 million relating to a dispute with a former distributor. Other non-recurring charges, net of capital gains on asset sales, totalled € 2.6 million.

The **operating result** for the year was € 287.5 million, a decrease of 2.7% compared with the previous year, wholly owing to the high non-recurring charges commented on above.
ROS (return on sales, i.e. operating result as a percentage of net sales) was 21.4%, compared with 23.2% in the previous year.
Stripping out external growth (-3.5%) and exchange rate movements (+4.3%), organic growth was negative at 3.6%, due entirely to growth in non-recurring charges.

Depreciation and amortisation in the period totalled € 32.7 million, up 8.2% on 2011.

EBITDA before non-recurring income and charges increased by 2.6% (-0.4% on a same-structure basis and at constant exchange rates) to € 337.4 million, while **EBITDA** fell by 1.7% (-2.7% on a same-structure basis and at constant exchange rates) to € 320.2 million.

Recurring **net financial charges** were € 48.7 million, up from € 43.2 million in 2011, owing to both higher Group debt (due to the acquisition of Lascelles deMercardo & Co. Ltd.), and the increase in the negative carry on cash held (spread between interest rates obtained on short-term deposits and the medium-/long-term cost of debt).
Specifically, in relation to this latter effect, in October 2012, in light of the closing of the acquisition, the Group successfully completed the placement of an unrated € 400 million bond issue on the Euro capital markets.
The new bond issue, which was for a higher amount than that paid in the acquisition and which was therefore partly reinvested in the short term, accentuated the negative carry on cash that had already negatively affected the first three quarters of the year.

Non-recurring financial charges, at € 2.6 million, mainly related to the structuring of the bank loan obtained by the Group to secure the financing for the acquisition of Lascelles deMercado&Co. Ltd.. Following the placement of the bond issue on the Euro capital market, the Group cancelled this loan.
The 2011 income statement showed non-recurring financial charges of € 1.9 million, relating to interest on tax disputes.

In 2012, there were no portions of **profits or losses of companies measured with the equity method,** while in 2011, this item showed a loss of € 0.4 million.
During 2012, the Dutch commercial joint venture International Marques V.o.f. was put into liquidation, following the decision to close the company taken in November 2011.

Income and charges relating to put options and earn-outs showed a charge of € 0.1 million in 2012, compared with an income of € 0.5 million in 2011.
The 2012 figure was due to the updating of the estimated value of put options and earn-outs relating to the acquisitions of Vasco (CIS) OOO (now Campari RUS OOO) and Sagatiba.

Profit before tax and minority interests decreased by 5.8% (-10.3% at constant exchange rates) compared with 2011, to € 236.2 million.

Income **taxes** (deferred and current) were € 79.0 million, which was lower than the 2011 figure in both absolute terms, and as a percentage of pre-tax profit, falling from 36.3% in 2011 to 33.4%. The fall of taxes as a percentage of profit, of 3.1%, was partly due to one-off effects of € 3.7 million, equivalent to 1.6%.
This item includes a component for deferred taxes of € 22.2 million in 2012 (€ 20.1 million in 2011), reported for the purposes of cancelling out the effect of the tax-deductibility of amortisation on goodwill and trademarks permitted under local legislation.

Net profit before minority interests was € 157.2 million, a decrease of 1.6% compared with 2011 (-6.9% at constant exchange rates).

Minority interests were € 0.5 million, broadly in line with 2011 (€ 0.6 million).

Group net profit was € 156.7 million, a decrease of 1.6% compared with 2011 (-6.9% at constant exchange rates) and represents a net margin on sales of 11.7%; this is slightly lower than the margin of the previous year, which was 12.5%.
Stripping out non-recurring operational and financial items (both valued net of the related tax impact),as well as non-recurring net income recorded under the tax item, adjusted Group net profit was € 167.7 million, broadly in line (+0.1%) with the net profit figure of € 167.5 million in the previous year, adjusted in the same way for non-recurring items.

Segment Reporting

Foreword

With these annual financial statements, the Group has changed its segment reporting set out in IFRS 8.
While previously segment reporting showed the profitability of the four business areas, determined according to the categories of products sold (spirits, wines, soft drinks and other sales), henceforth the Group has decided to present profitability by geographical region.

The four regions identified as operating segments and for which profitability is analysed are: Italy, Rest of Europe, Americas and Rest of the world and duty free.
This change is in line with the guidelines of IFRS 8, which establishes that segment reporting must reflect the organisational structure of the entity (company or group) which prepares the report, and must be consistent with the information used by the management to assess the entity's performance.
The Group has adopted this new segment reporting now, during an historic period for the Group's development, in that the organisational changes launched in 2009 with the creation of geographical Business Units have practically been completed, and the IT systems supporting the new organisation have been adjusted.
The profitability level analysed in the new segment reporting is the Result from recurring activities, which means that more complete information is provided compared with the past, when the profitability of spirits, wines, soft drinks and other sales was only shown up to Contribution margin; the previous product categories were in fact aggregations of brands and therefore only evaluated in terms of the margin actually generated by the individual brands, that is without any allocation of overheads.
In contrast, the new segment reporting aggregates the income statements of the individual companies that make up a certain geographical region, and it is therefore possible, and considered appropriate, to evaluate the regions based on their Results from recurring activities.
In addition, the profitability of each region shown in the new segment reporting methodologically reflects the profit generated by the Group in sales to third parties made in that region; this reporting logic therefore neutralises any effects resulting from the concentration of industrial activities and of the relative margins in a given region.

Profitability by region

The following table shows a breakdown by region of the Group's net sales and result from recurring activities for 2012.
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Summary of 2012 Income statement	Net sales € million	% of Group total	Result from recurring activities € million	% of Group total
Italy	391.1	29.2%	75.9	24.9%
Rest of Europe	345.3	25.8%	90.8	29.8%
Americas	464.8	34.7%	102.5	33.7%
Rest of the world and duty free	139.5	10.4%	35.4	11.6%
Total	1,340.8	100.0%	304.7	100.0%

The Americas represent the main geographical region for the Group's business, and accounted for more than a third of the total in terms of both sales and profitability in 2012: 34.7% of sales and 33.7% of the result from recurring activities.
Italy's contribution to the total has gradually declined in the last four years, both in terms of sales and as a result from recurring activities, which are a consequence of the Group's international growth strategy and major acquisitions made outside the domestic market; having said that, Italy still represented 29.2% of sales and 24.9% of Group profitability in 2012.
The Rest of Europe area, which in 2012 benefitted from growth of the business in Russia, accounts for just over a quarter of Group sales (25.8%), but a greater percentage of profitability (29.8%).
The Rest of the world and duty free area is still significantly smaller than the other areas, in terms of both relative weight of sales and profitability on the Group total, at 10.4% and 11.6% respectively. Looking at the region's growth in the recent past, following solid organic growth and strong external growth, sales have increased by 42.3% in the last four years, with a weighted annual average growth rate of 9.2%, enabling this region to grow its share of total Group sales over this time period.

The tables below analyse the 2012 income statement of each region, providing a comparison with the previous year and a summary of the effects that determined the profitability of the area.

Income statement-Italy

Italy	2012		2011		2012/2011	2012/2011
	€ million	% of sales	€ million	% of sales	Total % change	organic growth - % change
Net sales	391.1	100.0	402.6	100.0	-2.9%	-3.3%
Gross profit after distribution costs	226.6	57.9	233.5	58.0	-2.9%	-3.2%
Advertising and promotional costs	(62.5)	(16.0)	(64.0)	(15.9)	-2.4%	-2.5%
Result from recurring activities	75.9	19.4	86.3	21.4	-12.1%	-12.8%

The decline in the socio-economic environment in 2012, fully commented on in the Sales performance section above, affected the trend in sales, which registered negative organic growth of 3.3%, and the region's organic profitability, which decreased by 12.8%.
Gross profit after distribution costs decreased by 2.9% compared with the previous year, or, stripping out a small positive external growth component, by 3.2% in organic terms.
In Italy, gross profit as a percentage of sales remained broadly unchanged compared with the previous year, falling from 58.0% in 2011 to 57.9%. The Group managed to limit the drop in profitability to only ten basis points despite an unfavourable sales mix, owing to the resilience of net sales prices and the general containment of growth in unit production costs.
At 16% as a percentage of sales, advertising and promotional investment was in line with the previous year (15.9%), while there was a more than proportional increase in overheads, which were also negatively affected by significant losses on receivables.
The result from recurring activities in Italy was € 75.9 million in Italy, represented 19.4% of sales, and decreased by 12.1% compared with 2011 (negative organic growth alone at -12.8%).

Breakdown of change	€ million
Result from recurring activities 2011	86.3
organic growth	(11.0)
external growth	0.6
total change	(10.4)
Result from recurring activities 2012	75.9

The table above shows the figures that generated the 2012 result, comprising negative organic growth of € 11.0 million and external growth of € 0.6 million, owing to the profit generated by the distribution of new still wine brands.

Income statement-Rest of Europe

The main markets in this region are Germany and Russia, in which the Group has its own sales organisations; the other markets are Switzerland, Austria, Belgium and Ukraine, which are managed directly by the Group, as well as the UK, Spain and France, which are covered indirectly by third-party distributors.

Rest of Europe	2012		2011		2012/2011	2012/2011
	€ million	% of sales	€ million	% of sales	total % change	organic growth - % change
Net sales	345.3	100.0	328.1	100.0	5.3%	3.4%
Gross profit after distribution costs	194.6	56.4	192.9	58.8	0.9%	0.4%
Advertising and promotional costs	(57.2)	(16.6)	(63.2)	(19.3)	-9.6%	-9.0%
Result from recurring activities	90.8	26.3	87.4	26.6	3.9%	6.5%

Overall, the financial performance achieved in the region in 2012 was positive, with organic sales growth of 3.4%, a 0.4% increase in the gross margin and a 6.5% increase in the result from recurring activities.
The key markets of Germany and Russia moved in opposite directions in 2012: the year was difficult in Germany, partly due to the effects on business of a commercial dispute at the highest point of the seasonal cycle, while in Russia

it was very positive, as the Group's sales structure, which ramped up fully in 2012, handled the transferral in-house of major brands (Cinzano and Mondoro) that had been managed by third parties in the previous year.
The region’s gross margin as a percentage of sales decreased substantially, by 240 basis points, from 58.8% in 2011 to 56.4%. This was mainly due to an unfavourable sales mix in the two key markets. While the contraction in Germany chiefly affected brands with bigger margins, such as Aperol and Campari, development in the Russian market was concentrated, at least for the time being, in the sparkling and vermouth categories, where margins are smaller. Moreover, in the sparkling category, margins in the Russian market were affected by the fact that Mondoro, the brand with the biggest margin, closed the year with sales results that were lower than expected, due to the significant quantities of product inventories placed in the distribution channel by the previous distributor (re-absorption of these inventories slowed sales in the first half of the year).
The contraction in promotional and advertising investments, from 19.3% to 16.6%, was partly due to the market mix. On the one hand, the Group wanted to curb investments (although they remained very high last year) in markets such as Germany and Spain, which, for different reasons, had a difficult year; on the other, the substantial increase in investments in the Russian market were not enough to offset the reduced investments in Germany and Spain.
In addition, an extremely cautious approach was taken to advertising investment in Russia in 2012, to mitigate risks associated with the launch of the distribution business.
The result from recurring activities in the Rest of Europe came in at € 90.8 million, with organic growth of 6.5% and a profit margin of 26.3% (26.6% in 2011).

Breakdown of change	€ million
Result from recurring activities 2011	87.4
organic growth	5.7
external growth	(3.5)
exchange rate effect	1.1
total change	3.4
Result from recurring activities 2012	90.8

The above table shows total year-on-year profit growth in the region of € 3.4 million, broken down into organic growth, external growth and the exchange rate effect. External growth, which had a negative impact of € 3.5 million, reflected increased structure costs due to the steady reinforcement of the structure of Campari RUS OOO that the Group carried out in 2012, after acquiring the company (then named Vasco (CIS) OOO) in 2011.

Income statement-Americas

The Americas region, which represented around 35% of total sales in 2012, is the Group’s core region. It includes the four key markets of US, Brazil, Argentina and Mexico, where the Group has its own direct sales structure, and which account for approximately 90% of the region's sales.

Americas	2012		2011		2012/2011	2012/2011
	€ million	% of sales	€ million	% of sales	total % change	% organic change
Net sales	464.8	100.0	427.0	100.0	8.8%	5.6%
Gross profit after distribution costs	263.6	56.7	234.3	54.9	12.5%	6.8%
Advertising and promotional costs	(90.4)	(19.5)	(79.2)	(18.5)	14.2%	8.6%
Result from recurring activities	102.5	22.1	91.8	21.5	11.7%	4.1%

The results achieved in this region in 2012 were positive overall, with a markedly better performance in the US than in Brazil.
Organic sales growth was 5.6%, while the gross margin grew by 6.8%; gross profit as a percentage of sales improved by 180 basis points. The excellent result registered by spirits in North America, i.e. Wild Turkey, American Honey, SKYY Vodka and Carolans, all brands with very positive margins, more than compensated for an unfavourable period for the Brazilian brands (although these have smaller margins).
Promotional and advertising investments, supporting growth, increased significantly to 19.5% of sales (100 basis points higher than in 2011), representing organic growth of 8.6%.

The result from recurring activities in the Americas came in at € 102.5 million, with organic growth of 4.1% and a profit margin of 22.1% (21.5% in 2011).

Breakdown of change	€ million
Result from recurring activities 2011	91.8
organic growth	3.7
external growth	(0.4)
exchange rate effect	7.3
total change	10.7
Result from recurring activities 2012	102.5

Total growth in the result from recurring activities in the region was 11.7%, or € 10.7 million, partly boosted by a positive exchange rate effect of € 7.3 million.

Income statement-Rest of the world and duty free

This region, where the key markets are Australia, Japan, China and the duty free channel (world-wide), is the smallest in the Group in terms of size, but is registering double-digit growth rates.

Rest of the world and duty free	2012		2011		2012/2011	2012/2011
	€ million	% of sales	€ million	% of sales	total % change	% organic change
Net sales	139.5	100.0	116.5	100.0	19.8%	11.9%
Gross profit after distribution costs	84.7	60.7	74.0	63.6	14.4%	4.8%
Advertising and promotional costs	(27.1)	(19.4)	(22.7)	(19.5)	19.4%	11.9%
Result from recurring activities	35.4	25.4	33.1	28.4	7.0%	-4.7%

In 2012, the region saw organic sales growth of 11.9%, although organic growth in the gross margin was Ltd. to 4.8%. Mix factors also played a part in this substantial reduction of the gross margin as a proportion of sales, although at 60.7% it is still the highest among all the four regions in which the Group operates. First of all, there is the product mix for the Australian market, where Wild Turkey ready-to-drink products grew strongly and American Honey ready-to-drink products were successfully launched: both these brands have margins that are smaller than the corresponding spirits sold in bottles. Secondly, the product-country mix had a negative effect on profit margins: robust growth in China boosted still wines substantially, while there was a contraction in the Campari brand within the positive overall performance of the duty free channel.
Promotional and advertising investments increased in proportion to sales, with organic growth of 11.9%, meaning that they were largely unchanged as a proportion of sales (19.4%).
The result from recurring activities in the Rest of the world and duty free region was € 35.4 million in 2012, with a profit margin of 25.4% (28.4% in 2011), growth of 7.0% at current exchange rates and a 4.7% decline in organic terms.
As well as these figures, it should be noted that major structural reinforcement is under way in the region, with the aim of greater penetration of markets seen as having strong potential, including some countries in Africa.
The following table shows overall growth in the result from recurring activities in the region (€ 2.3 million) broken down into organic and exchange components.

Breakdown of change	€ million
Result from recurring activities 2011	33.1
organic growth	(1.6)
external growth	0.0
exchange rate effect	3.9
total change	2.3
Result from recurring activities 2012	35.4

Reclassified statement of cash flows

The table below shows a simplified and reclassified 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.

	31.12.12 € million	31.12.11 € million	change € million
Operating profit	287.5	295.5	(8.0)
Depreciation	32.7	30.3	2.5
EBITDA	320.2	325.8	(5.6)
Other non-cash items	11.5	5.0	6.5
Changes in non-financial assets and liabilities	3.4	(0.3)	3.7
Taxes paid	(88.2)	(68.0)	(20.1)
Cash flow from operating activities before changes in working capital	247.0	262.5	(15.6)
Change in net operating working capital	(22.5)	(60.1)	37.5
Cash flow from operating activities	224.4	202.5	22.60
Net interest paid	(52.7)	(41.6)	(11.1)
Cash flow used for investment	(45.2)	(24.9)	(20.3)
Free cash flow	126.5	136.0	(9.5)
Acquisitions	(317.3)	(26.0)	(291.3)
Other changes	(13.7)	(20.9)	7.2
Dividend paid out by Parent Company	(40.5)	(34.6)	(5.9)
Total cash flow used in other activities	(371.5)	(81.5)	(290.0)
Exchange rate differences and other changes	14.2	(9.7)	23.9
Change in net debt due to operating activities	(230.9)	44.7	(275.6)
Change in payable for the exercise of put options and earn-out payments	(2.3)	(4.3)	2.1
Change in net debt = total net cash flow for the period	**(233.1)**	**40.4**	**(273.5)**
Net debt at the start of the period	(636.6)	(677.0)	40.4
Net debt at the end of the period	(869.7)	(636.6)	(233.1)

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

In 2012, the **net cash flow** was negative for € 233.1 million, due to the substantial sum disbursed for the acquisition of Lascelles deMercado&Co. Ltd. (€ 317.3 million). In 2011, the net cash flow, which was positive for € 40.5 million, saw a more Ltd. deduction for acquisitions (€ 26.0 million).

More specifically, **free cash flow** of € 126.5 million was generated in 2012; cash flow from operating activities was € 224.4 million, which was partly absorbed by the payment of net financial interest of € 52.7 million and net investment of € 45.2 million. The most significant free cash flow items in 2012 and the related changes compared with 2011 (€ 136.0 million) were as follows:

- EBITDA (operating profit and amortisation/depreciation) of € 320.2 million, € 5.6 million lower than in 2011;
- other non-cash items for € 11.5 million: this item, which includes high provisions allocated in the 2012 income statement compared with the previous year, increased free cash flow by € 6.5 million;
- taxes paid of € 88.2 million, an increase of € 20.1 million on 2011, due to non-recurring effects;
- a change in operating working capital, stripping out exchange rate effects and external growth, of € 22.5 million, lower than the figure of € 60.1 million for the previous year (for more information on this item, see the section Operating working capital below);
- net interest payable of € 52.7 million, an increase of € 11.2 million compared with 2011;
- investment spending of € 45.2 million, significantly higher compared with the previous year (€ 24.9 million), owing to the launch of important one-off industrial projects, including the construction of two new bottling plants, in Kentucky and in Scotland; the net investment figure for 2012 incorporates gross investment of € 55.3 million, less receipts from the sale of assets for € 9.2 million and capital grants of € 1.1 million; other minor changes represent an

outflow of € 0.2 million. Further details of spending during the year can be found in the section entitled Investments below.

Cash flow used in other activities was € 371.5 million, compared with € 81.5 million in 2011.
The cash disbursement of € 317.3 million to acquire Lascelles deMercado&Co. Ltd. represents the price paid at 31 December 2012 for the shares already acquired (€ 317.3 million). Other significant cash outflows were:
- the dividend paid out by the Parent Company of € 40.5 million in 2012, up € 5.9 million on the previous year;
- other changes of € 13.7 million, an item that includes an outlay for the purchase of own shares, net of sales, for € 12.2 million.

Exchange rate differences and **other changes** had a positive impact of € 14.2 million, and mainly relate to exchange rate differences on operating working capital of € 12.9 million.
In 2011, the item had an overall negative impact of € 9.7 million.

The change in **payables for the exercise of put options and earn-out payments**, which absorbed cash of € 2.3 million, reflects payables registered due to the acquisition of Lascelles deMercardo&Co. Ltd., for the portion of residual shares that the Group plans and is entitled to acquire, for € 4.3 million. Furthermore, the change in the payable includes the earn-outs paid during the year (€ 1.7 million) relating to previous acquisitions, updates on estimates of future payments (€ 0.1 million) and exchange rate effects for the year (€ 0.4 million).

Investments

In 2012 investments reported in the financial statements totalled € 55.3 million, of which:
- € 50.0 million in tangible assets, including € 0.4 million for capitalised interest;
- € 0.7 million in biological assets;
- € 4.6 million in intangible assets with a finite life.

The following important one-off projects were launched during the year:
- the new bottling plant in Kentucky (USA), at the Wild Turkey production site in Lawrenceburg; the project, for which an amount of € 17.7 million was capitalised in 2012, will be completed in 2013, and will bring in-house the bottling of major Group brands, including Wild Turkey and SKYY Vodka, an activity currently performed by third parties;
- again at the Lawrenceburg production site, the continuation of the construction of the Visitors' Centre for a total of € 1.2 million; the project will require a total investment over two years of € 2.6 million;
- the new bottling plant for Glen Grant in Rothes, Scotland, for € 5.1 million: this project will also be completed in 2013, and will enable an activity currently performed by third parties to be brought in-house.

The remaining amount spent on tangible assets during the year (€ 26.0 million) was incurred by the Group's plants for recurring activities, including € 10.0 million on barrels for the bourbon and whisky ageing process.
Investments in biological assets totalling € 0.7 million were made by Sella&Mosca S.p.A., mainly on vineyards.
Lastly, investment in intangible assets with a finite life during the year, totalling € 4.6 million, mainly related to projects to streamline and upgrade the IT systems currently in use.

Breakdown of net debt

At 31 December 2012, consolidated net debt stood at € 869.7 million, an increase of € 233.1 million on the figure of € 636.6 million registered at 31 December 2011.
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.

	31.12.12 € million	31.12.11 € million	change
Cash and cash equivalents	442.5	414.2	28.3
Payables to banks	(121.0)	(144.9)	24.0
Real estate lease payables	(0.0)	(3.0)	3.0
Short-term portion of private placement	(0.0)	(83.7)	83.7
Other financial receivables and payables	15.0	(10.7)	25.7
Short-term net cash position	336.5	171.8	164.7
Payables to banks	(1.1)	(0.1)	(1.0)
Real estate lease payables	(1.4)	(1.4)	0.0
Private placement and bond (*)	(1,206.9)	(798.5)	(408.4)
Other financial receivables and payables	13.3	(0.5)	13.8
Medium-/long-term net debt	(1,196.1)	(800.6)	(395.6)
Debt relating to operating activities	(859.7)	(628.8)	(230.9)
Payables for the exercise of put options and potential earn-out payments	(10.0)	(7.8)	(2.3)
Net debt	(869.7)	(636.6)	(233.1)

(*) including the relevant derivatives.

In terms of structure compared with the previous year, net debt, which increased by € 233.1 million overall, registered diverging trends on its short- and long-term components.
The short-term cash position, which at 31 December 2012 was € 336.5 million, increased by € 164.7 million compared with the figure at 31 December 2011. The medium-/long-term component, however, showed a net debt balance of € 1,196.1 million, an increase of € 395.6 million compared with the previous year.

The improvement in the **short-term cash position** was due to various factors, relating to both cash flows generated from recurring activities and the financing operations and acquisitions undertaken during the year.
Recurring activities generated free cash flow of € 126.5 million, as broken down above.
In terms of refinancing, in July, Campari America repaid the final tranche (€ 83.7 million) of the private placement conducted in 2002 using the cash available.
Finally, in the fourth quarter, the Parent Company placed a bond loan on the public capital market in euro for a total nominal amount of € 400 million; most of the cash raised was used to acquire Lascelles deMercardo&Co. Ltd. (€ 321.6 million, excluding expenses relating to the acquisition).
Other financial receivables and payables, which at 31 December 2012 were positive for € 15.0 million, include € 6.0 million for the short-term portion of the asset registered by the Parent Company in respect of the early extinction of interest rate hedging agreements relating to bond issues. At 31 December 2012, the total value of this asset was € 19.7 million, and the remaining portion of € 13.7 million was entered under medium-/long-term financial receivables.

The acquisition of Lascelles deMercado&Co. Ltd. led to the recording of cash and cash equivalents of € 24.3 million, short-term financial payables to the sellers of € 14.5 million and bank debt of € 5.6 million.

The **medium- to long-term component**, almost exclusively made up of bonds in issue, showed a debt position of € 1,206.9 million, compared with € 798.5 million at 31 December 2011.
The increase mainly relates to the € 400 million bond issue launched by the Parent Company, details of which are provided in the section Significant events during the year.
As noted above, since the Parent Company carried forward part of the medium-to-long-term fixed-rate payable, some interest rate hedging agreements that had been carried out on the Eurobond in 2009 were extinguished; as a result the asset value of the derivatives was reclassified from bond loans to other financial receivables.

Group net debt includes a financial payable of € 10.0 million, relating to the possible future exercise of put options by third parties and future earn-out payments. For an analysis of changes in these payables compared with the previous year, please refer to the section above Statement of cash flows.

Reclassified statement of financial position

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

	31.12.12 € million	31.12.11 € million	change € million
Fixed assets	2,063.1	1,810.5	252.6
Other non-current assets and liabilities	(202.9)	(157.1)	(45.8)
Operating working capital	562.5	442.5	120.0
Other current assets and liabilities	(119.9)	(91.9)	(28.1)
Total invested capital	2,302.8	2,004.0	298.8
Shareholders' equity	1,433.1	1,367.5	65.6
Net debt	869.7	636.6	233.1
Total financing sources	2,302.8	2,004.0	298.8

Invested capital at 31 December 2012 was € 2,302.8 million, € 298.8 million higher than at 31 December 2011.
This change mainly reflected the acquisition of Lascelles deMercado&Co. Ltd., which was first consolidated at 10 December 2012, resulting in an increase in all the invested capital items, with the registration, albeit provisional, of the following entries:

- fixed assets of € 281.2 million;
- non-current liabilities (net of other non-current assets) of € 37.6 million;
- operating working capital of € 107.4 million;
- other current liabilities (net of other non-current assets) of € 33.5 million.

For more details on the figures recorded in relation to the acquisition, please refer to note 7 of the consolidated financial statements, Business combinations.

In addition, the most significant changes recorded on the Statement of financial position at 31 December 2012 concern exchange rate effects, which had a significant negative impact on all items. Fixed assets, for example, as well as the effect of the acquisition mentioned above, increased by € 55.3 million owing to investments made during the year, but decreased by € 39.9 million owing to the exchange rate effect (which must be added to the effect of depreciation and amortisation, disposals and write-downs).

The Group's financial structure showed a debt-to-equity ratio at the end of the year of 60.7%, up from 46.6% at 31 December 2011.

Operating working capital

Operating working capital at 31 December 2012 was € 562.5 million, representing an increase of € 120.0 million compared with 31 December 2011, significantly affected by the consolidation of Lascelles deMercado&Co. Ltd..
Working capital as a percentage of net sales for the last 12 months stood at 42.0% at the end of 2012, substantially higher than the 34.7% registered at 31 December 2011. However, excluding effects relating to the Group's external growth, working capital as a percentage of net sales in 2012 was 33.7%, down 100 basis points compared with 31 December 2011 (34.7%).

	31.12.12 € million	31.12.11 € million	change € million
Receivables from customers	312.4	278.0	34.4
Inventories	451.4	331.3	120.1
Trade payables	(201.4)	(166.8)	(34.6)
Operating working capital	**562.5**	**442.5**	**120.0**
Sales in the previous 12 months	1,340.8	1,274.2	66.5
Working capital as % of sales in the previous 12 months	42.0%	34.7%	
Working capital as % of sales in the previous 12 months adjusted for external growth (%)	33.7%	34.7%	

The total change, broken down by organic growth, exchange rate effect and external growth, is as follows:

	total	of which			
	change	exchange rate differences	external growth	other changes related to acquisitions	organic growth
	€ million	€ million	€ million	€ million	€ million
Receivables from customers	34.4	(7.6)	24.0	4.6	13.4
Inventories	120.1	(7.3)	87.3	0.0	40.1
Trade payables	(34.6)	1.8	(4.0)	(1.5)	(31.0)
Operating working capital	**120.0**	**(13.1)**	**107.4**	**3.2**	**22.5**

The change in external growth of € 107.4 million shown above refers to the working capital of the subsidiaries of Lascelles deMercado&Co. Ltd. at the acquisition date, while other changes relating to acquisitions of € 3.2 million reflect receivables and payables of other Group companies relating to the transaction.

Also excluding negative exchange rate effects of € 13.1 million, working capital registered organic growth of € 22.5 million, as shown above under Statement of cash flows.
The most significant component of this growth was the increase in inventories (€ 40.1 million), and is mainly attributable to the liquid due to undergo the ageing process in the two Group distilleries in Scotland and in Kentucky.

Investor information

International economy

Following the expansion of worldwide economic activity, albeit at a modest pace, at the beginning of 2012, the economic situation has again slowed down since March 2012. In the second half of 2012 world economic performance remained weak with a slowdown in sales. Despite signs of strengthening in certain emerging countries, 2012 ended in a cloud of uncertainty in terms of the prospects for global growth. This situation was mainly due to the evolution of the crisis in the eurozone and the management of government budget imbalances in the US, where there are still risks despite the agreement reached to avoid the fiscal cliff. On a global scale, it is estimated that GDP growth slowed to 2.9% in 2012 (source: OECD).

Looking at the major geographical areas, the GDP growth rate in the US in 2012 was estimated at 2.2% (source: OECD), which was driven by increased investments in residential building, the increase in government spending and the build-up of stocks that more than offset the decline in fixed production investments and the slowdown in private consumption. In the UK, where the change in GDP is estimated at -0.1% in 2012 (source: OECD), economic activity rebounded after a drop in the first half of the year. However, the underlying trend still remains weak since a part of the growth was attributable to temporary factors such as the Olympics and the Queen's Diamond Jubilee. In Japan, after an expansionary phase in the first half of the year in connection with reconstruction after the disasters that affected the country in 2011, output again declined in the second half of the year due to the sharp drop in sales abroad and the decline in corporate investments and private consumption. GDP growth is estimated at 1.6% in 2012 (source: OECD). Economic activity in the main emerging economies continued to slow, reflecting the negative impact of the international economic situation, which in some cases was somewhat offset by steady internal demand.

According to the most recent OECD estimates, GDP in the eurozone was down overall by 0.4%, brought about by the gradual deterioration throughout the year. The decline in GDP was due to declining domestic demand and stagnant household consumption. It is estimated that overall, output declined further at the end of 2012: this decline was widely felt and also affected stronger economies such as Germany and France. In terms of monetary policy, as a result of the European Central Bank’s announcements on outright monetary transactions and progress made in Europe in the management of imbalances and in the establishment of a single mechanism for bank supervision, sovereign debt tensions eased significantly in the second half of 2012. These measures contributed to more relaxed monetary conditions, leading to an abatement of imbalances in countries experiencing the greatest difficulties, where, however, credit growth is still weak.

According to the most recent OECD estimates, Italy's GDP was down by 2.2% overall. Following the decline at the beginning of the year, the recessionary phase of the Italian economy continued in the second half of 2012, but at a slower pace mainly due to the positive contribution of net foreign demand. Internal demand is continuing to contract due to persistent weakness in household consumption reflecting the extended decline in disposable income and great uncertainty. Fixed gross investments also declined due to the continual decline in industrial production. The cyclical phase remained negative at the end of 2012 when economic indicators again pointed to a decrease in GDP for the sixth quarter in a row. Despite the relative stability in employment, the increase in labour supply continues to push the unemployment rate upwards. At the end of 2012 consumer price inflation decreased, reflecting the end of the impact of indirect tax measures in the autumn of 2011.

For the current year, the OECD estimates that in 2013 global GDP should grow by 3.4%. However, this estimate is still subject to downside risks connected mainly with the management of imbalances and reforms in the eurozone, and with developments in the US. Output is projected to grow at differing rates across economies, with an estimate of 2.0% for the US, and a little less than 1.0% in Japan and the UK, against the renewed stagnation in the eurozone where there is still a broad spectrum of projections, confirming the uncertainty affecting economic prospects in the area. On the other hand, the trend in output in major emerging economies should be stronger, with an improvement relative to 2012. There are still no signs of a cyclical reversal in Italy at the beginning of 2013. The economy could return to a modest pace of growth in the second half of the year (Source: Bank of Italy).

Financial markets

The improvements reported at the beginning of 2012 were followed by a significant increase in volatility at the end of the first half of 2012 in government bonds and equities due to concerns over the political situation in Greece and regarding Spanish banks. From the second half of 2012 financial market conditions improved, benefiting from Eurosystem measures and new agreements reached in Europe concerning possible intervention in government bond markets in countries with high spreads, and the recapitalisation of banks. Stock prices were up, and the premium for sovereign risk in eurozone countries most exposed to tensions declined. From the end of September 2012, the yield spread between ten-year government bonds and the corresponding German *Bund* declined in Portugal, Spain, Italy and Ireland, and to a lesser extent in Belgium and France. Expected volatility declined in stocks and bonds. However, risks are still significant due mainly to the outlook for the world economy and the process of containing imbalances in Europe.

In the Italian financial market, after a highly volatile performance at the beginning of 2012, the easing phase that began mid-year continued following the announcement of new methods for the ECB to intervene in the government bond market. This was partly due to progress achieved in the EU regarding financial assistance to Greece and the agreement on the management of the budget reduction anticipated at the beginning of 2013 in the US (the fiscal cliff). In 2012 the FTSE MIB and FTSE Italia All Shares indices were up by 7.8% and 7.4% respectively. The MSCI Europe index was up by 4% for the year, while in the US the S&P500 was up by 13.4%.

Turning to exchange rates, the euro strengthened against the major currencies, reflecting the rapid decline in uncertainty over the strength of the Economic and Monetary Union of the EU and the more expansive direction of monetary policy in the US. In bilateral terms, in 2012 the euro appreciated by 1.8% against the dollar as at 31 December 2012, and by 11.8% against the yen, but weakened by 2.4% against the pound sterling.

Spirits sector

In 2012 the DJ Stoxx 600 Food & Beverage benchmark index rose by 19.0% and outperformed the MSCI Europe market index by 6.3%.

Specifically, all spirits companies outperformed market indices, and in general, consumer-based shares. In 2012 spirits securities benefited from more favourable growth expectations than other sectors, driven by emerging markets which continue to register growth rates above the market average, especially the average in Europe. In the US, sales volumes in the spirits market continued to show encouraging signs due to an upturn in consumption, particularly in the traditional channel. In relation to pricing, which is an important driver behind the expansion in operating margins, opportunities to implement price increases remain Ltd., and these are not always able to offset inflation rates in general in advanced markets, with the exception of the US where there are more favourable prospects. Furthermore, in 2012 there was an increase in M&A activity for certain spirits companies. Going forward, expectations of further consolidation in the spirits industry are also having a positive impact on the valuations of industry stocks due to new growth opportunities that future M&A transactions may create in the market.

Davide Campari-Milano S.p.A. share

Amid 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 12.7% in absolute terms in 2012 compared with the closing price at 31 December 2011.

In terms of overall return, i.e. including dividends, the Campari share posted a performance of 14.1% for cash dividends and 14.3% for 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 4.9% and 4.4% respectively. The share underperformed the DJ Stoxx 600 Food & Beverage index by 6.2%. On the other hand, the share performed on a par with the MSCI Europe market index.

The minimum and maximum closing prices over the period of € 5.08 and € 6.50 were recorded on 5 June and 17 October respectively.

The average daily trading volume for Campari shares was 1.7 million in 2012, with an average daily value of € 9.6 million.

At 31 December 2012, Campari's market capitalisation was € 3.4 billion.

At the beginning of 2012 the performance of the Campari share was affected by the announcement of favourable financial results for the end of 2011 and the first quarter of 2012. All performance indicators were up due to the good performance of major brands and key markets despite an unfavourable basis of comparison with the corresponding

previous period and the downward effect of certain one-off factors. During the same period, high levels of volatility and nervousness on stock markets, particularly in relation to fears regarding consumption trends in the eurozone and Italy, also had an effect on performance. In the second half of the year the share's performance benefited from the announcement of particularly favourable results for the second quarter of 2012, but especially from the announcement of the acquisition of Lascelles deMercado&Co. Ltd., the third largest acquisition in Campari's history, as a result of which the Group is making its debut in the significant rum category with a full range of premium brands including Appleton Estate, Appleton Special/White, Wray & Nephew and Coruba, with a leading position in Jamaica and international distribution. At the end of the year, the Campari share was negatively affected by the announcement of results for the third quarter of 2012. These results were down due to the sudden change in market conditions and consumption in Italy, weak performance in Germany during the seasonal peak in the summer, and a less favourable macroeconomic situation in other Western European markets that was partially offset by good progress in North America and the Asia-Pacific area.

The performance of the Campari share price and the main benchmark indices from 1 January 2012 to 31 December 2012

Shareholder base

The table below shows the major shareholders at 31 December 2012.

Shareholder [(1)]	No. of ordinary shares	% of share capital
Alicros S.p.A.	296,208,000	51.00%
Cedar Rock Capital [(2)]	62,936,560	10.84%
Morgan Stanley Investment Management Ltd.	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% of the total share capital (pursuant to article 117 of Consob regulation 11971/99 on notification of significant holdings).

(2) Andrew Brown, Chief Investment Officer of Cedar Rock Capital Ltd., informed Consob in accordance with article 120 of the Consolidated Law on Finance (*Testo Unico della Finanza*, TUF).

Proposed dividend

The Board of Directors that approves these financial statements is also required to vote on a proposal to pay a dividend of € [0.07] per share for the 2012 financial year (unchanged from the dividend paid out for 2011).
The date proposed for the ex-date (coupon 10) is 20 May 2013, the payment eligibility date pursuant to article 83-- the TUF (record date) is 22 May 2013, and the date proposed for the payment of the dividend (payment date) is 23 May 2013.

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

The table below shows how the Davide Campari-Milano S.p.A. stock has performed over the last ten years.

Stock information [(1) (2)]		2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Reference share price											
Price at end of period	€	5.80	5.15	4.87	3.65	2.40	3.28	3.76	3.12	2.37	1.93
Maximum price	€	6.50	5.94	4.99	3.71	3.30	4.21	4.05	3.39	2.39	1.93
Minimum price	€	5.08	4.44	3.51	1.94	1.93	3.25	3.14	2.24	1.79	1.37
Average price	€	5.55	5.17	4.15	2.82	2.78	3.77	3.66	2.86	2.02	1.65
Change in Campari share	%	+12.7	+5.6	+33.5	+52.1	-26.8	-12.8	+20.5	+32.0	+22.9	+28.2
Change in FTSE MIB	%	+7.8	-25.2	-13.2	+19.5	-49.5	-7.0	+16.0	+15.5	+14.9	+14.4
Capitalisation and volumes											
Average daily trading volume [(2)]	million	1.7	2.0	1.9	1.6	1.3	1.5	1.2	1.0	0.9	0.8
Average daily trading value [(2)]	€ million	9.6	10.6	7.6	4.5	3.7	5.8	4.4	2.8	1.7	1.3
Stock market capitalisation at end of period	€ million	3,369	2,988	2,828	2,118	1,394	1,904	2,183	1,812	1,374	1,118
Dividend											
Dividend per share [(3)]	€	0.07[(5)]	0.07	0.06	0.06	0.055	0.055	0.050	0.050	0.050	0.044
Shares with dividend rights	million	575.1][(5)]	578.6	576.7	576.6	576.4	578.7	580.8	562.7	562.1	560.8
Total dividend [(3) (4)]	€ million	[40.3][(5)]	40.5	34.6	34.6	31.7	31.8	29.0	28.1	28.1	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 a price of € 1.55 per share.
[(3)] Dividend applicable to the financial year.
[(4)] Total dividend applicable to the financial year distributed excluding own shares.
[(5)] Proposed dividend for the 2012 financial year. The number of shares outstanding and total dividend calculated on the basis of shares outstanding on the date of the meeting of the Board of Directors (7 March 2013); these figures are to be recalculated based on the total number of shares outstanding on the date the dividend is paid.

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

Indicator [1]	IAS/IFRS								Italian accounting standards			
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Shareholders' equity per share	2.48	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	2.34	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	0.27	0.24	0.22	0.22	0.21	0.21	0.17	0.14	0.15	0.11
P/E (price/earnings)	21.4	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]	25.7[5]	25.4	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	1.4	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 2004–2012 financial years, this is calculated using the weighted average number of ordinary shares outstanding as defined in IAS 33.

[3] Proposed dividend for the 2012 financial year.

[4] Dividend yield calculated using the share price at the end of the period.

[5] Estimated payout ratio for the 2012 financial year (calculated on the basis of the dividend proposed and number of shares outstanding on the date of the meeting of the Board of Directors (7 March 2013)).

Investor relations

Campari has adopted a communications policy aimed at financial market operators intended to provide complete, accurate and timely information on its results, corporate initiatives and strategies, while complying with the relevant confidentiality requirements for certain types of information.
In 2012, the Company continued to communicate information to institutional investors and financial analysts, through numerous meetings organised in Milan and at the main stock exchanges in Europe, including London, Edinburgh, Paris, Geneva, Zurich, Frankfurt and Vienna, and outside Europe, including in the US and Canada.
Information on the Group, particularly in relation to the financial results, corporate developments and corporate governance as well as 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.

The Campari Group and corporate social responsibility

Whilst the Campari Group has always adhered to a responsible and sustainable corporate behaviour we have become aware of the growing need to share with our community of stakeholders the principles and key activities undertaken in the area of Corporate Social Responsibility (CSR). Therefore, we have decided to include a brief overview of our approach to business and of our corporate behaviour, at global and local level.
Although this represents just an initial step in the direction of our CSR strategy's disclosure, we wish to effectively depict how our founding values influence our behaviour as a Group within the global economic scenario. Altogether, the activities that we undertake and hereby describe are an expression of the care that we put into the relationships with our Customers and Consumers, our People and the Communities that we operate in. Furthermore, our actions in the field of Quality Health Safety and Environment (QSHE) represent a very concrete expression of our commitment to always doing business with the utmost Integrity and Correctness.
Looking forward, we aim to frame our commitment to CSR in a more systematic and measurable manner with clear action steps which will be tracked on an annual basis.

Our way of doing business

The essence of the Campari Group is building lifestyle brands and to nurture our people with passion.
Our operating framework is shaped by a set of values and beliefs that have supported our actions and strategies since 1860: **Reputation**, achieved through a proper behaviour, is one of the main drivers of the Campari Group's performance and long-term sustainability.

We act according to the **values** of Integrity, Passion, Pragmatism and Performance Orientation. These, combined with the **general principles** of correctness, impartiality, confidentiality, transparency and completeness of information are the foundation of our culture.

The growing complexity of our **business environment** and our geographical and market expansion have led us to formalize our key principles in two main documents that can be considered the pillars of our sustainable way of doing business: the Code of Ethics and the Business Conduct Guidelines.

The **Code of Ethics**, approved by the Board of Directors, is based on 16 articles concerning all aspects of our activities as a corporation; the **Business Conduct Guidelines** provide practical insights to ensure adherence to the utmost integrity in our daily business practices.
Together with our **Mission and Values** and our **Corporate Governance System**, the **Code of Ethics** and the **Business Conduct Guidelines** represent the fabric of our organization: the principles that they state provide a common understanding and a set of requirements that must be fulfilled by every manager, employee and permanent associate of the Campari Group.

Our approach to responsible drinking

The Campari Group supports a responsible consumption of alcoholic drinks and strongly condemns alcohol abuse; we are focused on making sure that our people always represent a model of responsible consumption of alcohol in their daily life. Furthermore, we acknowledge the power of communication as a competitive driver and we protect our customers and consumers by adopting a Code On Commercial Communications with specific and detailed provisions. For instance, our commercial communications must not encourage consumption among underage persons or imply alcohol as a way to solve physical and existential problems.

The Campari Group fully supports advertising self-regulation around the world and is an active part of many associations focused on the correct communication of alcohol consumption: the Code of Commercial Communication represents a formal document regulating all aspects of our communication activities, and was updated in 2012 with specific guidelines designed for digital marketing, to ensure the preservation of our founding principles and values.

Our supply chain

Our focus is on providing the best quality possible to our customers and consumers: we aim to reach this objective by always choosing the best business counterparts. Establishing with them fair, transparent and loyal relations help us in the constant pursuit of competitive advantage and offering products of the highest quality.

Relations with our key suppliers for materials used in the production process are ruled by the Supplier Code, a document that has been formally approved in 2012 and is being deployed globally from the beginning of 2013.
This Supplier Code summarizes our founding values and principles and it is intended to be signed by every key supplier of raw materials and production components, in the attempt to provide a common understanding and framework for establishing long-term and profitable relationships. The Campari Group is proud to be a value-driven organization in a financial and non-financial manner: every supplier whose activity is ruled by the Supplier Code must therefore be compliant with our ethical requirements, and is also responsible for the further compliance of all their employees, suppliers and permanent counterparts.

In order to ensure a profound understanding of these principles and rules we deploy the Supplier Code in the mother language of local suppliers, in the utmost respect for cultural peculiarities that always distinguishes us as a Company. Additionally, every supplier that receives the Supplier Code is asked to fill and sign the Self Assessment Form, directed towards a precise tracking of our counterparts and on making sure that they meet high qualitative, technical and financial-stability standards. Through the Self Assessment Form, we are also able to track and analyze a set of key performance indicators, in order to identify potential areas of improvement and to maintain our supply chain strong and high-performing.

Our people

People play the most important part in making our business successful with their unique talent and we strongly believe in the importance of human capital as an asset. Within every country where we operate, we share the same goals and beliefs pursuing them with unique approaches, respectful of the contribution given by different personal, cultural and professional backgrounds. The respect for diversity that characterizes us as a Group is an additional source of value for the quality of our working life and a key part of our identity. We are responsible corporate citizens and treat each other fairly, with respect and dignity rejecting any form of discrimination. We nurture passionate people who live the Campari values, are ready to take challenges and grow our business to the next level by being true ambassadors of the Campari Group.

Nurturing our people means aiming to create a work environment where they are inspired to be the best they can be, and where they are recognized for what they do. The Campari Way of People Management is a training program developed globally and deployed locally, directed towards the ones who have people management responsibilities: Envision, Enable, Empower, Energize are its four founding principles. This program is one of the pillars of the Campari Way of doing business and more than 200 managers were actively involved in 2012 implementing it across the world.

Being committed to the wellbeing of our people means also listening to their voices: since 2008, we have run a Biannual Employee Survey targeting all of our employees worldwide through an in-depth questionnaire enabling them to confidentially express their opinions on all key aspects regarding their working environment and the company culture.

We are proud to highlight that the response rate to the latest 3 surveys has ranged from 86% to 92%, which we consider a point of excellence. The Campari Group enriched through the years its survey system increasing the number of key-variables in every edition (8 in 2008, 12 in 2010 and 17 in 2012). The 2012 Survey showed an improvement trend in all detected variables. In particular, we would like to highlight that, on a 7 point scale, the Trust variables as well as adherence to Company values and Job satisfaction scored well above 6. The Group is committed to further enhance its attention across all the measured criteria via ad hoc measures and training programs.

Supporting our people means providing them and their families with social solidarity: Fondazione Campari is a non-profit organization having its roots back in 1957. In particular, the Foundation aims to enhance purposes of assistance, education and charity in favour of employees and former employees, and of all those who contributed to enhance the Company's reputation in Italy. Given the success of this initiative thought the years, Fondazione Campari in 2012 decided to widen its services to the whole Campari community worldwide.

Making our people ambassadors of the Campari Group means allowing them to share and practice our values on a daily basis and to communicate them internally and externally with the utmost transparency. We created the Camparista Experience, an internal online communication platform that is constantly available as an instrument to express feelings and points of view about being part of the Campari Team: ensuring a profound understanding of our values is important to fulfil our purpose of providing a unique experience and an inspiring place to work. We also encourage our people to share their experience as members of our team through the Careers section of our Corporate website, that hosts a space dedicated to tell their stories, with people chosen to represent different functions roles and seniorities.

The Campari Group is a value-driven organization in a financial and non-financial way: our principles are embedded in our business practices and shape every aspect of our working life. In accordance to our values we recruit, develop and reward employees that work with utmost integrity and transparency; who are driven by passion and strive to continuously improve their performance. Our Group HR department also ensures an effective training process through which we are able to keep building careers within our culture of performance orientation always pursued with integrity and respect.

Our commitment to the community

Throughout our teams in different Countries we are committed to promote excellence, entrepreneurship and equal opportunities in different ways.
Our CEO periodically spends considerable time with teams of Camparistas from different functions and seniorities with the aim of developing specific projects to benefit the communities within and outside of the Group. The best teams are awarded with the possibility of implementing their ideas, and the first projects have begun to roll out in 2013. For instance, 'Passion Works', one of the winning projects, will provide young unemployed citizens of Sesto San Giovanni (where Campari Headquarters are based) with the opportunity to receive at the Campari Academy the training required to become professional bartenders.

The Campari Group has also created programs aiming to emancipate young people from poverty through education: being aware of the importance for the whole community of reaching a higher level of education and professional skills, we implemented them in the areas with the highest necessity of intervention.
We are active in Argentina sponsoring Hogar Exaltacion, a home for abused children where they can find shelter and protection and where people from the Campari Argentina Team give their help as volunteers.

We acknowledge that life conditions in some countries where we operate are particularly difficult and affect the wellbeing of our people, first of all as members of their community and then as part of the Campari Team. For this reason in Mexico we finalized an agreement with the National Institute for Education that dramatically raised the education level in our workforce, providing teachers and studying materials for our people in need: the best reward to our efforts was to witness the request by many of them to further pursue their studies, demonstration of a higher awareness of the chance to improve both their cultural level and their work possibilities. In Brazil, the EducaCampari program provided funds for the children of our people in order to favour their pursuit of a satisfying career as students and as professionals-to-be: through this program we aim to empower them and to give them the instruments to succeed throughout their lives.

Our People in Campari do Brasil Ltda. are also actively involved into maximizing their savings in terms of energy, food and paper waste: the EcoCampari program acts as a mean of combining attention to environmental sustainability in the workplace with community involvement. Training moments and visual communications aim at educating our people on the importance of containing consumption of energy and materials. Alongside, the monetary equivalent of these savings is invested into providing food boxes to families in need through charity associations located in the regions where Campari do Brasil Ltda. operates. In this way we are able to strengthen in our people the awareness that we raised, with the social reward given by being able to help other members of the community.

J. Wray&Nephew Ltd. ('JWN'), the latest entry in the Campari worldwide team, will add to our community involvement its traditional activities on the field of education: every year JWN makes sure that Jamaica's future leaders have access to quality education and gain equal opportunities. For over twenty years the JWN Scholarship Fund has made a significant impact on students by enabling them to fulfil their educational ambitions. For the school year 2012/2013 JWN has awarded 95 students in Jamaica with significant scholarships to support those who

demonstrated financial need and academic merit. We greatly value their efforts and we will support them in these activities as part of the Campari Group.
Entrepreneurship and professional empowerment are also the focus of Campari Academy, a professional school located in our Headquarters in Sesto San Giovanni and open not only to our people, but also to external audiences from all over the world; teaching the art of bartending and promoting a culture of excellence as a direct expression of our founding values.
Believing in the great cultural value that our traditional bond with arts and fashion created we have founded the Galleria Campari: a sizeable interactive exhibition space offering visitors interested in the best Campari-based artworks and the great heritage of our Company and namesake brand an extensive immersion, free of charge. In 2012 Galleria Campari registered over 6,000 visitors, 800 of which from outside Italy. Plans for 2013 include exhibitions of famous Italian artists and events created in partnership with public and private associations in order to promote and preserve Italian cultural and environmental heritage.

Quality, Health, Safety, Environment

A primary and fundamental principle of the Campari Group is the quality and safety of our products, the health and safety of our employees and customers and the protection of the environment.
In this light the Campari Group decided to have a Global management of Quality Health Safety Environment (QHSE) with dedicated Management and Technical System Guidelines. Our purpose is to manage all the QHSE activities with the same level of control defining priority level requirements for each activity.
For more than 15 years, the Campari Group has built up an experience of voluntary certification in line with international standards. Today, the Campari Group's purpose is to achieve the triple certifications ISO 22000 (Food Safety), OHSAS 18001 (Health and Safety) and ISO 14001 (Environmental Management) within June 2014 for most of the production plants, extending to the deadline to 2015 for the new plants under construction and with the final goal of a Global Certification.
The Campari Group monitors QHSE performance with a specific focus at global level on the following: customer complaints, hygiene standards, energy, water use and water discharge, waste, health and safety and QHSE training. Each production plant and site has a dedicated and specific QHSE program which includes additional specific projects and targets on particular QHSE topics (plant process optimization, wastewater and rainwater reduction, reuse and recycling projects, energy efficiency activities and waste recovery). One of our goals in 2012 and 2013 is to identify specific QHSE targets at global level, while pursuing the local site QHSE targets already in place.
For quality and food safety, the number of complaints is monitored relative to corrective actions put in place to solve the root causes.
Some of the data monitored by our global accounting system for environmental parameters are energy consumption by type of energy used, percentage of renewable energy used, water withdrawal by source, water discharge by source, waste generation by type of waste, waste destination with specific attention on waste recovery, reuse and recycling.
Our health and safety performance takes into account the severity and frequency in calculating the injury rate and the relevant absenteeism rate. Injuries are recorded in order to have statistics by the type of injury, allowing us to define further actions to reduce our rate.
Finally, it is important to note that our approach is based on an international team staffed with people on every site from different nationalities, cultures, religions, gender and age. All are strongly committed to continuously improving the Campari Group's performance in Quality, Food Safety, Health and Safety of employees and environmental protection.

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

Operating performance	2012		2011		Change
	€ million	%	€ million	%	%
Net sales	**542.1**	**100.0%**	**545.5**	**100.0%**	**-0.6%**
Cost of goods sold	(253.0)	-46.7%	(266.3)	-48.8%	-5.0%
Gross profit	**289.1**	**53.3%**	**279.2**	**51.2%**	**3.5%**
Advertising and promotional costs	(60.6)	-11.2%	(62.0)	-11.4%	-2.3%
Contribution margin	**228.5**	**42.2%**	**217.2**	**39.8%**	**5.2%**
Overheads	(76.9)	-14.2%	(73.6)	-13.5%	4.5%
Operating result	**151.6**	**28.0%**	**143.6**	**26.3%**	**5.6%**
Financial income and charges	(34.1)	-6.3%	(31.8)	-5.8%	7.2%
Dividends	3.1	0.6%	125.0	22.9%	-97.5%
Profit before tax	**120.6**	**22.3%**	**236.8**	**43.4%**	**-49.1%**
Tax	(37.7)	-7.0%	(45.7)	-8.4%	-17.5%
Profit for the year	**82.9**	**15.3%**	**191.1**	**35.0%**	**-56.6%**

Statement of financial position	31 December 2012	31 December 2011	Change
	€ million	€ million	€ million
Fixed assets	1,789.6	1,468.8	320.8
Other non-current assets and liabilities	(20.4)	(30.1)	9.7
Operating working capital	111.2	89.3	21.9
Other current assets and liabilities	(16.1)	(38.5)	22.4
Total invested capital	**1,864.3**	**1,489.5**	**374.8**
Shareholders' equity	809.5	773.4	36.1
Net debt	1,054.8	716.1	338.7
Total financing sources	**1,864.3**	**1,489.5**	**374.8**

The year ended 31 December 2012 closed with net operating profit of € 151.6 million, an increase of 5.6% compared with the previous year.
Net profit for the year amounted to € 82.9 million, lower than the previous year, and was mainly influenced by the decrease of dividends received.

Net sales amounted to € 542.1 million, a slight decrease compared with 2011 (-0.6%) and included sales to external customers in the Italian market, amounting to € 360.2 million, a moderate decrease compared to sales in 2011 in the same segment, and sales to Group companies that primarily do business in international markets, amounting to € 181.5 million, an increase over the previous year.
The mix of products sold meant it was possible to achieve a contribution margin (after advertising and promotional costs) of 42.2%, up on the previous year, following a drop in product costs, partly offset by an increase in distribution expenses, and a decrease in advertising and promotional costs.

The increase in overheads was mainly due to the rise in sales costs and general and administrative expenses.
This 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.

Financial charges increased by 7.2% compared with the previous year, mainly owing to higher debt resulting from a new € 400 million bond issue on the European market, chiefly intended to finance the acquisition of Lascelles deMercado&Co. Ltd. announced on 3 September and finalised on 10 December 2012.
For more detailed information on the financial position, 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.
The lower taxes for the year, compared with the previous year, mainly reflect the positive effect of the right to refunds on higher income taxes paid in previous years, owing to the non-deductibility of IRAP from personnel and similar costs, following the recent legislative changes introduced by Legislative Decree 201 of 6 December 2011. Moreover, taxes for the year also include the beneficial effect of the application of the Allowance for Corporate Equity (ACE).

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.
The 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 above mentioned Legislative Decree. The Parent Company also established a Supervisory Body charged with the task of monitoring compliance with the above Model and proposing any changes that might be necessary following amendments to the relevant legislation.
For a more detailed description of the Model and the activities undertaken in 2012, 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 many 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 risks inherent in international business, including exposure to an often unstable local political and economic environment, exchange rate fluctuations (and related hedging issues), export and import quotas, and limits or curbs on investment, advertising or repatriation of dividends.

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 2012, 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 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 is very close to the biggest global *players*. As these companies often have greater financial resources and are more diversified in terms of brand portfolios and geographical locations, the Group's exposure to the risks inherent in market competition 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, import and export, sales and marketing – are governed by complex national and international legislation, often 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, two tax related disputes were pending with the Brazilian legal authorities.
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 - Reserves for risks and future liabilities, in the consolidated accounts and note 34 - Reserves for risks, in the Parent Company's accounts.

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 52.4% of the Group's consolidated net sales in 2012 came from outside the European Union.
With the growth in the Group's international operations in areas outside the eurozone, 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 2012, see note 2 of the notes to the consolidated accounts, Basis of consolidation.

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

At 31 December 2012, the Parent Company held 4,498,118 own shares with a nominal value of € 0.10, equal to 0.77% of share capital.
The Company sold 3,462,264 own shares and purchased 4,613,817 own shares during the year.
These own shares are to be used in *stock option* plans as described in detail in later sections of these Annual financial statements.
In addition, after 31 December 2012 and until the publication of the financial statements of the Parent Company was authorised, further purchase of own sales, at an average price of € 5.72 and sales of shares for the exercise of *stock options* were carried out totalling 170,682 own shares. The Company therefore holds 5,716,889 own shares, at the date this report was approved.
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 e 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 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.

Other information

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

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.

Subsequent events

Purchase of distribution rights for Rum Appleton brands in the US

With reference to the acquisition of Lascelles deMercardo&Co. Ltd. (see Significant events during the year), through wholly-owned subsidiary Campari America, Davide Campari-Milano S.p.A., announced that the Group had acquired the distribution and marketing rights of the Appleton rum portfolio in the US through Campari America from 1 March 2013 for USS 20 million.

Continuation of the process of rationalisation of the Group's structures

On 30 January 2013, the Group announced that Campari International S.A.M., a subsidiary based in Munich, will cease its commercial activities as of 30 June 2013. The activities of the company, which is to manage the Group's activities in a number of international markets, will be taken over by Campari International S.r.l., a newly-established company controlled by Davide Milano S.p.A., headquartered in Sesto San Giovanni at the Group's headquarters. However, the mission and the geographic scope of the International Business Unit will remain unchanged. The goal of this change is to speed up decision-making, communication and information sharing, and to allow the harmonisation of procedures, improved use of common tools and processes and rapid integration of new brands.

Sale of the Punch Barbieri trademark

On 1 March 2013, the Group completed the sale of Punch Barbieri to Distillerie Moccia for €4.45 million.
The operation, very satisfactory for both parties, allows the Group to focus more on priority brands in its portfolio.
Punch Barbieri had become part of the Campari Group's portfolio in 2003 by the acquisition of the Barbero 1891 portfolio, which included, among others, Aperol, Aperol Soda, Asti Mondoro and the Enrico Serafino still wines.

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

On 28 February 2013, the Group exercised the previously agreed options to purchase 20% of the residual shares of Campari Rus OOO, a deal worth € 2.1 million. That sum has not determined any additional burden than what was already accounted for at 31 December 2012.

Conclusions on 2012 and outlook

The results achieved in 2012 can be considered on the whole satisfactory since they were achieved in a difficult macroeconomic environment, which has affected the performance in significant markets.

The increase of a recessive economic phase and a highly critical situation for consumption in mature markets like Italy, Germany and Brazil impacted sales of the aperitifs and still wine portfolio of the Group.
In Italy, implementation of heavy and painful public debt containment measures, led, from September onwards, to an abrupt and significant deterioration of consumer spending; in the rest of Western Europe the climate of confidence remained at very low levels throughout the year; in Brazil the reduction of spending induced by excessive use of consumer debt, was not totally reabsorbed during 2012.
However, the results above expectations and the strong growth achieved by new distribution platforms in Australia, Argentina and Russia, as well as the constant positive performance of the US market have largely offset the negative effect on sales generated by the difficulties arising from the ongoing economic crisis.
In fact, these markets have made optimal use of the less detrimental economic situations and leveraged the strong potential of the Group's brands.

The inevitable credit crunch, linked to the recessive phase, had a negative impact on certain categories of customers and, in particular, in Italy, during the year, has also supported the burden of losses and write-downs of difficult to recover credits.
Also on the financial side, however, the Group has implemented effective measures to monitor receivables and of stock levels that have improved working capital management, notwithstanding the investments in liquids undergoing the ageing process.

2012 was also a year of great changes for the Group, as it finalized the acquisition of Lascelles deMercardo & Co. Ltd., and the placement an unrated bond on the Euro capital markets.
The acquisition of Lascelles deMercardo&Co. Ltd. is undoubtedly strategic because it helps the Group strengthen its product portfolio with the introduction of a fundamental category which is rum, and its presence in key markets like North America and the Asia-Pacific area.

We believe, therefore, that during 2012, surely a difficult year, that the Group has nonetheless significantly continued its process of strengthening the brands and markets.

Looking forward to 2013, we expect another difficult year due to the increase of the macroeconomic recessive phase in the eurozone markets.
In any case, the continued positive momentum in North America and in the Asia-Pacific area, combined with the improvements expected from Latin America and the growth in Eastern Europe (primarily Russia) and the integration of the activities of Lascelles deMercardo & Co. Ltd., should compensate for the weakness in Western Europe and allow the Group to achieve its growth targets set for the medium to long term.

Furthermore, the Group expects to benefit from the positive effects of innovation activity in all its major markets, as well as the brand strengthening of vodka and bourbon product categories, core categories for the Group.

Lastly, 2013 will be a crucial year from a structural point of view and for resource allocation as we complete some major industrial projects, in the United States and Scotland and manufacturing and trading efficiency.

In conclusion, while we are aware of the challenges that await the Group for this year, we expect to be adequately prepared to deal with the complexity of the market, by virtue of the significant investments made in previous years to strengthen our product portfolio, our sales organisations, and the organization of our product supply chain, as well as, more generally, the functions of the supporting IT systems.

Information on the figures presented

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.

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).

Reclassified 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 trademarks
- Intangible assets with a finite life
- Non-current assets held for sale
- Investments in affiliated companies 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 future liabilities
- 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

Reclassified 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 December 2012		31 December 2011	
	Shareholders' equity	Net profit	Shareholders' equity	Net profit
	€ million	€ million	€ million	€ million
Figures from the annual financial statements of Davide Campari-Milano S.p.A.	**809.6**	**82.9**	**773.4**	**191.1**
Elimination of carrying value of consolidated shareholdings:				
Difference between carrying value and pro-rata value of shareholders' equity of equity investments	635.1		607.1	
Pro-rata results of subsidiaries		103.8		165.1
Portion of Group net profit attributable to minorities	(4.2)	(0.5)	(3.7)	(0.6)
Elimination of the effects of transactions between consolidated companies:				
Elimination of intra-group dividends		(30.8)		(203.5)
Elimination of intra-group profits and capital gains	(11.6)	1.3	(13.0)	7.0
Figures from the consolidated financial statements (figures attributable to the Group)	**1,428.9**	**156.7**	**1.363.7**	**159.2**
Shareholders' equity and net profit attributable to minorities	4.2	0.5	3.7	0.6
Consolidated shareholders' equity and net profit	**1,433.1**	**157.2**	**1.367.5**	**159.8**

Campari Group

Consolidated financial statements for the year ending 31 December 2012

Financial statements

Consolidated income statement

	Notes	31 December 2012 € million	*of which: related parties* € million	31 December 2011 € million	*of which: related parties* € million
Net sales	10	**1,340.8**	**0.2**	**1,274.2**	**3.5**
Cost of goods sold	11	(571.3)	-	(539.6)	-
Gross profit		**769.5**	**0.2**	**734.6**	**3.5**
Advertising and promotional costs		(237.2)	(0.1)	(229.1)	(1.0)
Contribution margin		**532.3**	**0.2**	**505.5**	**2.4**
Overheads	12	(244.8)	0.2	(210.0)	0.2
of which: non-recurring	13	(17.2)	-	(3.1)	-
Operating result		**287.5**	**0.4**	**295.5**	**2.6**
Financial income and charges	18	(51.2)	-	(45.1)	-
of which: non-recurring	18	(2.6)	-	(1.9)	-
Portion of profit (loss) of companies valued at equity	8	(0.0)	-	(0.4)	0.0
Put option income (charges)	19	(0.1)	-	0.5	-
Profit before tax		**236.2**	**0.4**	**250.6**	**2.6**
Taxes	20	(79.0)	-	(90.9)	-
Profit for the period		**157.2**	**0.4**	**159.8**	**2.6**
Profit attributable to:					
Parent Company shareholders		156.7		159.2	
Minority interests		0.5		0.6	
		157.2		**159.8**	
Basic earnings per share (€)	21	0.27		0.27	
Diluted earnings per share (€)	21	0.27		0.27	

Consolidated statement of comprehensive income

	2012 € million	2011 € million
Net profit (A)	**157.2**	**159.8**
Cash flow hedge		
Profit (loss) for the period	(1.0)	(5.2)
Less: profits (losses) reclassified to the separate income statement	1.0	0.8
Net gains (losses) from cash flow hedging	(2.0)	(6.0)
Tax effect	0.3	1.4
Cash flow hedge	**(1.7)**	**(4.6)**
Conversion difference	(45.0)	8.2
Other comprehensive income (losses) (B)	(46.7)	3.6
Total comprehensive income (A+B)	**110.5**	**163.4**
Attributable to:		
Parent Company shareholders	110.0	162.8
Minority interests	0.5	0.6

Consolidated statement of financial position

	Notes	31 December 2012 € million	*of which: related parties* € million	31 December 2011 € million	*of which: related parties* € million
ASSETS					
Non-current assets					
Net tangible fixed assets	22	392.6	-	320.6	-
Biological assets	23	17.2	-	17.4	-
Investment property	24	0.5	-	0.6	-
Goodwill and trademarks	25	1,631.2	-	1,448.6	-
Intangible assets with a finite life	27	20.5	-	21.0	-
Investments in affiliates and joint ventures	8	0.2	-	0.0	-
Deferred tax assets	20	11.5	-	6.5	-
Other non-current assets	28	52.6	2.2	17.1	-
Total non-current assets		**2,126.2**	**2.2**	**1,831.8**	**-**
Current assets					
Inventories	29	446.5	-	331.3	-
Current biological assets	29	4.9	-	-	-
Trade receivables	30	312.4	-	278.0	0.8
Short-term financial receivables	31	42.4	-	1.8	-
Cash and cash equivalents	33	442.5	-	414.2	-
Current tax receivables	32	9.4	0.7	17.8	0.2
Other receivables	30	24.2	-	23.9	-
Total current assets		**1,282.3**	**0.7**	**1,066.9**	**1.0**
Non-current assets held for sale	34	1.0	-	2.3	-
Total assets		**3,409.5**	**3.0**	**2,901.0**	**1.0**
LIABILITIES AND SHAREHOLDERS' EQUITY					
Shareholders' equity					
Share capital	35	58.1	-	58.1	-
Reserves	35	1,370.8	-	1,305.6	-
Parent Company's portion of shareholders' equity		1,428.9	-	1,363.7	-
Minorities' portion of shareholders' equity	36	4.2	-	3.7	-
Total shareholders' equity		**1,433.1**	**-**	**1,367.5**	**-**
Non-current liabilities					
Bonds	37	1,178.2	-	787.8	-
Other non-current liabilities	37	36.2	-	37.1	-
Defined benefit plans	39	13.0	-	8.8	-
Provision for risks and future liabilities	40	39.6	-	7.1	-
Deferred tax liabilities	20	198.8	-	144.4	-
Total non-current liabilities		**1,465.7**	**-**	**985.2**	**-**
Current liabilities					
Payables to banks	38	121.0	-	144.9	-
Other financial payables	38	34.9	-	103.2	-
Trade payables	41	201.4	-	166.8	-
Current payables to tax authorities	43	17.8	2.6	34.6	18.8
Other current liabilities	41	135.6	8.9	98.9	4.2
Total current liabilities		**510.7**	**11.5**	**548.4**	**23.0**
Total liabilities and shareholders' equity		**3,409.5**	**11.5**	**2,901.0**	**23.0**

Consolidated statement of cash flows

		31 December 2012	31 December 2011
		€ million	€ million
Operating result		287.5	295.5
Adjustments to reconcile operating profit and cash flow:			
Depreciation	14	32.7	30.3
Gains on sales of fixed assets	13	(4.9)	(4.0)
Write-downs of tangible fixed assets	13	1.0	2.6
Accruals of provisions		10.3	1.7
Utilisation of provisions		(1.8)	(7.2)
Other non-cash items		7.0	12.0
Change in net operating working capital [(1)]		(22.5)	(60.1)
Other changes in non-financial assets and liabilities		3.4	(0.3)
Taxes paid		(88.2)	(68.0)
Cash flow from (used in) operating activities		**224.4**	**202.5**
Purchase of tangible and intangible fixed assets	22-23	(54.9)	(40.3)
Capital grants received	42	1.1	1.3
Capitalised interest expenses	22	(0.4)	(0.0)
Proceeds from disposals of tangible fixed assets		9.2	14.1
Changes in receivables and payables from investments		(0.2)	
Acquisition of trademarks and rights			(1.6)
Acquisition of companies or investments in subsidiaries	7	(317.3)	(24.4)
Cash and cash equivalents at acquired companies [(2)]	7	24.3	
Interest income		4.7	4.5
Net change in securities	33	(35.0)	(0.0)
Other changes		(1.6)	(0.3)
Cash flow from (used in) investing activities		**(370.0)**	**(46.8)**
Parent Company Eurobond issue	37	393.0	
Repayment of Campari America private placement	37	(82.1)	(6.4)
Other repayment of medium- and long-term debt		(3.0)	(3.9)
Net change in short-term payables to banks and loans		(26.7)	106.2
Interest expenses		(57.5)	(46.1)
Change in other financial payables and receivables		3.3	(0.0)
Purchase and sale of own shares	44	(12.2)	(21.3)
Dividends paid out by the Parent Company	35	(40.5)	(34.6)
Cash flow from (used in) financing activities		**174.3**	**(6.1)**
Effect of exchange rate differences on net operating working capital		13.1	(0.3)
Other exchange rate differences and other changes in shareholders' equity		(13.5)	5.2
Exchange rate differences and other changes in shareholders' equity		**(0.4)**	**4.9**
Net change in cash and cash equivalents: increase (decrease)		**28.3**	**154.5**
Cash and cash equivalents at start of period	33	414.2	259.7
Cash and cash equivalents at end of period	33	442.5	414.2

[(1)] For an analysis of changes in operating working capital, see the section Operating working capital in the Report on operations
[(2)] The cash acquired on the purchase of Lascelles deMercado&Co. Ltd. is net of financial liabilities of € 20.1 million; see Note 7 - Business combinations

Statement of changes in shareholders' equity

	Notes	Attributable to Parent Company shareholders					Minority interests	Minority shareholders' equity
		Share capital € million	Legal reserve € million	Retained earnings € million	Other reserves € million	Total € million	€ million	€ million
Balance at 1 January 2012		**58.1**	**11.6**	**1,256.9**	**37.4**	**1,363.7**	**3.7**	**1,367.5**
Dividend payout to Parent Company shareholders	35	-	-	(40.5)	-	(40.5)	-	(40.5)
Dividend payout to minorities		-	-	-	-	-	-	-
Purchase of own shares	44	-	-	(25.2)	-	(25.2)	-	(25.2)
Sale of own shares	44	-	-	13.1	-	13.1	-	13.1
Stock options	35	-	-	4.0	3.8	7.8	-	7.8
Profit for the period		-	-	156.7	-	156.7	0.5	157.2
Other comprehensive income (losses)		-	-	(0.3)	(46.4)	(46.7)	-	(46.7)
Total comprehensive income		-	-	156.4	(46.4)	110.0	0.5	110.5
Balance at 31 December 2012		**58.1**	**11.6**	**1,364.7**	**(5.2)**	**1,428.9**	**4.2**	**1,433.1**

	Attributable to Parent Company shareholders					Minority interests	Minority shareholders' equity
	Share capital € million	Legal reserve € million	Retained earnings € million	Other reserves € million	Total € 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	-	-	(34.6)	-	**(34.6)**	-	(34.6)
Creation of reserves	-	5.8	(5.8)	-	**-**	-	-
Purchase of own shares	-	-	(50.1)	-	**(50.1)**	-	(50.1)
Sale of own shares	-	-	28.9	-	**28.9**	-	28.9
Change in basis of consolidation	-	-	(0.1)	-	**(0.1)**	0.1	-
Stock options	-	-	8.1	(0.9)	**7.1**	-	7.1
Profit for the period	-	-	159.2	-	**159.2**	0.6	159.8
Other comprehensive income (losses)	-	-	(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**

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 with prime positions in Europe and the Americas.
Founded in 1860, the Group is the sixth-largest in the beverage industry with an extensive product portfolio in three business lines: spirits, wines and soft drinks.
The spirits segment boasts internationally recognised brands such as Appleton, Campari, Carolans, SKYY Vodka and Wild Turkey, as well as brand leaders in local markets including Aperol, Cabo Wabo, Campari Soda, Cynar, Frangelico, GlenGrant, Ouzo 12, X-Rated Fusion Liqueur, Zedda Piras and Brazilian brands Dreher, Old Eight and Drury's.
In wines, 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 line 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 2012 were approved on 7 March 2013 by the Board of Directors of the Parent Company Davide Campari-Milano 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 2012 were prepared in accordance with the international financial reporting standards (IFRS) issued by the International Accounting Standards Board (IASB) and ratified 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 accounts were prepared on a cost basis, with the exception of financial derivatives, biological assets and new acquisitions, which 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 (classified by function), 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 2012, 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 cash flow statement 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:

- in August 2012, the Parent Company founded Campari España S.L., headquartered in Madrid, which finalised the tender offer for Lascelles deMercado&Co. Ltd., a company listed on the Jamaican stock exchange; the offer closed on 10 December 2012, on which date the Group acquired 94,639,100 ordinary shares (equivalent to approximately 98.6% of the ordinary share capital) and 59,727 preferred shares (equivalent to approximately 99.5% of the preferred shares) in the acquired company. The structure of the transaction is described in significant events in the Report on operations and the impact of the acquisition is described in Note 7-Business combinations;
- on 22 August 2012, Di.CI.E. Holding B.V. founded Campari South Africa Pty Ltd., a distributor and importer of spirits and wines based in Cape Town (South Africa); the company will become operational in 2013;
- in December 2012, the Group finalised the liquidation of Campari France; during 2012, the company sold the property and plant it owned for a capital gain of € 4.3 million, which is included in non-recurring overheads; the liquidation had no further impact on the Group.

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

- on 1 January 2012, Cabo Wabo, LLC and Rare Breed Distilling, LLC were merged into Skyy Spirits, LLC, which changed its trading name to Campari America;
- on 1 October 2012, Redfire, Inc. was merged into Campari America;
- during the second half of 2012, the merger of Camargen S.R.L. into Campari Argentina S.A. was completed;
- the company name of Vasco (CIS) OOO was changed to Campari RUS OOO.

The tables below list the companies included in the basis of consolidation as at 31 December 2012.

		Share capital at 31 December 2012		% 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		
Campari Wines S.r.l., trading company	Località I Piani, Alghero	€	100,000		100.00	Sella&Mosca S.p.A.
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 España S.L., holding company	c/ Pradillo 5 Bajo exterior derecha, Madrid	€	3,272,600	100.00		
Campari International S.A.M., trading company	7 Rue du Gabian, Monaco	€	70,000,000		100.00	DI.CI.E Holding B.V.
Campari RUS OOO, trading company	2nd Yuzhnoportoviy proezd 14/22, Moscow	RUB	10,000,000		100.00	Vahrol B.V.
Campari Schweiz A.G., trading company	Lindenstrasse 8, Baar	CHF	500,000		100.00	DI.CI.E Holding B.V.
CJSC Odessa Sparkling Wine Company, manufacturing and trading company	36, Frantsuzky Boulevard, Odessa	UAH	158,041,016		99.95	DI.CI.E Holding B.V.

Name, activity	Head office	Share capital at 31 December 2012 Currency	Amount	% owned by Parent Company Direct	Indirect	Direct shareholder
DI.CI.E. Holding B.V., holding company	Luna Arena, Herikerbergweg 114, Zuidoost, Amsterdam	€	15,015,000	100.00		
Glen Grant Ltd., manufacturing and trading company	Glen Grant Distillery, Rothes, Morayshire	GBP	24,949,000		100.00	DI.CI.E Holding B.V.
J. Wray&Nephew (UK) Ltd., trading company	82, St. John Street, London	GBP	10,000		100.00	Wray & Nephew Group Ltd.
Kaloyiannis - Koutsikos Distilleries S.A., manufacturing and trading company	6 & E Street, A' Industrial Area, Volos	€	8,884,200		75.00	DI.CI.E Holding B.V.
Lamargue S.a.r.l., trading company	Domaine de la Margue, Saint Gilles	€	750,000		100.00	Société Civile du Domaine de Lamargue
Société Civile du Domaine de Lamargue, manufacturing and trading company	Domaine de la Margue, Saint Gilles	€	6,793,200		100.00	Sella&Mosca S.p.A.
TJ Carolan&Son Ltd., trading company	Ormond Building, Suite 1.05, 31-36 Upper Ormond Quay, Dublin	€	2,600	76.92	23.08	DI.CI.E Holding B.V.
Varhol B.V., holding company	Luna Arena, Herikerbergweg 114, Zuidoost, Amsterdam	€	90,000		80.00	DI.CI.E Holding B.V.
Americas						
Appleton Estate Ltd., dormant company	234, Spanish Town Road, Kingston	JMD	3		100.00	Wray & Nephew Group Ltd.
C.P. Stephenson Ltd., trading company	23, Dominica Drive, Kingston	JMD	30,000		100.00	Lascelles deMercado&Co. Ltd.
Campari America (Skyy Spirits, LLC), manufacturing and trading company	State of Delaware, City of Wilmington, County of New Castle (operational headquarters: One Beach Street, Suite 300, San Francisco)	US$	566,321,274	100.00		
Campari Argentina S.A., manufacturing and trading company	Av. Corrientes, 222 - 3rd floor, Buenos Aires	ARS	136,963,590		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 Piso ol. Country Club, Guadalajara, Jalisco	MXN	294,945,500		100.00	DI.CI.E Holding B.V.
Daniel Finzi&Co (Suc) Ltd., dormant company	234, Spanish Town Road, Kingston	JMD	2,030,000		100.00	J. Wray & Nephew Ltd
Dr. Ian Sangster&Co (Acquisition) Ltd., dormant company	23, Dominica Drive, Kingston	JMD	1,000		100.00	Lascelles Ltd. (50%), Wray & Nephew Group Ltd. (50%),
Edwin Charley (Ja) Ltd., dormant company	234, Spanish Town Road, Kingston	JMD	73,902,000		100.00	Wray & Nephew Group Ltd.
Estate Industries Ltd., dormant company	234, Spanish Town Road, Kingston	JMD	13,300,000		100.00	Wray & Nephew Group Ltd.
Grange Hill Products Company Ltd., dormant company	234, Spanish Town Road, Kingston	JMD	200		100.00	The Rum Company (Jamaica) Ltd.
Gregson's S.A., trademark holder	Andes 1365, Piso 14, Montevideo	UYU	175,000		100.00	Campari do Brasil Ltda.
J. Wray&Nephew Ltd., manufacturing and trading company	234, Spanish Town Road, Kingston	JMD	1,200,000		100.00	Wray & Nephew Group Ltd.
J. Wray y Sobrino de Costa Rica S.A., manufacturing and trading company	Bulevard Multiplaza, Edificio KPMG, Fifth Floor, San José	CRC	1,000,000		100.00	J. Wray & Nephew Ltd
Lascelles deMercado&Co. Ltd., holding company	23, Dominica Drive, Kingston	JMD	20,400,000		98.58	Campari Espãna S.L.
Lascelles Laboratories Ltd., dormant company	23, Dominica Drive, Kingston	JMD	200		100.00	Lascelles Ltd.
Lascelles Ltd., manufacturing and trading company	234, Spanish Town Road, Kingston	JMD	239,470		100.00	Wray & Nephew Group Ltd.
Lascelles Merchandise Ltd., dormant company	23, Dominica Drive, Kingston	JMD	3,000,000		100.00	Lascelles, deMercado&Co. Ltd.
New Yarmouth Holdings Ltd., holding company	234, Spanish Town Road, Kingston	JMD	200		100.00	Wray & Nephew Group Ltd.
New Yarmouth Ltd., manufacturing company	234, Spanish Town Road, Kingston	JMD	810,000		100.00	New Yarmouth Holdings Ltd.
Newton Cane Farms Ltd., dormant company	234, Spanish Town Road, Kingston	JMD	400		100.00	Wray & Nephew Group Ltd.
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. (0.20%)
Sugar Mills Ltd., dormant company	234, Spanish Town Road, Kingston	JMD	200		100.00	Wray & Nephew Group Ltd.

		Share capital at 31 December 2012		% owned by Parent Company		
Name, activity	Head office	Currency	Amount	Direct	Indirect	Direct shareholder
T.T.L. Rum Bottlers Ltd., dormant company	234, Spanish Town Road, Kingston	JMD	4,000		100.00	Wray & Nephew Group Ltd.
The Rum Company (Jamaica) Ltd., dormant company	234, Spanish Town Road in the Parish of Saint Andrew, Jamaica, West Indies	JMD	6,300,000		100.00	Wray & Nephew Group Ltd.
Tradewell Ltd., trading company	23, Dominica Drive, Kingston	JMD	2,000		100.00	Lascelles deMercado&Co. Ltd
West Indies Metal Products Ltd., dormant company	23, Dominica Drive, Kingston	JMD	40,000		100.00	Lascelles Ltd.
Wray&Nephew (Canada) Ltd., Trading company	5770, Timberlea Blvd, Suite 103, Mississauga	CAD	100		100.00	Wray & Nephew Group Ltd.
Wray&Nephew Group Ltd., holding company	234, Spanish Town Road, Kingston	JMD	62,900,000		100.00	Lascelles de deMercado&Co. Ltd.
Other						
Campari (Beijing) Trading Co. Ltd., trading company	Xingfu Dasha Building, block B, room 511, no. 3 Dongsanhuan BeiLu, Chaoyang District, Beijing	RMB	65,300,430		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.
Campari South Africa Pty Ltd., trading company	12th Floor, Cliffe Deker Hofmeyr 11 Buitengracht street, Cape Town	ZAR	5,747,750		100.00	DI.CI.E Holding B.V.
Rum Company (New Zealand) Ltd., trading company	31, Whiteacres Drive, Pakuranga, Auckland	NZD	10,000		100.00	Wray & Nephew Group Ltd.

Other investments		Share capital at 31 December 2012		% 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	€	140,000 (1)	33.33	DI.CI.E Holding B.V.	Equity
Jamaica Joint Venture Investment Co. Ltd., property company	234, Spanish Town Road, Kingston	JMD	450,000	33.00	J. Wray & Nephew Ltd.	Equity

(1) company in liquidation

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 reflected in the consolidated financial statements. The carrying value of the equity investments is eliminated against the corresponding portion of the shareholders' equity of the subsidiaries. Individual assets and liabilities are assigned the value attributed to them on the date control was acquired.

Any positive difference is recorded under the assets item goodwill, and any negative amount is taken to 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 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 recorded 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 difference 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 subsidiaries outside the eurozone.
The exchange rates used for conversion transactions are shown below.

	31 December 2012		31 December 2011	
	Average rate	End-of-period rate	Average rate	End-of-period rate
US dollar	1.2856	1.3194	1.3916	1.2939
Swiss franc	1.2053	1.2072	1.2339	1.2156
Brazilian real	2.5093	2.7036	2.3260	2.4159
Uruguayan peso	26.0325	25.5977	26.9431	25.9285
Chinese renminbi	8.1096	8.2207	8.9953	8.1588
UK pound	0.8112	0.8161	0.8677	0.8353
Indian rupee	68.6152	72.5600	64.8662	68.7130
Japanese yen	102.6253	113.6100	111.0162	100.2000
Argentine peso	5.8456	6.4864	5.7425	5.5677
Mexican peso	16.9061	17.1845	17.2791	18.0512
Australian dollar	1.2413	1.2712	1.3482	1.2723
Ukrainian hryvnia	10.3582	10.5836	11.1038	10.3692
Russian rouble	39.9233	40.3295	40.8778	41.7650

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 benefits, as well as goodwill when purchased for consideration.
Intangible assets acquired are posted to assets, 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 for the financial year in which they are incurred.
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 losses due to a reduction in accumulated value.
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.
Goodwill and trademarks, 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.
Write-downs in goodwill cannot be recovered in future years.

Business combinations

Business combinations are booked using the acquisition method.
The cost of an acquisition is determined by the sum of the payments transferred as part of a business combination, measured at fair value, on the date of acquisition and the value of the minorities' portion of shareholders' equity, measured at fair value or as a pro-quota share of the net assets recognised for the acquired entity.
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 revalued at fair value on the date control is acquired, and any resulting gains or losses are recognised in the income statement.
Conditional payments are measured at fair value at the acquisition date and are included among the transferred payments 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 exceed 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-rata 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; conditional payments 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 retains substantially all the risks and benefits relating 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 construction:	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.

Capital grants

Capital grants are recorded when there is a reasonable certainty that all requirements necessary for access to such grants have been met and that the grant will be disbursed.
This generally occurs at the time the decree acknowledging the benefit is issued.
Capital 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 for use, 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 reported value to the related recoverable value, 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 discount rate applied 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, does not materialise or is reduced, the carrying value of the asset or unit generating cash flows is increased up to the new estimate of recoverable value, and may not exceed the value that would have been determined if no loss from a reduction in value had been reported.
The recovery of a loss of value is posted to 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 for accounting purposes or when a loss of value is apparent beyond 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 valued 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 written down. At that time the accumulated profits and losses, including those previously posted to shareholders' equity, are included in the income statement for the period.

Loss in value of a financial asset

The Group assesses, at least annually, whether there are any indicators that a financial asset or a group of financial assets could have lost value.

A financial asset or a group of financial assets is written down 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 benefits relating to the ownership of the financial asset, or (ii) has neither transferred nor retained all the risks and benefits 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 has been cancelled or 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 valuations 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 in the item Other comprehensive income (expense). 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 stock options are recorded at fair value with an offsetting entry under the stock option reserve.

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 allocated to 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 allocated 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 reserves 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 costs and allocated 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 accounts 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 recovery 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 eliminated.

Current and deferred tax assets and liabilities are offset when these relate to income taxes levied by the same tax authority and a legal right of 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 write-downs, 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 2012

IFRS 7 – Financial Instruments: Disclosures

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 benefits 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.

IAS 12-Income Taxes

The amendment, which is applicable for accounting periods from 1 January 2012, 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 no longer applies.
The adoption of this amendment has not had a significant impact on the disclosures in the Group’s financial statements.

Accounting standards, amendments and interpretations not yet applicable to the Company that have not been adopted in advance

The standards that must be applied from 1 January 2013 are as follows:

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

On 13 March 2012, IASB issued a further amendment to IFRS 1, relating to government loans, applicable from 1 January 2013 and not yet ratified at the date of this financial report The amendment requires that, for first-time adopters of IFRS, government loans obtained at a below market rate of interest may be booked at the carrying amount of the loan recorded, according to the previous GAAP criteria, in the financial statements at the date of transition. The proceeds resulting from loans at a below market rate will be recorded as government grants subsequent to the first-time adoption of IFRS. This standard does not apply to the Group.

IFRS 13-Fair Value Measurement

IFRS 13, approved on 22 December 2012 and applicable from 1 January 2013, establishes a single framework within IFRS to measure fair value and provides a complete guide on how to measure the fair value of financial and non-financial assets and liabilities. IFRS 13 applies when another IFRS requires or permits fair value measurements or requires additional information on fair value measurements. The Group is assessing the impact of applying this standard.

IAS 1-Presentation of Items of Comprehensive Income

The amendment to IAS 1, approved on 5 June 2012 and in force from the years beginning after 1 July 2012, clarifies the presentation of items in the statement of comprehensive income. The main change introduced is the requirement to group items of comprehensive income according to whether they can be reclassified in the income statement, in order to make the increasing number of elements of the other components of the statement of comprehensive income clearer.
This amendment relates purely to the presentation of the financial statements and does not therefore have any effect on the Group's financial position or profitability.

IAS 19-Employee Benefits

The amendments to IAS 19, published in June 2012, have introduced a significant number of improvements, 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 adoption of this amendment will not have a significant impact on the Group's financial statements.

IFRS 7-Financial Instruments: Disclosures

IFRS 7-Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities, published on 29 December 2012, requires information to be presented that enables readers of the financial statements to assess the effects or potential effects on the Group's financial position of offsetting the financial assets and liabilities of the Group and its affiliated companies.
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.

IAS 16-Property, plant and equipment

The amendment clarifies the recognition of spare parts and servicing equipment. These are booked as property, plant and equipment if they meet the capitalisation requirements defined by IFRS, or are otherwise booked as inventory.

IAS 34-Interim Financial Reporting

The amendment requires that segment information relating to assets and liabilities is reported in the interim financial statements, when this information is normally used in company decision-making processes and if significant changes have occurred with respect to the last approved annual financial statements.

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

IFRIC 20 clarifies when and how to account for stripping costs: it provides guidance on reporting stripping costs in the production phase as an asset, and on the initial and subsequent valuation of the asset arising from a stripping operation, in order to reduce the number of different ways in which organisations account for costs incurred in the production phase of a surface mine.
This standard does not apply to the Group.

The standards applicable from 1 January 2014 are as follows:

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 objective of IFRS 10 is to provide a single model for the consolidated financial statements that stipulates control as the basis for the consolidation of all types of organisation.
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. The IASB set 1 January 2013 as the date that the new version of the standard would enter into force, but, on 11 December 2012, the European Commission deferred its date of application by a year. The standard will be applicable for financial years beginning after 1 January 2014. IAS 27-Consolidated and Separate Financial Statements has been revised following the issue of IFRS 10-Consolidated Financial Statements. Any reference to the consolidated financial statements has been removed from the document. IAS 27 therefore only governs the separate financial statements, i.e. the individual accounts of a company.

IFRS 11-Joint Arrangements

IFRS 11 establishes the financial reporting principles for entities that are parties to joint control agreements and replaces IAS 31 (Interests in Joint Ventures) and SIC 13 (Jointly Controlled Entities-Non-monetary Contributions by Venturers).

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 method of proportional consolidation of joint ventures has also been removed.

IFRS 11 will replace SIC 13 and IAS 31. Early adoption is permitted, in which case the following standards must also be applied: IFRS 10, IFRS 12, IAS 27 (amended in 2011) and IAS 28 (amended in 2011), issued at the same time. The IASB set 1 January 2013 as the date that the standard would enter into force, but, on 11 December 2012, the European Commission deferred its date of application by a year. The standard will be applicable for financial years beginning after 1 January 2014.

IFRS 12-Disclosure of Interests in Other Entities

The new standard, published in May 2011, 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 12 combines, strengthens and replaces the disclosure requirements for subsidiaries, agreements for joint control, affiliated companies and non-consolidated structured entities.

The standard is applicable for financial years beginning after 1 January 2013, and early adoption is permitted. The IASB set 1 January 2013 as the date that the standard would enter into force, but, on 11 December 2012, the European Commission deferred its date of application by a year. The standard will however be applicable for financial years beginning after 1 January 2014.

Following these new IFRS, the IASB also issued an amended IAS 27 and IAS 28. The Group is still assessing the possible impact of this standard on its consolidated financial statements.

In addition, the following standards will apply from 1 January 2015:

IFRS 9-Financial Instruments

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 creditworthiness of the liability. These changes shall be reported 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.

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 Parent Company's US bond issue in 2003 (in US$) and the private placement of Campari American in 2009 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

On 10 December 2012, following the successful conclusion of the tender offer, the Group finalised the acquisition of 98.6% of the share capital of Lascelles deMercado&Co. Ltd., via its Spanish subsidiary Campari España S.L.
The acquired business includes the spirits business as well as the activities relating to the upstream supply chain and a local consumer product distribution business. Please refer to the Significant events section in the Report on Operations for a detailed description of the acquired business and the structure of the transaction.

The total price for 100% of the share capital of Lascelles deMercado&Co. Ltd. was US$ 414,754,200, corresponding to a price of US$ 4.32 per ordinary share and US$ 0.57 per preferred share.
At 31 December 2012, the ordinary and preferred shares acquired by the Group totalled 94,685,897 (98.6% of the ordinary shares) and 59,727 (99.5% of the preferred shares) respectively; a payable of € 4.3 million to the minority shareholders was therefore recorded under the Group's current financial payables relating to the remaining shares that the Group plans and has the right to purchase.
The ancillary costs attributable to the acquisition and classified in the income statement under non-recurring overheads totalled € 7.0 million.

The Group initially secured the necessary financing for the transaction with a bridge loan negotiated with three banks with which it has long-standing relationships.
Financial charges of € 2.4 million relating to the bridge loan were recorded under non-recurring financial charges for the year.

The acquisition was subsequently financed using a bond issue for a nominal amount of € 400 million, with a seven-year duration and expiring on 25 October 2019.
The bond pays a fixed annual coupon of 4.5% and the issue price was 99.068% of par, corresponding to a gross yield to maturity of 4.659%.

Since the acquisition was financed on 10 December 2012 and generated marginal financial effects in the remaining part of 2012, these effects were not considered significant for the purposes of the consolidated financial statements.
Similarly, the consolidated statement of financial position at 31 December 2012 includes the assets and liabilities, measured at fair value, of the company acquired on 10 December 2012, as no significant changes in fair value occurred between this date and 31 December 2012.

The fair value of the assets and liabilities on the acquisition date is shown in the table below. The purchase price allocation was carried out provisionally based on the recognition and recalculations of items made in conjunction with an independent expert.
Goodwill was deemed to be fully reportable due to the synergies expected to be generated by integrating these brands into the Group's sales structure. This goodwill is not deductible.
The above-mentioned values may be adjusted following receipt of further information on the preliminary fair value estimates made at the time of purchase.
The values shown here are explained in the following notes to the accounts, where they are highlighted in the financial statements as external growth.

As reported in the first paragraph of the Report on Operations (Significant events during the year), note also that at the time of the acquisition, the Group initiated confidential negotiations with Kobrand Corporation, the holder of the distribution rights to the Appleton rum portfolio in the US, with a view to acquiring these rights.
This transaction should therefore be considered as an integral part of the acquisition of Lascelles deMercado&Co. Ltd. and was therefore reported, ahead of the fair value measurement of the assets and liabilities shown at the time of acquisition, as a short-term payable relating to the payment due to Kobrand Corporation for the acquisition of the distribution rights for Appleton rums in the US. This amount of € 15.5 million, i.e. the payment price of US$ 20 million agreed with Kobrand Corporation on 15 February 2013 for the transaction in question was recorded under Other current liabilities in the statement of financial position reported below.

The values shown here, which relate to 10 December 2012, are explained in the following notes to the accounts, where they are highlighted in the financial statements as external growth.

	Carrying value	Fair value at the date of acquisition
	€ million	€ million
ASSETS		
Non-current assets		
Net tangible fixed assets	34.4	67.2
Biological assets	0.0	0.0
Investment property	0.0	0.0
Brands	0.1	92.3
Intangible assets with a finite life	1.5	0.0
Investments in affiliates and joint ventures	0.2	0.2
Deferred tax assets	0.4	0.4
Other non-current assets	17.7	31.6
Total non-current assets	**54.2**	**191.7**
Current assets		
Inventories	82.1	82.2
Current biological assets	4.5	5.1
Trade receivables	24.0	24.0
Short-term financial receivables	0.0	0.0
Cash and cash equivalents	24.3	24.3
Current tax receivables	2.5	2.5
Other receivables	4.8	4.8
Total current assets	**142.3**	**143.0**
Total assets	**196.4**	**334.7**
LIABILITIES		
Non-current liabilities		
Defined benefit plans	4.6	4.6
Provision for risks and future liabilities	0.0	25.1
Deferred tax liabilities	2.0	40.0
Non-current financial liabilities	1.1	1.1
Total non-current liabilities	**7.8**	**70.9**
Current liabilities		
Payables to banks	3.9	3.9
Other financial payables	15.1	15.1
Trade payables	4.0	4.0
Current payables to tax authorities	3.7	3.7
Other current liabilities	15.7	37.1
Total current liabilities	**42.4**	**63.8**
Total liabilities	**50.2**	**134.7**
Net assets acquired	**146.3**	**200.0**
Goodwill generated by acquisition		**121.6**
Acquisition cost		**321.6**
Total value of investment, net of cash		**317.4**
of which		
Price paid in cash, excluding related costs		*317.3*
Payables (cash) acquired		*(4.2)*
Cash price paid, net of cash acquired		313.1
Payable for remaining shares to be acquired		4.3

If the price of acquiring the distribution rights to Appleton rums in the US were to be added to the purchase price of the shares of Lascelles deMercado&Co. Ltd., the total cost of the transaction would be € 337.1 million.

If it had been consolidated from the beginning of the year, the impact on net sales and net profit would have been € 205.7 million and € 15.8 million respectively.

8. Investments in joint ventures and affiliated companies

At 31 December 2012 investments in joint ventures and affiliated companies included International Marques V.o.f., with its headquarters in the Netherlands (in which the Group has a 33.33% stake) and Jamaica Joint Venture Investments Company Ltd., with its headquarters in Jamaica (in which the Group has a 33% stake).

In November 2011, the shareholders voted to put International Marques V.o.f. into liquidation and the relevant procedures were launched. This has not yet been completed. The charges of € 0.4 million incurred during 2012 to close the joint venture were deducted from the provision allocated in 2011 by DI.CI.E. Holding B.V. No additional costs were recorded in 2012.

The second joint venture, of which the Group took possession as part of its acquisition of Lascelles deMercado&Co. Ltd., manages two buildings that it owns in Duke Street, Kingston, Jamaica.
As the acquisition was completed on 10 December 2012, it did not have any effect on the income statement for the year.

9. Operating segments

With these annual financial statements, the Group has changed its segment reporting set out in IFRS 8.
While segment reporting previously showed the profitability of the four business areas, determined according to the categories of products sold (spirits, wines, soft drinks and other sales), henceforth the Group has decided to present profitability by geographical region.
The four regions identified as operating segments and for which profitability is analysed are: Italy, Rest of Europe, Americas and Rest of the world and duty free.
This change is in line with the guidelines of IFRS 8, which establishes that segment reporting must reflect the organisational structure of the entity (company or group) which prepares the report, and must be consistent with the information used by the management to assess the entity's performance.

The Group has adopted this new segment reporting now, during a historic period for the Group's development, in that the organisational changes launched in 2009 with the creation of geographical Business Units, has been completed following the full implementation of the IT systems supporting the new organisation.

The level of profitability analysed in the new method of segment reporting is the result from recurring activities, equivalent to the operating result before non-recurring income and charges. In the past, the profitability of spirits, wines, soft drinks and other sales was shown up to contribution margin level, without any allocation of overheads.
In contrast, the new segment reporting aggregates the income statements of the individual companies that make up a certain geographical region, and it is therefore possible to evaluate the regions based on their results from recurring activities.

In addition, the profitability of each region shown in the new segment reporting methodology reflects the profit generated by the Group in sales to third parties made in that region, thereby neutralising the effects of inter-company margins.
Lastly, note that the information reported here, as required by IFRS 8, only includes data provided periodically to management to assist the decision-making process. Valuations of assets and liabilities by segment are therefore excluded, as this information is not currently provided for the Group's internal reporting purposes.

2012	Italy € million	Rest of Europe € million	Americas € million	Rest of the world € million	Total allocated € million	Non-allocated items and adjustments € million	Consolidated € million
Net sales to third parties	391.1	345.3	464.8	139.5	1,340.8		1,340.8
Net sales between segments	177.9	38.1	25.3	-	241.3	(241.3)	-
Total net sales	**569.0**	**383.5**	**490.2**	**139.5**	**1,582.1**	**(241.3)**	**1,340.8**
Segment margin	**75.9**	**90.8**	**102.5**	**35.4**	**304.7**		**304.7**
Other non-recurring costs: income and charges	-	-	-	-	-	(17.2)	(17.2)
Operating result							**287.5**
Net financial income (charges)						(51.2)	(51.2)
Affiliates’ portion of profit	-	-	-	-	-	(0.0)	(0.0)
Taxes						(79.0)	(79.0)
Income and charges relating to put options and earn-outs						(0.1)	(0.1)
Profit for the year							**157.2**
Other items included in the income statement:							
Depreciation and amortisation	-	-	-		-	(32.7)	(32.7)

2011	Italy € million	Rest of Europe € million	Americas € million	Rest of the world € million	Total allocated € million	Non-allocated items and adjustments € million	Consolidated € million
Net sales to third parties	402.6	328.1	427.0	116.5	1,274.2	-	1,274.2
Net sales between segments	170.2	35.3	19.5	-	225.0	(225.0)	-
Total net sales	**572.8**	**363.4**	**446.6**	**116.5**	**1,499.3**	**(225.0)**	**1,274.2**
Segment margin	**86.3**	**87.4**	**91.8**	**33.1**	**298.7**	**-**	**298.7**
Other non-recurring costs: income and charges						(3.1)	(3.1)
Operating result	**-**	**-**	**-**	**-**	**-**		**295.5**
Net financial income (charges)						(45.1)	(45.1)
Affiliates’ portion of profit	-				-	(0.4)	(0.4)
Taxes						(90.9)	(90.9)
Income and charges relating to put options and earn-outs						0.5	0.5
Profit for the year							**159.8**
Other items included in the income statement:							
Depreciation and amortisation	-	-	-	-	-	(30.3)	(30.3)

For information only, an analysis based on the previous reporting structure used by management is shown below.

2012	Spirits	Wines	Soft drinks	Other sales	Total allocated	Non-allocated items and adjustments	Consolidated
	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Net sales to third parties	1,028.5	196.4	99.5	16.4	1,340.8		1,340.8
Segment contribution margin	442.6	49.8	36.0	4.0	532.3		532.3
Overheads						(244.8)	(244.8)
Operating result							**287.5**
Net financial income (charges)						(51.2)	(51.2)
Affiliates' portion of profit	-	-	-	-	-		-
Taxes						(79.0)	(79.0)
Put option income (charges)						(0.1)	(0.1)
Profit for the year							**157.2**

2011	Spirits	Wines	Soft drinks	Other sales	Total allocated	Non-allocated items and adjustments	Consolidated
	€ million	€ million	€ million	€ million	€ million	€ million	€ million
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**

10. Net sales

	2012 € million	2011 € million
Sale of goods	1,339.5	1,273.5
Provision of services	1.3	0.8
Total net sales	**1,340.8**	**1,274.2**

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.

	2012 € million	2011 € million
Materials and manufacturing costs	501.1	482.7
Distribution costs	70.2	56.9
Total cost of goods sold	**571.3**	**539.6**

	2012 € million	2011 € million
Raw materials and finished goods acquired from third parties	401.5	386.5
Inventory write-downs	1.1	3.4
Personnel costs	42.4	41.2
Depreciation	23.8	22.2
Utilities	10.4	8.8
External production and maintenance costs	14.8	14.2
Variable transport costs	53.6	49.2
Other costs	23.5	14.1
Total cost of goods sold	**571.3**	**539.6**

(*) Depreciation and amortisation is net of € 5.9 million (€ 9.1 million in 2011) pending for final stocks of liquids undergoing the ageing process

The increase in the cost of goods sold is commented upon in the Report on operations, 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 € 5.9 million (€ 9.1 million in 2011) for depreciation of the tangible assets of Campari America 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:

	2012 € million	2011 € million
Sales costs	106.8	97.2
General and administrative expenses	138.0	112.8
Total overheads	**244.8**	**210.0**

	2012 € million	2011 € million
Agents and other variable sales costs	18.2	17.6
Depreciation	8.9	8.1
Personnel costs	117.3	108.1
Travel, transfers, training and meetings	20.9	18.5
Utilities	1.6	1.5
Services. maintenance and insurance	31.6	30.0
Operating leases and rental expenses	8.5	7.7
Other	20.9	15.5
Non-recurring (income) and charges	17.2	3.1
Total overheads	**244.8**	**210.0**

The increase in overheads before non-recurring costs was mainly caused by the expansion of the distribution structures in Russia and Australia and by the consolidation of structures in the US.
The increase in the Other item mainly relates to higher provisions for risks relating to loans.
For a breakdown of personnel costs, see note 15-Personnel costs.
The increase in the Services, maintenance and insurance item 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.

	2012 € million	2011 € million
Capital gains on the sale of buildings	4.6	2.1
Other capital gains on the sale of fixed assets	0.3	0.5
Other non-recurring income	0.4	0.6
Total non-recurring income	5.3	3.2
Accrual of provision for risks and charges	(8.9)	(2.1)
Penalties	(1.0)	-
Capital losses on sale of fixed assets	-	(0.8)
Write-downs of tangible fixed assets	(0.9)	(0.1)
Personnel restructuring costs	(2.5)	(2.4)
Penalty for the early termination of a distribution relationship	(0.3)	-
Charges relating to the acquisition of Lascelles deMercado	(7.0)	
Other non-recurring charges	(2.0)	(0.9)
Total non-recurring charges	(22.4)	(6.3)
Total (net)	**(17.2)**	**(3.1)**

Capital gains on sales of buildings included a net capital gain of € 4.3 million relating to the sale of the building held by Campari France, which was wound up in December 2012.

Provisions for risks and charges of € 8.9 million included a provision allocated by Campari Do Brasil of € 3.1 million relating to a dispute with a former distributor, provisions for restructuring totalling € 4.2 million, and miscellaneous provisions.

Personnel restructuring costs of € 2.5 million, paid in 2012, were incurred mainly by Campari do Brasil Ltda and the Parent Company in relation to various positions.

Acquisition costs of € 7.0 million included legal and consultancy fees relating to the acquisition of Lascelles deMercado&Co. Ltd., which were charged directly to the income statement, as required by IFRS 3 (Business combinations).

Depreciation and amortisation

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

	2012 € million	2011 € million
- Tangible fixed assets	(22.7)	(21.1)
- Intangible fixed assets	(1.1)	(1.1)
Depreciation and amortisation included in cost of goods sold:	(23.8)	(22.2)
- Tangible fixed assets	(5.4)	(4.8)
- Intangible fixed assets	(3.5)	(3.3)
Depreciation and amortisation included in overheads	(8.9)	(8.1)
- Tangible fixed assets	(28.1)	(25.9)
- Intangible fixed assets	(4.6)	(4.4)
Total depreciation and amortisation in the income statement	**(32.7)**	**(30.3)**
Depreciation and amortisation not included in the income statement because pending for final stocks of liquids undergoing the ageing process	(5.9)	(9.1)
Total depreciation and amortisation	**(38.6)**	**(39.4)**

14. Personnel costs

	2012 € million	2011 € million
Salaries and wages	119.9	111.1
Social security contributions	27.6	25.9
Cost of defined contribution plans	4.9	4.8
Cost of defined benefit plans	0.1	0.4
Other costs relating to long-term benefits	0.1	0.1
Cost of share-based payments	7.8	7.1
Total personnel costs	**160.4**	**149.4**

The allocation of personnel costs to the cost of goods sold and overheads was explained in the two previous notes. Personnel costs increased by 7.3% compared with 2011, as they included the considerable strengthening of the Campari Rus structure following the start of distribution in Russia.

15. Research and development costs

The Group’s research and development activities related 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.

16. Other costs

Minimum payments under operating leases in 2012 were € 4.6 million (€ 7.3 million in 2011) and related to agreements held by Group companies associated with IT equipment, company cars and other equipment, and leasing agreements on property.

17. Financial income and charges

Net financial charges for the year break down as follows:

	2012 € million	2011 € million
Bank and term deposit interest	4.6	4.3
Other income	0.2	0.6
Total financial income	**4.8**	**4.9**
Net interest payable on bonds and private placements	(45.1)	(42.6)
Interest payable on leases	-	(0.4)
Interest payable to banks	(3.2)	(1.9)
Total interest payable	**(48.4)**	**(44.8)**
Actuarial effects relating to defined benefit plans	(0.3)	(0.4)
Effects of discounting payables for put options	-	(0.1)
Bank charges	(1.5)	(0.9)
Other charges and exchange rate differences	(3.3)	(1.8)
Total financial charges	**(5.1)**	**(3.2)**
Income from financial assets	-	-
Financial charges relating to tax inspections	(0.2)	(1.9)
Charges relating to the acquisition of Lascelles deMercado	(2.4)	
Non-recurring financial charges	**(2.6)**	**(1.9)**
Net financial income (charges)	**(51.2)**	**(45.1)**

The net financial charges for the period of € 51.2 million were up 13.5% on the figure for the previous year of € 45.1 million due to the combined effect of contrasting developments.

Of the non-recurring financial charges totalling € 2.6 million, € 0.2 million related to tax audits and € 2.4 million to financial charges incurred for structuring the bridge loan obtained to secure funding for the acquisition of Lascelles deMercado&Co. Ltd.
In October 2012, the Parent Company then completed the issue of a Eurobond and consequently cancelled the above-mentioned lines of credit.

The interest payable on bonds and private placements increased by € 2.5 million; net of hedging effects, the amount paid to bondholders increased by € 2.0 million, while the fair value measurement of hedging instruments and the associated underlyings carried a cost of € 0.8 million.
The breakdown of interest payable to bondholders is shown in the table below.

	2012			2011
	Parent Company € million	Campari America, of which: € million	Total €million	Total € million
Financial charges payable to bondholders	(32.9)	(17.7)	(50.5)	(47.8)
Net financial income (charges) on swaps	4.6	-	4.6	3.7
Net cost (coupon)	**(28.3)**	**(17.7)**	**(46.0)**	**(44.0)**
Net changes in fair value and other amortised cost components	(0.9)	0.3	(0.6)	0.7
Cash flow hedge reserve reported in the income statement during the year	1.4	-	1.4	0.8
Net interest payable on bonds and private placements	**(27.8)**	**(17.4)**	**(45.1)**	**(42.6)**

The increase of around € 2.0 million in the net cost of the coupons, caused by the combined effect of the new Eurobond issued in October by the Parent Company to finance the acquisition of Lascelles deMercado&Co. Ltd., the

higher interest paid on the 2009 Eurobond following the termination of an interest rate swap put in place on an underlying of € 200 million, and the lower interest paid by Campari America following the termination of the private placement issued in 2002, was partially offset by the increase in net income of € 0.9 million on swaps.

As regards the interest rates paid during the year, Campari America (formerly Redfire, Inc.) 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.
With regard to the Eurobond issued in 2009, following the termination of the interest rate swap, as mentioned above, the Company resumed payment of the coupon rate of 5.375%. However, terminating the interest rate swap generated a receivable, which will be collected over the remaining duration of the loan with the payment of the coupons. The positive effect is shown annually as one of the components of the amortised cost of the loan and, in 2012, the income amounted to € 1.8 million.
The Parent Company paid a fixed coupon of 4.5% (€ 400 million) on the nominal amount of the Eurobond issued on 18 October 2012.

The increase in bank interest payable related to the increase in the average balances on payables to banks during the year, due partly 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.

Net exchange rate differences were negative at € 2.1 million in 2011, compared with a positive figure of € 0.3 million in 2011.

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

The charges reported at 31 December 2012 were due to an update of the estimate of earn outs relating to the acquisitions of Cabo Wabo and Sagatiba, and to the put options relating to the acquisition of the remaining portions (20%) of Campari RUS OOO.

19. Income taxes

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

	2012 € million	2011 € million
- taxes for the year	(67.4)	(56.0)
- taxes relating to previous years	2.6	0.3
Income tax - current	(64.8)	(55.7)
Income tax – deferred: newly reported and cancelled temporary differences	(14.2)	(30.4)
Provisions for tax risks	0.0	(4.7)
Income tax reported in the income statement	**(79.0)**	**(90.9)**

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

	2012 € million	2011 € million
Deferred taxes on profits (losses) from cash flow hedging	0.3	1.4
Income tax reported to shareholders' equity	**0.3**	**1.4**

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	2012	2011
	€ million	€ million
Group profit before tax	236.2	250.6
Applicable tax rate in Italy	27.50%	27.50%
Group theoretical taxes at current tax rate in Italy	(64.9)	(68.9)
Difference in tax rate of foreign companies compared to the theoretical rate	(6.7)	(6.6)
Difference in tax rate of Italian companies compared to the theoretical rate	(0.6)	0.8
Permanent differences	0.8	(3.9)
Accrual of tax provision	0.0	(4.7)
Taxes relating to previous financial years	2.6	0.3
Other consolidation differences	(2.0)	0.0
IRAP	(8.1)	(7.9)
Effective tax charge	**(79.0)**	**(90.9)**
Effective tax rate	**33.43%**	**36.26%**

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	
	2012	2011	2012	2011
	€ million	€ million	€ million	€ million
Change in basis of consolidation	0.4	0.0	0.0	0.0
Deferred expenses	0.9	0.7	0.1	(0.8)
Taxed funds	24.9	23.2	2.2	(2.0)
Past losses	6.3	4.2	2.6	(0.3)
Other	5.4	3.9	1.4	0.7
Reclassified deferred tax assets used to offset deferred tax liabilities	(26.3)	(25.5)	0.0	0.0
Deferred tax assets	**11.5**	**6.5**	**6.3**	**(2.4)**
Change in basis of consolidation	(38.9)	0	0	0
Accelerated depreciation	(19.0)	(19.9)	0.6	0.5
Capital gains subject to deferred taxation	(0.7)	(1.2)	0.4	(0.5)
Goodwill and trademarks deductible locally	(144.3)	(125.7)	(22.2)	(20.1)
Cash flow hedge	(0.1)	(0.1)	0.0	0.3
Reserves subject to taxation in the event of a dividend	(0.1)	(0.1)	0.0	0.0
Adjustment to Group accounting principles	4.2	4.7	(0.6)	(2.8)
Leasing	(2.2)	(2.6)	0.4	0.0
Allocation of values deriving from acquisitions	(17.0)	(16.9)	0.0	0.0
Other	(6.9)	(8.1)	0.8	(5.5)
Reclassified deferred tax assets used to offset deferred tax liabilities	26.3	25.5	0.0	0.0
Deferred tax liabilities	**(198.8)**	**(144.4)**	**(20.5)**	**(28.0)**
Total			(14.2)	(30.4)

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.
The change in the scope of consolidation relates to the acquisition of Lascelles deMercado&Co. Ltd. described in note 7-Business combinations.

20. 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	2012			2011		
	Profit	No. of shares	Earnings per share	Profit	No. of shares	Earnings per share
	€ million		€	€ million		€
Net profit attributable to ordinary shareholders	156.9			159.2		
Weighted average of ordinary shares outstanding		577,266,389			579,939,104	
Basic earnings per share			0.27			0.27

Diluted earnings per share are calculated as follows:

Diluted earnings	2012			2011		
	Profit	No. of shares	Earnings per share	Profit	No. of shares	Earnings per share
	€ million		€	€ million		€
Net profit attributable to ordinary shareholders	156.9			159.2		
Weighted average of ordinary shares outstanding		577,266,389			579,939,104	
Weighted average of shares from the potential exercise of stock options with dilutive effect		9,965,210			10,086,110	
Weighted average of ordinary shares outstanding net of dilution		587,231,599			590,025,214	
Diluted earnings per share			0.27			0.27

21. 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	224.8	278.1	91.1	594.0
Accumulated amortisation at start of period	(61.1)	(165.1)	(47.2)	(273.4)
Balance at 31 December 2011	**163.7**	**113.0**	**43.9**	**320.6**
Change in basis of consolidation	37.6	15.1	14.5	67.2
Capital expenditure	16.6	19.7	13.7	50.0
Disposals	(0.3)	(0.2)	(2.7)	(3.2)
Depreciation	(7.2)	(16.6)	(9.2)	(33.1)
Reclassifications	0.1	0.2	(0.4)	(0.0)
Write-downs	(0.2)	(0.1)	(0.2)	(0.5)
Exchange rate differences and other changes	(3.8)	(3.5)	(1.1)	(8.4)
Balance at 31 December 2012	**206.5**	**127.6**	**58.5**	**392.6**
Carrying value at end of period	273.0	308.0	131.5	712.6
Accumulated amortisation at end of period	(66.5)	(180.5)	(73.0)	(320.0)

Capital expenditure on land and buildings during the period, which totalled € 16.6 million, essentially related to Campari America, and concerned the building of a bottling plant for Wild Turkey and SKYY in Lawrenceburg, costing € 11.4 million. Note that, total expenses of € 17.7 million relating to the project, including plant and machinery, have so far been capitalised, and the plant is expected to become operational in autumn 2013. Also in Kentucky, Campari America began building work on a visitors' centre, for which total investment over the two years is expected to be € 2.6 million. Related costs of € 1.2 million were capitalised in 2012.
The Parent Company incurred capital expenditure costs of € 0.4 million to continue the works relating to the external areas of the Company's premises. The remaining amount is due to expansion and restructuring work carried out at the offices and plants of various Group subsidiaries.

Capital expenditure on plant and machinery, amounting to € 19.7 million, primarily included investment by:

- Campari America, of € 6.3 million, relating to the plant in Lawrenceburg, mainly to build bottling lines for Wild Turkey and SKYY;
- Glen Grant Ltd., of € 5.1 million, to build a bottling site for GlenGrant (a function that was previously outsourced); the line will become operational at the end of the first half of2013;
- the Parent Company, totalling € 4.1 million, relating to the production units; specifically, € 1.2 million was invested on upgrading and maintaining the production lines at Novi Ligure, € 1.,7 million on improvements to the bottling lines at the Canale plant and € 1.2 million in the Crodo plant;
- Campari do Brasil Ltda., of € 1.4 million, for efficiency improvements to the production lines ;
- Sella&Mosca S.p.A., totalling € 1.0 million, for new plants built in the three main production sites in Alghero, Canale and San Gimignano.

Other capital expenditure of € 13.7 million mainly concerned:
- the purchase of barrels to be used for ageing, amounting to € 8.7 million for Campari America, € 0.9 million for Glen Grant, € 0.2 million for Campari do Brasil Ltda., and € 0.2 million for Sella&Mosca;
- investment in furniture and fittings and other equipment totalling € 2.5 million, of which € 0.8 million related to the Parent Company and € 0.4 million to Campari Australia.

Disposals, amounting to € 3.2 million, mainly related to the sale of land and buildings by Campari France, totalling € 0.5 million, and the sale of barrels by Campari America, for € 2.6 million.

Lastly, please note that, for greater clarity, fixed assets in progress of € 29.2 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	Fixed assets under finance leases	Total
	€ million	€ million	€ million
Land and buildings	205.2	1.3	206.5
Plant and machinery	127.4	0.2	127.6
Other assets	58.5	0.0	58.5
	391.0	**1.6**	**392.6**

22. 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 five 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	2.8	23.0	25.8
Accumulated depreciation at start of period	-	(8.4)	(8.4)
Balance at 31 December 2011	**2.8**	**14.6**	**17.4**
Capital expenditure	-	0.7	0.7
Depreciation	-	(0.9)	(0.9)
Balance at 31 December 2012	**2.8**	**14.3**	**17.2**
Closing value	2.8	23.6	26.4
Accumulated depreciation at end of period	-	(9.3)	(9.3)

The capital expenditure of € 0.7 million for the year mainly related to vineyard equipment that came on stream during the year.

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. These vineyards, located in Piedmont and Tuscany, were measured at fair value and did not need to be revalued or devalued to bring them in line with the real market price.
At 31 December 2012, non-productive biological assets totalled € 1.2 million, recorded under biological assets in progress, compared with € 1.6 million at 31 December 2011.
Specifically, pre-production vineyards in Tuscany are valued at € 0.9 million, and mainly relate to those planted in 2006, 2009, 2010, 2011 and 2012, while those in Piedmont and Sardinia, which are smaller, are valued at € 0.1 million and €0.2 million respectively.
Agricultural output during the year totalled approximately 55,114 quintals in Sardinia, around 5,361 quintals in Tuscany and some 810 quintals in Piedmont.
Given that it was all processed, there were no inventories of this production at the year end.

23. Investment property

At 31 December 2012, investment property of € 0.5 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 accounts at their approximate fair value at the reporting date.

24. Goodwill and trademarks

Changes during the year are shown in the table below.

	Goodwill € million	Brands € million	Total € million
Carrying value at start of period	964.6	488.9	1,453.5
Opening impairment	(4.9)	-	(4.9)
Balance at 31 December 2011	**959.7**	**488.9**	**1,448.6**
Change in basis of consolidation	121.6	92.3	213.9
Additions		-	-
Exchange rate differences	(24.2)	(7.1)	(31.3)
Balance at 31 December 2012	**1,057.1**	**574.1**	**1,631.2**
Carrying value at end of period	1,062.0	574.0	1,636.1
Closing impairment	(4.9)		(4.9)

Intangible assets with an indefinite life are represented by goodwill and trademarks, both deriving from acquisitions.
The Group expects to obtain positive cash flow from these assets for an indefinite period of time.
Goodwill and trademarks 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 scope of consolidation, of € 213.9 million, stems from the provisional allocation of the higher price paid to acquire Lascelles deMercado&Co. Ltd. An amount of € 121.6 million for the brand and € 92.3 million for

goodwill were converted at the exchange rate applying on the acquisition date. The exchange rate difference of € 6.0 million is included under Exchange rate differences.
For further information on the acquisition, please see note 7- Business combinations.

Negative exchange rate differences, totalling € 31.3 million, arose when the local currency values relating to the acquisitions of companies and brands by the Group were adjusted to the exchange rates applying at the end of the year.

25. Impairment

As explained in note 9 above, the Group introduced a new method of segment reporting in this annual report, which shows profitability by four geographical regions (Italy, Rest of Europe, Americas, and the Rest of the world and duty free). In line with guidance in IFRS 8, this type of segment reporting, based on geographical regions identified as operating segments, reflects the Group's organisational structure and is consistent with the information used by management to assess the Company's performance.
The change in the segment reporting structure means that the cash generating units (CGUs) also have to be reorganised, and goodwill has to be re-allocated to the relevant units for impairment tests to be carried out. The Group considers that the new organisation of CGUs consistently and accurately reflects the structure of the operating segments and decision-making processes relating to the management of the Company, and is line with international best practice in the sector.
Specifically, as part of the changes introduced by the Group for impairment testing, the CGUs were identified as the new operating segments: Italy, Rest of Europe, Americas, and the Rest of the world and duty free. Goodwill reported in business combinations relating to previous years was aggregated and re-allocated to the relevant CGUs.
The values of brands were therefore tested individually, while for goodwill, impairment testing was carried out at CGU level. The reorganisation of operating segments and resulting redefinition of the CGUs, as described above, enables the organisational and management structure of the business to be more appropriately represented.

Reallocation of goodwill and impairment testing

Goodwill was re-allocated proportionally based on the relevant recoverable value of the four new CGUs identified, which was calculated based on value in use.
Estimates of cash flows generated by individual CGUs were used to calculate the recoverable value of the CGUs based on value in use. Forecasts of operating cash flows come from the 2013 budget and the strategic plans prepared by the Group's subsidiaries in 2012 for the period 2014-2017, and approved by the Board of Directors of Davide Campari Milano S.p.A.
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 main assumptions used in calculating the value in use of the CGUs are the operating cash flows in the ten-year period covered by the estimates, the discount rate and the growth rate used to determine the terminal value. With regard to cash flow projections, reference was made to both the Group's historic averages and its potential growth, expressed by expected demand in the key markets of the individual CGUs.
Estimates of future cash flows were calculated based on prudent criteria in respect of growth rates and sales development. 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, a terminal growth rate was taken that varied according to the individual CGUs, from 1.0% for the Rest of Europe to 1.5% for Italy, Americas, and the Rest of the world and duty free.
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 average weighted cost of capital. Specifically, the discount rate used was the Weighted Average Cost of Capital (WACC), which was calculated differently for the four CGUs, and determined with reference to indicators and parameters observable on the main markets that make up the individual CGUs, the present value of money and specific risks connected with the business being valued: the discount rates used on the date the valuation was performed varied for the four CGUs tested as follows: 6.0% for the Americas, 6.2% for the Rest of the world, 7.5% for Italy and 9.3% for the Rest of Europe.

The carrying amount for the new CGUs was calculated by allocating the fixed assets and working capital based on the relevant sales for the geographical region.
Impairment testing was performed on brands individually using the fair value criterion minus cost of sales.
This methodology is based on the application of parameters deduced from the valuation attributed to brands that have been acquired or are comparable in an active market in terms of type of brand acquired and transaction structure: 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 fair value method is used to calculate the recoverable amount of brands, using the EV/EBITDA multiple, deduced from a sample of transactions comparable to the acquisition. The use of this multiple 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 2012, based on the methodologies and assumptions set out above, the impairment tests revealed that the value of goodwill and trademarks was fully recoverable.
To take into account current market volatility and uncertainty over future economic prospects, sensitivity analysis has been carried out to assess the recoverability of amounts relating to goodwill.
Specifically, sensitivity analysis of recoverable values of the individual CGUs was carried out based on the assumption of a percentage point increase in the discount rate and a percentage point reduction in the terminal growth rate. Sensitivity analysis was also performed on the recoverable value of the brands, assuming a 10% reduction in the financial indicator to which the multiples are applied. The sensitivity analysis described above confirmed that the values of the goodwill and trademarks are fully recoverable.

The values for goodwill and trademarks at 31 December 2012 reallocated by CGU are shown in the table below.

	31 December 2012	31 December 2011
CGU	€ million	€ million
Italy	216.1	221.2
Rest of Europe	246.2	251.8
Americas	420.0	428.3
Rest of the world and duty free	56.7	58.5
Total allocated	*939.0*	*959.7*
Unallocated values	*118.2*	-
Total	**1,057.1**	**959.7**

	31 December 2012			31 December 2011		
	Goodwill	Brands	Total	Goodwill	Brands	Total
	€ million	€ million	€ million	€ million	€ million	€ million
CGU						
Italy	216.1	18.1	234.1	221.2	18.1	239.2
Rest of Europe	246.2	64.4	310.6	251.8	64.4	316.2
Americas	420.0	292.9	712.9	428.3	295.9	724.2
Rest of the world and duty free	56.7	108.8	165.6	58.5	110.4	168.9
Total allocated	*939.0*	*484.2*	*1,423.2*	*959.7*	*488.8*	*1,448.5*
Unallocated values	*118.2*	*89.7*	*207.9*			
Total	**1,057.1**	**574.1**	**1,631.2**	**959.7**	**488.8**	**1,448.6**

The unallocated values for goodwill, of € 118.2 million, relate to the acquisition of Lascelles deMercado&Co. Ltd. These values were not allocated to the CGUs identified above as it was a provisional allocation; please see note 7 - Business combinations, for further details.

The values of trademarks acquired at 31 December 2012 are shown in the table below:

	31December 2012	31 December 2011
	€ million	€ million
Wild Turkey	138.4	141.1
Brand C&C	116.6	116.6
Glen Grant and Old Smuggler	104.3	104.3
Cabo Wabo	53.9	55.0
X-Rated Fusion Liqueur	38.6	39.4

Riccadonna-Mondoro	12.3	12.3
Acquisition of Lascelles deMercado&Co. Ltd. (*)	89.7	-
Other	20.2	20.2
Total	**574.1**	**488.9**

(*) Value calculated on the basis of the provisional allocation of values resulting from the acquisition

Impairment tests were not carried out on the unallocated goodwill and the trademark resulting from the acquisition of Lascelles deMercado&Co. Ltd., as the acquisition was made close to 31 December 2012. The Group therefore considered whether there were qualitative and quantitative factors that could indicate signs of impairment, including preliminary development plans of the newly-acquired business. Analysis of these aspects did not reveal any signs of impairment at 31 December 2012.
Note that, excluding the effects resulting from the acquisition of Lascelles deMercado&Co. Ltd., changes in goodwill and trademarks in 2012 were solely due to the exchange rate effect.

26. Intangible assets with a finite life

Changes in this item are indicated in the table below.

	Software € million	Other € million	Total € million
Carrying value at start of period	31.8	13.7	45.5
Accumulated amortisation at start of period	(22.7)	(1.8)	(24.5)
Balance at 31 December 2011	**9.1**	**12.0**	**21.0**
Additions	1.7	3.0	4.6
Decreases	(0.0)	(0.0)	(0.0)
Amortisation for the period	(3.5)	(1.2)	(4.7)
Write-downs	(0.2)	(0.2)	(0.5)
Exchange rate differences and other changes	0.8	(0.8)	(0.1)
Balance at 31 December 2012	**7.8**	**12.7**	**20.5**
Carrying value at end of period	27.3	15.3	42.7
Accumulated amortisation at end of period	(19.5)	(2.7)	(22.1)

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, totalling € 4.6 million, is due mainly to the implementation of new modules and upgrades of the SAP IT system, and to a lesser extent, to local investment, comprising € 1.8 million by the Parent Company, € 1.1 million by Campari Deutschland GmbH, € 0.7 million by Campari America, € 0.4 million by Campari Australia Pty Ltd., € 0.2 million by Campari International S.A.M. and € 0.4 million by other subsidiaries

27. Other non-current assets

This item breaks down as follows:

	31 December 2012 € million	*of which, external growth* € million	31 December 2011 € million
Financial receivables	13.7	-	-
Derivatives on bond issues	-	-	13.2
Non-current financial assets	**13.7**	**-**	**13.2**
Equity investments in other companies	1.7	1.5	0.2
Security deposits	0.7	0.1	0.8
Receivables from employee benefit funds	29.7	29.1	0.6
Other non-current tax receivables from main shareholders	2.2	-	-
Other non-current tax receivables	4.5	-	2.4
Other non-current assets	**38.8**	**30.7**	**4.0**
Other non-current assets	**52.6**	**30.7**	**17.1**

The derivative on long-term loans represented the fair value, at 31 December 2011, of the hedging instrument on the interest rate of the Eurobond issued by the Parent Company in 2009, and taken out on an underlying of € 200 million.

During the third quarter of 2012, the Parent Company decided to carry over part of the medium- to long-term fixed-rate debt and therefore cancelled these hedging agreements. The related asset generated from this was classified under other financial receivables and will be collected over the remaining term of the underlying loan, divided into a short-term component (€ 6.0 million) and a long-term component (€ 13.7 million).
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. The significant increase was due to the effect of the change in the scope of consolidation following the acquisition of Lascelles deMercado&Co. Ltd.
For further information, see comments under note 39-Defined benefit plans.

Other non-current tax receivables mainly relate to receivables due to the Group's Italian companies from the Italian tax authorities (€ 3.0 million); the rest of the amount relates to Campari do Brasil Ltda.
The tax receivables recorded by the Group's Italian companies mainly relate to the right to refunds of the higher income taxes paid in previous years due to the non-deductibility of IRAP relating to personnel and similar costs following recent legislative changes introduced by article 2, paragraph 1, of Legislative Decree 201/2011, supplemented by article 4, paragraph 12, of Legislative Decree 16 of 2 March 2012.
Some of the receivables of the Group's Italian companies are therefore recorded as due from the ultimate main shareholder Alicros S.p.A. (€ 2.2 million) for 2007 to 2011 relating to the tax consolidation scheme, with some recorded as due from the tax authorities (€ 3.0 million) relating to previous tax periods.
Note that current payables of € 2.6 million, relating to the tax consolidation scheme, and Group VAT payables of € 7.2 million, all of which are non-interest-bearing, are also recorded as due from the main shareholder Alicros S.p.A. For further details, see note 48-Related parties.

28. Inventories and current biological assets

This item breaks down as follows:

	31 December 2012 € million	*of which, external growth* € million	31 December 2011 € million
Raw materials, supplies and consumables	50.6	22.5	28.5
Work in progress and liquid undergoing the aging process	251,1	25.8	204.5
Finished products and goods for resale	144.9	31.6	98.3
Sub-total	**446.5**	**79.9**	**331.3**
Current biological assets	4.9	4.9	-
Sub-total	**4.9**	**4.9**	**-**
	451.4	**84.8**	**331.3**

The increase in inventories reflects external growth of € 84.8 million following the acquisition of Lascelles deMercado&Co. Ltd.

Current biological assets represent the fair value of the harvest of sugar cane plantations that are not yet mature. This fair value estimate is based on the production costs incurred minus any impairment, calculated with reference to the estimate revenues from the sale of the harvest minus the costs of cultivation, harvesting and transportation to point of sale.
In addition, stocks of liquids undergoing the ageing process also increased at the Group's distilleries in Scotland and Kentucky.

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

	€ million
Balance at 31 December 2011	**4.5**
Change in basis of consolidation	(1.3)
Accruals	1.4
Utilisations	(1.6)
Exchange rate differences and other changes	(0.2)
Balance at 31 December 2012	**2.9**

29. Trade receivables and other receivables

This item breaks down as follows.

	31 December 2012 € million	*of which, external growth* € million	31 December 2011 € million
Trade receivables from external customers	299.9	23.3	263.7
Trade receivables from affiliated companies	-	-	0.8
Receivables in respect of contributions to promotional costs	12,5	-	13.5
Trade receivables	**312.4**	**23.3**	**278.0**
Payments on account to suppliers of fixed assets	0.5	-	0.3
Advances and other receivables from suppliers	4.3	-	3.8
Other receivables from tax authorities	3.0	0.1	8.2
Receivables from agents and miscellaneous customers	1.6	0.1	1.5
Pre-paid expenses	6.1	2.3	3.4
Other	8.7	4.5	6.7
Other receivables	**24.2**	**7.0**	**23.9**

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 increase of € 34.5 million in trade receivables comprises € 23.3 million relating to the acquisition of Lascelles deMercado&Co. Ltd., € 4.6 million due to the effect of the acquisition on the Group's trading companies, and € 6.6 million from the combined effect of exchange rate trends and the Group's internal growth.
Trade receivables are reported net of the receivables sold on a non-recourse basis by Group companies; at 31 December 2012, receivables totalling € 72.2 million had been sold.

Other receivables from tax authorities of € 3.0 million primarily comprise € 1.7 million for VAT, € 0.5 million for excise duty and € 0.8 million for other taxes.

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 2012	Trade receivables € million	*of which, external growth* € million	Other receivables € million	*of which, external growth* € million	Total € million
Not due and not written down	241.6	14.1	8.9	1.3	250.4
Due and not written down:					
Less than 30 days	20.1	0.0	2.1	0.0	22.2
30-90 days	26.4	6.5	1.6	0.6	28.0
Within 1 year	17.9	0.0	1.3	0.3	19.2
Within 5 years	4.4	0.0	0.6	0.0	5.0
Total due and not written down:	68.7	6.5	5.7	0.9	74.4
Due and written down	12.9	3.5	0.1	0.0	13.0
Amount written down	(10.7)	(0.8)	(0.1)	0.0	(10.8)
Total receivables broken down by maturity	312.5	23.3	14.6	2.2	327.1
Receivables not significant for breakdown by maturity	0.0	0.0	9.6	0.0	9.6
Total	312.5	23.3	24.2	2.2	336.6

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

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

€ million	Provisions for doubtful receivables	
	Trade receivables	Other receivables
Balance at 31 December 2011	**7.8**	**0.3**
Change in basis of consolidation	0.8	
Accruals	6.4	(0.1)
Utilisations	(4.1)	
Exchange rate differences and other changes	(0.3)	-
Balance at 31 December 2012	**10.7**	**0.1**

The change in the scope of consolidation of € 0.8 million is fully attributable to the acquisition of Lascelles deMercado&Co. Ltd.

Accruals for the year of € 6.4 million mainly relate to the Parent Company and the Italian subsidiaries (€ 4.2 million) and to Campari do Brasil Ltda. (€ 1.3 million).
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.

30. Short-term financial receivables

This item breaks down as follows*:*

	31 December 2012 € million	*of which, external growth* € million	31 December 2011 € million
Securities and term deposits	**35.2**	**-**	**0.2**
Net accrued swap interest income/expense on bonds	0.7		1.1
Valuation at fair value of forward contracts	0.4	-	0.4
Other financial assets and liabilities	6.0	-	-
Other short-term financial receivables	**7.2**	**-**	**1.5**
Short-term financial receivables	**42.4**	**-**	**1.8**

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. The item includes securities that fall due within one year. Specifically, at 31 December 2012, the item includes two term deposits totalling € 35.0 million taken out by the Parent Company, which expire in April and May 2013.

The other financial assets comprise the current portion (€ 6.0 million) of the receivable arising from the termination of a number of hedging agreements on the Parent Company's bond issued in 2009. The termination of these agreements led to the recording of a financial receivable, which will be collected over the remaining duration of the underlying loan, until 2016. The non-current portion of this receivable (€ 13.7 million) is included in non-current financial receivables (see Note 28).

All financial payables are current and due within a year.

31. Current tax receivables

	31 December 2012	*of which, external growth*	31 December 2011
	€ million	€ million	€ million
Income taxes	8.6	2.5	17.7
Receivables from main shareholders for tax consolidation	0,7	-	0.2
Current tax receivables	**9.4**	**2.5**	**17.8**

Current tax receivables can all be recovered within twelve months.

The current taxes receivable recorded at 31 December 2013 includes receivables due to the Group's subsidiaries, as well as receivables connected with the acquisition of Lascelles deMercado & Co Ltd.
The figure is lower than in the previous year due to excess payments on account made by the US subsidiaries, which was partially offset by deferred tax liabilities recorded.
Receivables from the main shareholder relate to the receivables of Sella&Mosca Commerciale S.r.l. for € 0.3 million and Sella&Mosca S.p.A. for € 0.4 million 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 € 1.9 million (for more information, please see note 48 - Related parties).

32. Cash and equivalents and reconciliation with net debt

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

	31 December 2012	*of which, external growth*	31 December 2011
	€ million	€ million	€ million
Bank current accounts and cash	325.6	23.6	323.5
Term deposits maturing within 3 months	116.9	-	90.6
Cash and cash equivalents	**442.5**	**23.6**	**414.2**

The cash and equivalent item consists of bank current accounts, other sight deposits and those that can be withdrawn within a maximum period of three months from the reporting date, held at leading banks that pay variable interest rates based on LIBOR for 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. Term deposits, of € 110.6 million, at 31 December 2012 related to the Parent Company.

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

	31 December 2012	31 December 2011
	€ million	€ million
Cash and cash equivalents	442.5	414.2
Liquidity (A)	**442.5**	**414.2**
Securities	35.2	0.2
Other short-term financial receivables	7.2	1.5
Short-term financial receivables (B)	**42.4**	**1.8**
Short-term bank debt	(121.0)	(144.9)
Current portion of property lease payables	(0.0)	(3.0)
Current portion of private placement and bonds	(0.0)	(83.7)
Other short-term financial payables	(27.4)	(12.5)
Current portion of payables for put options and earn-outs	(7.5)	(3.9)
Short-term financial debt (C)	**(155.9)**	**(248.1)**
Short-term net cash (debt) position (A+B+C)	**329.0**	**167.9**
Medium/long-term bank debt	(1.1)	(0.1)
Current portion of property lease payables	(1.4)	(1.4)
Non-current portion of private placement and bonds	(1,206.9)	(811.7)
Other medium/long-term financial payables	(0.4)	(0.5)
Non-current portion of payables for put options and earn-outs	(2.5)	(3.8)
Medium/long-term financial debt (D)	**(1,212.3)**	**(817.6)**
Net debt (A+B+C+D) (*)	**(883.4)**	**(649.8)**
Reconciliation with Group net debt, as shown in the Directors' report:		
Assets for derivatives on bonds, non-current portion	-	13.2
Medium / long-term financial receivables	13.7	0.0
Group net debt	(869.7)	(636.6)

(*) 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-Short-term financial receivables, note 28 – Medium/long-term financial receivables, and note 37/38-Financial liabilities.

33. 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 € 1.0 million at 31 December 2012. The item included the portion of the Termoli site not yet sold but for which concrete but complex sale negotiations are under way with potential buyers, and with whom the difficult sales programme is being prepared.

The decrease in the year was mainly due to the sale of the Ponte Galeria plot in Rome, recorded at a value of € 1.2 million at 31 December 2011. The transaction had no financial effect on the financial statements, as the land had been subject to an agreement with Rome municipal authorities in 2011, and had therefore been reported at a value corresponding to the compensation guaranteed by the authorities for the expropriation of the land.

34. 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 2012 this ratio was 2.4 (compared with 1.9 at 31 December 2011).

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 2012, 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 2012 and in the two prior years.

	No. of shares			Nominal value		
	31 December 2012	31 December 2011	31 December 2010	31 December 2012	31 December 2011	31 December 2010
				€	€	€
Outstanding shares at the beginning of the period	577,453,435	578,522,820	287,945,880	57,745,344	57,852,282	28,794,588
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	(4,613,817)	(9,540,000)	(2,320,000)	(461,382)	(954,000)	(232,000)
Disposals	3,462,264	8,470,615	4,951,060	346,226	847,062	495,106
Outstanding shares at the end of the period	576,301,882	577,453,435	578,522,820	57,630,188	57,745,344	57,852,282
Total own shares held	4,498,118	3,346,565	2,277,180	449,812	334,657	227,718
Own shares as a % of share capital	0.8%	0.6%	0.4%			

In 2012, 4,613,817 own shares were acquired at a purchase price of € 25.2 million, which equates to an average price of € 5.47 per share.
In the same period, 3,462,264 shares were sold for a sum of € 19.4 million.
Furthermore, after 31 December 2012 and until the publication of financial statements was authorised, further purchases of own shares were made at an average price of € 5.72, and own shares were sold for the exercise of stock options for a total of 170,682 shares. Thus, the number of own shares on the date this report was approved was 5,716,889.

Dividends paid and proposed

The table below shows the dividends approved and paid in 2012 and 2011 and the dividend subject to the approval of the shareholders' meeting to approve the accounts for the year ending 31 December 2012.

	Total amount		Dividend per share	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
	€ million	€ million	€	€
Dividends approved and paid during the period on ordinary shares	40.5	34.6	0.07	0.06
Dividends proposed on ordinary shares (*)	40.3		0.07	

(*) calculated on the basis of outstanding shares at the date of the Board of Directors' meeting on 7 March 2013.

Other reserves

	Stock options € million	Cash flow hedge € million	Conversion of accounts in foreign currencies € million	Total € million
Balance at 31 December 2011	**15.8**	**(1.4)**	**23.1**	**37.4**
Cost of stock options for the period	7.8			7.8
Stock options exercised	(4.0)			(4.0)
Losses (profits) reclassified in the income statement		(1.0)		(1.0)
Cash flow hedge reserve allocated to shareholders' equity		(1.0)		(1.0)
Tax effect allocated to shareholders' equity		0.6		0.6
Translation difference			(45.0)	(45.0)
Balance at 31 December 2012	**19.7**	**(2.8)**	**(21.9)**	**(5.3)**

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 accounts of subsidiaries denominated in currencies other than euro.

35. Minority interests

The minorities' portion of shareholders' equity, totalling € 4.2 million at 31 December 2012 (€ 3.7 million at 31 December 2011), relates to Kaloyannis-Koutsikos Distilleries S.A. (25%) and CJSC Odessa Sparkling Wine Company (0.05%), fully consolidated on a line-by-line basis.

36. Bonds and other non-current liabilities

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

	31 December 2012 € million	*of which, impact from changes in basis of consolidation* € million	31 December 2011 € million
Parent Company bond (US$) issued in 2003	233.3	-	235.5
Parent Company bond (Eurobond) issued in 2009	364.3	-	360.8
Parent Company bond (Eurobond) issued in 2012	393.2	-	-
Private placement issued in 2009	187.4	-	191.4
Total bonds and private placements	1,178.2	-	787.8
Payables and loans due to banks	1.1	1.1	0.1
Property leases	1.4	-	1.4
Derivatives on Parent Company bond (US$)	28.8	-	23.9
Payables for put options and earn-outs	2.5	-	3.8
Other debt	0.4	-	0.5
Non-current financial liabilities	34.2	1.1	29.8
Other non-financial liabilities	2.0	-	7.3
Total other non-current liabilities	36.2	1.1	37.1

Bonds

The bonds item includes three 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 2009) 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%.

The third bond issue (Eurobond 2012) was issued on 18 October 2012 in order to finance the acquisition of Lascelles deMercado&Co. Ltd..
It has a duration of seven years and a nominal value of € 400 million, with maturity on 25 October 2019. The bond pays a fixed annual coupon of 4.5% and the issue price was 99.068% of par, corresponding to a gross yield to maturity of 4.659%.

With regard to the 2003 issue, the Parent Company has put in place various instruments to hedge the exchange rate and interest rate risks.
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 to 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 million (maturing in 2015) and US$ 150 million (maturing in 2018).

The changes in the item in 2012 relate to:
- in relation to the 2003 issue (in US$), the valuation of existing hedging instruments (which have a negative effect of € 3.6 million on the fair value hedge and a negative impact of € 1.2 million on the cash flow hedge) and the effects on the bonds of the hedges and the amortised cost (positive in the amount of € 2.3 million);
- in relation to the 2009 issue (Eurobond), the valuation of existing hedging instruments at the beginning of the year and terminated in advance in 2012 (positive effect of € 4.6 million), the effect on the bonds being hedged and the amortised cost (negative impact of € 3.5 million).
- recognition of the Eurobond issued in 2012 net of charges directly attributable to the bond.

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

Private placements
The Private placement item includes a bond issue placed by Campari America in the US institutional market in June 2009 with a nominal value of US$ 250 million.
This transaction is 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%.

Changes in amount during the year were due to the depreciation of the US dollar, the subsidiary's functional currency, which led to a reduction of the liability of approximately € 4.0 million.

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

Payable for put options and earn-outs
At 31 December 2012, the long-term portion of the item Payables for put options and earn-outs includes the best estimate of the disbursement of an annual earn-out agreed to as a part of the purchase of the Sagatiba trademark to be paid for over eight years following the closing.
The € 1.8 million decrease in the liability from 2011 refers to the update of estimates for the Sagatiba earn-out and the reclassification of the latter earn-out related to the Cabo Wabo trademark under short-term payables.

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 2012	Maturity	31 December 2012 € million	31 December 2011 € million
Payables and loans due to banks	1.3% on €, 1.2% on US$	2013	121.2	145.0
Parent Company bonds				
- issued in 2003 (US$)	fixed rate from 4.03% to 4.37% [1] 6-month € LIBOR + 60 basis points[2]	2015-2018	262.1	259.5
- issued in 2009 (Eurobond)	fixed rate 5.375%	2016	364.3	347.7
- issued in 2012 (Eurobond)	fixed rate 4.5%	2019	393.2	-
Private placement:				-
- issued in 2002	-	-		83.7
- issued in 2009	fixed 6.83%, 7.50%, 7.99%	2014-2019	187.3	191.4
Property leases	-	2013-2025	1.4	4.4
Other liabilities connected with the acquisition of Lascelles deMercado&Co. Ltd	-	2013	14.7	
Other debt	0.90%	2013-2015	0.6	0.7

[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.

Other non-financial liabilities

Other non-financial liabilities, totalling € 2.0 million at 31 December 2012 (€ 7.3 million at 31 December 2011), refer to Parent Company tax payables recognised in the previous year relating to payments in instalments under agreements reached with the tax authorities regarding direct tax claimed following inspections in previous years, which for the Company were related to the tax years 2004-2006, and for Campari Italia S.p.A., absorbed 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 penalties and interest, and payments were extended until 2014. The reduction from 2011 is due to the reclassification of the portion maturing in 2013 under current tax payables.

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

	31 December 2012 € million	*of which, external growth* € million	31 December 2011 € million
Payables and loans due to banks	121.0	4.1	144.9
Short-term portion of private placement (issued in 2002)	-	-	83.7
Accrued interest on bonds	12.6	-	11.9
Property leases	0.0	-	3.0
Financial liabilities on hedging contracts	0.0	-	0.4
Payables for put options and earn-outs	7.5	4.3	3.9
Other liabilities connected with the acquisition of Lascelles deMercado&Co. Ltd.	14.7	14.7	-
Other debt	0.2	-	0.2
Total other financial payables	34.9	19.0	103.2

Payables to banks

Short-term payables to banks relate to short-term loans or credit facilities used by the Group to obtain additional financial resources.

Private placements

The amount entered under short-term liabilities refers, with respect to the previous year, to the final portion of the second tranche and the third tranche of the bond issued in 2001 by Campari America; these tranches were repaid in July 2012.

Leasing

Non-current leasing payables refer to the finance lease entered into by CJSC Odessa Sparkling Wine Company.
In the previous year, they also included the finance lease put in place by the Parent Company in 2004 in relation to the Novi Ligure property complex; this lease was fully repaid in February 2012.

Financial liabilities on forward contracts

This item relates to the fair value of forward currency purchase and sale contracts that are classified as hedging transactions. At 31 December 2012 there were no liabilities of this type.

Payable for put options and earn-outs

The short term portion of these payables (€ 7.5 million) includes payables for put options (€6.3 million) and for earn-outs (€1.2 million).
With regard to the put option, the payable refers to the acquisition of the remaining 20% stake in Campari Rus OOO (€ 2.0 million), which was paid for on 28 February 2013. It also includes the payable of Campari España S.L. for the acquisition of the remaining shares of Lascelles deMercado&Co. Ltd. for € 4.3 million.
Earn-out payables relate to the final tranches that will be paid in 2013 in relation to the Cabo Wabo trademark (€ 0.9 million) and the second annual tranche of Sagatiba (€ 0.3 million).
During the year, earn-outs were paid for Cabo Wabo (€ 0.6 million), Campari Argentina S.A. (€ 0.8 million), Campari Mexico S.A. de C.V. (€ 0.2 million) and Sagatiba (€0.1 million).

The non-current portion of payables for put options and earn-outs (€ 2.5 million) refer to the annual earn-outs of Sagatiba; these were commented on above under Note 37 - Non-current financial liabilities.

38. 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 a number of funded defined benefit plans for current and/or former employees.
These plans have the benefit of dedicated assets.

In addition, the newly-acquired Lascelles deMercado&Co. Ltd. has a defined benefit plan for current and/or former employees.
On 1 October 1960, a fund called Lascelles, Henriques et al Superannuation Fund (LHSF) was set up to cover the defined benefit plan.
The fund's articles of association have detailed rules for the payment of benefits to members.
The contribution by Lascelles deMercado&Co. Ltd. and plan members is 2% and 5% respectively of salaries eligible for pension purposes.
The fund and related plan were closed to new members on 1 January 2009. As of the date of this report, there are 1,014 fund participants of which 648 are active members.

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.

In addition, Lascelles deMercado&Co. Ltd. and its subsidiaries provide their employees with post-retirement benefits, mainly health insurance. The ability to use these benefits is subject to remaining an employee at the Company until retirement age and to a minimum service period. The cost of these benefits is spread over the employee's service period using a calculation methodology similar to that used for defined pension plans, and the present value of future benefits at the date of this report is a liability of € 4.5 million.

The table below shows the amount of liabilities related to unfunded long-term benefits, and in addition to post-retirement benefits provided by the newly-acquired Lascelles deMercado&Co. Ltd. to its current and/or former employees, it includes long-term benefits for the Group's Italian companies (TFR).

	31 December 2012 € million	*of which, external growth* € million	31 December 2011 € million	31 December 2010 € million	31 December 2009 € million
Defined benefit obligations	7.9	-	7.9	9.2	9.4
Post-retirement benefits	4.5	4.5			
Total	**12.3**	**4.5**	**7.9**	**9.2**	**9.4**

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

Other plans	31 December 2012 € million	*of which, external growth* € million	31 December 2011 € million	31 December 2010 € million	31 December 2009 € million
Defined benefit obligations	56.6	51.6	4.0	4.0	4.0
Assets dedicated to the plan (-)	(85.7)	(80.8)	(3.7)	(4.1)	(4.4)
Plan surplus (deficit)	**29.1**	**29.1**	**0.3**	**0.1**	**0.4**

In addition to the defined benefits provided by the newly-acquired Lascelles deMercado&Co. Ltd. to its current and/or former employees, other defined benefit plans include the plans of the subsidiaries Campari Deutschland Gmbh (assets of € 0.6 million) and Campari Schweiz Gmbh (liabilities of € 0.6 million).

The table below shows the components of the net cost of defined benefit plans recognised in the income statement in 2012 and 2011. Since the acquisition of Lascelles deMercardo & Co. Ltd. was finalised on 10 December 2012, the economic impact from the acquisition date was not consolidated, since it is not significant.
Thus, the impact reported below refers solely to the employee indemnity liability (TFR) components of the Parent Company and Italian companies and the existing defined benefit plans of the Group's foreign subsidiaries.

Net cost of the benefit	Employee indemnity liability (TFR)		Other plans	
	2012 € million	2011 € million	2012 € million	2011 € million
Cost for current work provided	0.1	-	(0.1)	0.2
Financial charges on the obligations	0.3	0.4	0.1	-
Expected income on plan assets	-	-	(0.1)	-
Net actuarial (gains)/losses	0.2	(0.1)	0.2	0.2
Curtailment effect	-	-	0.1	-
	0.7	**0.3**	**0.3**	**0.4**

Current service costs and actuarial gains and losses are classified under personnel costs, while financial charges on obligations are classified under financial charges.

The following table reports changes in the present value of defined benefit obligations in 2012 and 2011.

Changes in present value of obligations	Unfunded			Funded		
	31 December 2012	*of which, external growth*	31 December 2011	31 December 2012	*of which, external growth*	31 December 2011
Present value at 31 December 2011	**7.9**		**9.2**	**3.9**		**4.0**
Cost of current work provided	-		-	1.2		0.2
Benefits paid	(0.7)		(1.7)	(0.8)		(0.5)
Financial charges on the obligations	0.3		0.4	0.2		-
Actuarial gains (losses) on the obligations	0.3		(0.1)	0.5		0.2
External growth	4.5	4.5	-	51.6	51.6	-
Other changes	-		-	-		-
Present value at 31 December 2012	**12.3**	**4.5**	**7.9**	**56.6**	**51.6**	**3.9**
Dedicated assets deducted directly from the obligation	-		-	(56.0)	(51.6)	(3.1)
Employee indemnity liability and other pension funds	**12.3**	**4.5**	**7.9**	**0.6**	**-**	**0.8**

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 2012 € million	*of which, external growth* € million	31 December 2011 € million	31 December 2010 € million
Present value at 31 December 2011	**3.7**		**4.1**	**4.4**
Expected yield	0.2		0.2	0.2
Employer contributions	0.2		0.1	0.2
Contributions from participating employees	0.1		0.1	0.2
Benefits paid	(0.7)		(0.6)	(0.7)
Actuarial gains (losses) on the obligations	1.4		(0.2)	(0.2)
External growth	80.8	80.8	-	-
Other changes	0.1		0.1	0.1
Present value at 31 December 2012	**85.7**	**80.8**	**3.7**	**4.1**
Dedicated assets deducted directly from the obligation	(56.0)	(51.6)	(3.1)	(3.4)
Receivables from employee benefit funds	**29.7**	**29.1**	**0.6**	**0.7**

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.
The table below excludes the actuarial assumptions related to defined benefit plans and post retirement benefits provided by Lascelles deMercado&Co. Ltd. to its current and/or former employees.

Main actuarial assumptions	Employee indemnity liability (TFR)			Other plans		
	31 December 2012	31 December 2011	31 December 2010	31 December 2012	31 December 2011	31 December 2010
Discount rate	4.0%	4.5%	4.5%	2.7%	2.3%	2.8%
Future salary increases	2.3%	3.0%	3.0%	2.0%	2.0%	2.0%
Future pension increases						
Expected yield from assets dedicated to the plan				2.8%	2.5%	2.8%
Staff turnover rate	3.2%	5.0%	5.0%			
Inflation rate	2.0%	2.0%	2.0%			

39. Provisions for risks and charges

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

	Tax provision € million	Restructuring provisions € million	Agent severance fund € million	Other € million	Total € million
Balance at 31 December 2011	**1.7**	**-**	**1.3**	**4.1**	**7.1**
Change in basis of consolidation	-	-	-	25.1	25.1
Allocation of previous acquisitions		-	-	-	-
Accruals	-	4.5	0.3	4.9	9.7
Utilisations	-	-	(0.2)	(0.7)	(0.9)
Releases	-	-	-	(0.1)	(0.1)
Exchange rate differences and other changes	-	0.1	-	(1.4)	(1.3)
Balance at 31 December 2012	**1.7**	**4.7**	**1.3**	**32.0**	**39.6**
of which, projected disbursement					
- due within 12 months		4.7		16.7	21.4
- due after 12 months	1.7		1.3	16.0	19.0

The change in the basis of consolidation (€ 25.1 million) is determined by the best estimate on the reporting date of risks associated with the acquisition of Lascelles deMercado&Co. Ltd., which include a probable environmental liability of one of the Group's subsidiaries.

The tax provision of € 1.7 million at 31 December 2012, which was unchanged compared with 31 December 2011, includes tax liabilities that could arise for the Parent Company from tax audits for the tax periods 2004 and 2005.

The restructuring provision includes several accruals during the year (€ 4.5 million) to cover activities related to the Group's internal restructuring processes.

The agent severance fund covers the estimate of the probable 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 2012, other funds included € 2.2 million for the recognition by the Parent Company and subsidiaries of liabilities for various lawsuits, including a legal dispute over industrial know-how totalling € 3.1 million related to subsidiary Campari do Brasil Ltda.

The information reported below concerns potential liabilities arising from two disputes in progress with the Brazilian tax authorities, in relation to which the Group does not however deem it necessary to make provisions as of the date of this report. There are no other significant contingent liabilities.

The first dispute related to production tax (IPI), and contested the classification of products sold by Campari do Brasil Ltda. The increase in taxes and penalties stood at BRL 117.2 million plus interest.
In March 2012, the company was officially informed of the outcome of the dispute, which was in its favour.
However, since the formulation of the ruling was not deemed sufficient to afford the company complete legal safeguards in the event of future litigation relating to the same dispute, the company lawyers proposed to appeal in order to obtain a ruling that fully protects the company in the event of future disputes.

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 2012.

The second dispute related to a tax inspection report relating to the payment of ICMS (tax on the consumption of goods and services) in respect of sales made by Campari do Brasil Ltda to a single customer in 2007 and 2008; the company was notified of this report on 16 February 2012.
The amount stipulated, including penalties and interest, totalled BRL 53.6 million (around € 20.8 million).
The dispute is pending before the administrative court, and is not expected to be settled in the near future.
Based on evaluations conducted by external legal consultants, which have appealed against the findings of the local tax authorities, the Group believes that the outcome of the dispute will be favourable to the company. It is therefore deemed unnecessary at present to establish a specific provision.

40. Trade payables and other current liabilities

	31 December 2012 € million	*of which, external growth* € million	31 December 2011 € million
Trade payables to external suppliers	201.4	3.8	166.8
Trade payables to affiliated companies	-	-	-
Trade payables	**201.4**	**3.8**	**166.8**
Payables to staff	28.7	0.7	27.0
Payables to agents	3.4	-	3.3
Deferred income	5.1	-	5.9
Unconfirmed contributions received	2.4	-	1.8
Amounts due to controlling shareholder for Group VAT	7.2	-	2.9
Value-added tax	16.3	(0.1)	14.0
Tax on alcohol production	34.6	4.6	31.2
Withholding and miscellaneous taxes	4.7	1.2	4.2
Other	33.0	20.3	8.7
Other current liabilities	**135.6**	**26.7**	**98.9**

The change in other current liabilities was mainly due to the impact from changes in the basis of consolidation (€ 26.7 million), of which € 15.2 million was recorded under Other and represented the payable to Kobrand Corporation following the agreement for the early termination of the distribution agreement for Appelton Rum brands in the US, which, from 1 March 2013, will be marketed by Campari America (for more details, see Note 50-Subsequent events). This change was also due to the increase in payables to the ultimate parent company for Group VAT.

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

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 2012	Trade payables € million	*of which, external growth* € million	Other payables to third parties € million	*of which, external growth* € million	Total € million
On demand	59.4	3.8	6.1	0.7	65.5
Within 1 year	107.5		61.6	26.1	169.1
Due in 1 to 2 years	34.5		0.0		34.5
	201.4	3.8	67.8	26.8	269.1
Payables not significant for breakdown by maturity	0.0		67.9	5.6	67.9
Total	**201.4**	**3.8**	**135.6**	**32.4**	**337.0**

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
	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**

41. Capital grants

The following table provides details of changes in deferred income related to capital 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 € 1.1 million for 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. In addition, grants certain to be received amounting to € 0.5 million have been reclassified under deferred income. The amount already posted to the income statement for depreciation already recognised in the year was € 1.0 million. The remaining economic effect is in relation to the Parent Company and the Greek subsidiary Koutsikos S.A.

31 December 2012	Payables to tax authorities € million	Deferred income € million
Balance at 31 December 2011	**1.8**	**5.0**
Proceeds received in the period	1.1	-
Grants certain to be received	(0.5)	0.5
Amounts posted to the income statement	-	(1.2)
Other changes	-	0.1
Balance at 31 December 2012	**2.4**	**4.4**

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**

42. Payables to tax authorities

This item breaks down as follows:

	31 December 2012 € million	*of which external growth* € million	31 December 2011 € million
Income taxes	15.2	3.6	15.8
Due to controlling shareholder for tax consolidation	2,6	-	18.8
	17.8	**3.6**	**34.6**

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 Parent Company for the tax consolidation scheme at 31 December 2012 refer to payables for the income taxes of Davide Campari-Milano S.p.A. and the Italian subsidiaries to Alicros S.p.A. The impact of the reduction in payables to related parties compared with the previous year depends solely on the timing and procedures for making the periodic interim payments required (by law) under the consolidated tax scheme.

For further details, see note 48 - Related parties.

43.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.
Subsequently, further options were allocated each year, governed by the framework plan approved by the shareholders' meeting on 2 May 2001.

With a resolution of the Board of Directors on 27 April 2012, the Parent Company proceeded with new allocations of stock options governed by the same framework plan.
The total number of options granted was 13,036,580, for the purchase of the same number of shares, with an average price of € 5.25, corresponding to the average market price in the month proceeding the day on which the options were granted.
This plan granted assignees the right to exercise options in the two-year period following the end of the seventh year from the allocation date, with the right to bring forward the (total or partial) exercise at the end of the fifth or sixth year from allocation, with the consequent one-off application of a reduction of 20% or 10% respectively of the total number of options allocated.
For the purpose of evaluating the plan in accordance with IFRS 2-Share-based payment, the plan was divided into three different tranches, corresponding to a number of options equal to 80%, 10% and 10% vesting in five, six and seven years respectively. All tranches carry a vesting condition that requires assignees to remain with the Company for the whole vesting period. Furthermore, to exercise the second and third tranche, all options previously matured up to the end of the sixth (second tranche) and seventh (third tranche) years must be maintained. For the purposes of IFRS 2, this condition takes the form of a non-vesting condition.
This results in a different unit fair value for every individual tranche: € 1.64 for the first tranche, € 1.50 for the second and € 1.18 for the third.

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

	31 December 2012		31 December 2011	
	No. of shares	Average allocation/exercise price (€)	No. of shares	Average allocation/exercise price (€)
Options outstanding at the beginning of the period	36,264,953	3.49	45,203,271	3.42
Options granted during the period	13,036,580	5.25	699,452	5.43
(Options cancelled during the period)	(1,510,822)	3.63	(1,167,155)	3.38
(Options exercised during the period) (*)	(3,461,769)	3.77	(8,470,615)	3.41
Options outstanding at the end of the period	44,328,942	3.96	36,264,953	3.49
of which those that can be exercised at the end of the period	1,382,248	3.79	3,511,262	3.83

(*) The average market price on the exercise date was € 5.60.

The average remaining life of outstanding options at 31 December 2012 was 4.2 years (4.1 years at 31 December 2011).

The average exercise price for the options allocated in each year is as follows:

	Average exercise price
Allocations: 2006	3.84
Allocations: 2007	3.75
Allocations: 2008	2.85
Allocations: 2009	3.02
Allocations: 2010	3.87
Allocations: 2011	5.44
Allocations: 2012	5.25

The average fair value of options granted in 2012 was € 1.58 (€ 1.24 in 2011).
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 measurement of options issued in 2012 and 2011:

	2012	2011
Expected dividends (€)	0.07	0.06
Expected volatility (%)	26%	22%
Historical volatility (%)	26%	22%
Market interest rate	1.80%	2.42%
Expected option life (years)	6.00	7.00
Exercise price (€)	5.25	5.43

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)	
	2012	2011	2012	2011
Balance at 1 January	3,346,565	2,277,180	18.8	9.1
Purchases	4,613,817	9,540,000	25.2	50.1
Disposals	(3,462,264)	(8,470,615)	(13.1)	(40.4)
Balance at 31 December	4,498,118	3,346,565	24.6	18.8
% of share capital	0.77%	0.58%		

In relation to the sales of own shares in the year, the changes in which are shown in the above table at the original purchase price (€ 13.1 million), the Parent Company recorded a loss of € 6.3 million, which was recorded under shareholders' equity; during the year the utilisation of the stock option reserve totalled € 4.0 million.

44. 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 2012	Loans and receivables € million	Financial liabilities at amortised cost € million	Assets and liabilities measured at fair value with changes recognised in the income statement € million	Hedging transactions € million
Cash and cash equivalents	442.5			
Short-term financial receivables	41.3			
Other non-current financial assets	13.7			
Trade receivables	312.4			
Payables to banks		(122.1)		
Real estate lease payables		(1.4)		
Bonds		(990.8)		
Private placements		(187.4)		
Accrued interest on bonds		(12.6)		
Other financial liabilities		(15.2)		
Put option payables		(10.0)		
Trade payables		(201.4)		
Current assets for hedge derivatives				1.1
Non-current liabilities for hedge derivatives				(28.8)
Total	809.9	(1,540.9)	0.0	(27.7)

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)
Total	692.4	(1,208.1)	0.0	(9.6)

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 2012 € million	31 December 2011 € million	31 December 2012 € million	31 December 2011 € million
Cash and cash equivalents	442.5	414.2	442.5	414.2
Interest accrued on swaps on private placements	0.7	1.1	0.7	1.1
Asset for derivative on private placement	-	13.2	-	13.2
Non-current assets for hedge derivatives	0.4	0.4	0.4	0.4
Other short-term financial receivables	41.3	0.2	41.3	0.2
Other non-current financial assets	13.7	0.0	13.7	0.0
Financial investments	**498.5**	**429.1**	**498.5**	**429.1**
Payables to banks	121.2	145.0	121.2	145.0
Real estate lease payables	1.4	4.4	1.4	4.4
Bond issued in 2003	233.3	235.5	246.1	232.3
Bond issued in 2009 (Eurobond)	364.3	360.8	386.3	367.4
Bond issued in 2012 (Eurobond)	393.2		424.8	
Private placement issued in 2002	-	83.7	28.8	84.1
Private placement issued in 2009	187.4	191.4	228.6	230.2
Accrued interest on bonds	12.6	11.9	12.6	11.9
Derivatives on bond issues	28.8	23.9	28.8	23.9
Financial liabilities on hedging contracts	0.0	0.4	0.0	0.4
Other debt	15.2	0.7	15.2	0.7
Payables for put options and earn-outs	10.0	7.8	10.0	7.8
Financial liabilities	**1,367.4**	**1,065.7**	**1,503.9**	**1,108.2**
Net financial assets (liabilities)	**(868.9)**	**(636.6)**	**(1.005.3)**	**(679.1)**

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 various inputs from previous prices, but that can be observed on the market directly or indirectly;
- Level 3: the method use inputs that are not based on observable market data.

	31 December 2012	Level 1 € million	Level 2 € million	Level 3 € million
Assets valued at fair value:				
Accrued interest on bond swaps	0.7		0.7	
Futures currency contract	0.2		0.2	
Liabilities valued at fair value				
Interest rate and cross currency swap on bond (US$)	28.8		28.8	

	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 bonds (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	

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 2012		31 December 2011	
	Assets € million	Liabilities € million	Assets € million	Liabilities € million
Interest rate and cross currency swap on bond (US$)		(26.3)		(24.1)
Interest rate swap on bonds (Eurobond)			13.2	
Accrued interest on bond swap	0.7		1.1	
Futures currency contracts	0.2	-	0.2	(0.3)
Hedging derivatives at fair value	**0.9**	**(26.3)**	**14.5**	**(24.4)**
Interest rate swap on bond (US$)		(2.5)		0.1
Forward currency contracts for future operations	0.2	-	0.1	(0.1)
Cash flow hedging derivatives	**0.2**	**(2.5)**	**0.1**	**0.0**
Total derivatives	1.1	(28.8)	14.6	(24.3)

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 2012, the Parent Company's cross currency swap had a negative fair value of € 26.3 million, reported under non-current financial liabilities.

The change in the fair value of these instruments reported in the income statement in 2012 was negative in the amount of € 3.6 million.
In relation to the hedged instrument, the valuation of the hedged risks led to the recognition of a total gain of € 23.3 million. The gain recorded on the hedged item was € 2.3 million.

- Foreign currency hedges
  At 31 December 2012, certain Group subsidiaries held forward contracts on receivables and payables in currencies other than the euro in their accounts.
  The contracts were negotiated to match maturities with projected incoming and outgoing cash flows resulting from sales and purchases in individual currencies.
  The assets reported as a result of the valuation of these contracts at the reporting date totalled € 0.2 million.

In addition, in the third quarter of 2012 the Parent Company settled the interest rate swap on the bond issued in 2009, and thus the portion of underlying debt (€ 200 million) was reported at the original fixed rate.
Similarly, the amount resulting from the valuation of the contract on the settlement date (€ 24.5 million) was reclassified under financial receivables. This receivable will be collected over the remaining life of the underlying loan. In 2012 an initial instalment of €4.9 million was received, and thus, the remaining payable at 31 December 2012 was € 19.6 million.
The following changes were recorded before the settlement of the contract.
The changes reported on the income statement relating to changes in the fair value of the swap were equal to a profit of € 4.6 million, and the related change in the underlying debt was equal to a loss of € 3.5 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 2012 € million	31 December 2011 € million
Gains on hedging instruments	4.6	30.6
Losses on hedging instruments	(2.7)	0.0
Total gains (losses) on hedging instruments	1.9	30.6
Gains on hedged items	2.6	0.0
Losses on hedged items	(2.8)	(29.3)
Total gains (losses) on hedged items	(0.2)	(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 equal to a liability was recorded for a gross value of € 2.5 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 € 1.2 million was posted to the reserve, together with the corresponding deferred tax effect of € 0.3 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 € 1.4 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 2012 produced a liability of € 0.4 million on the income statement.
- Hedging of future purchases and sales of foreign currencies

At 31 December 2012, the Group held forward currency contracts, designated as hedging instruments, on expected future sales and purchases based on its own 2012 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.
At 31 December 2012 existing hedges on sales had an insignificant nominal value. These hedges met the requirements for effectiveness, and a net asset of € 0.2 million was suspended in shareholders' equity reserves.
All cash flows concerned will materialise in 2013.

The following table shows, at 31 December 2012, 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 2012	Within one year € million	1-5 years € million	Due after 5 years € million	Total € million
Cash outflows	9.2	31.1	0.0	40.3
Cash inflows	8.7	29.6	0.0	38.3
Net cash flows	(0.5)	(1.5)	0.0	(2.0)

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)

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

31 December 2012	Gross amount € million	Tax effect € million	Net amount € million
Opening balance	(2.0)	0.5	(1.5)
Booked to the income statement during the period	(1.0)	0.3	(0.7)
Recognised in equity during the period	(1.0)	0.3	(0.7)
Amount of reserve at 31 December 2011	**(4.0)**	**1.1**	**(2.9)**

31 December 2011	Gross amount € million	Tax effect € million	Net amount € million
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 of reserve at 31 December 2011	**(2.0)**	**0.5**	**(1.5)**

45. 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 2012 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 2012	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		121.2	0.0	0.0	0.0	121.2
Bonds		47.1	47.1	537.8	594.6	1,226.7
Derivatives on bond issues		(2.0)	(2.0)	6.0	19.3	21.2
Private placements		14.4	43.7	12.3	85.3	155.8
Property leases		0.2	0.2	0.6	0.0	1.0
Other financial payables		15.4	0.2	0.2	0.0	15.8
Total financial liabilities	**0**	**196.3**	**89.2**	**557.0**	**699.2**	**1,541..2**

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**
Asset for derivative 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**

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 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 2009 and 2012 bond issues also pay interest at a fixed rate. Note that, at 31 December 2012, around 52% 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 2012	Increase/decrease in interest rates in basis points	Income statement	
		Increase in interest rates € million	Decrease in interest rates € million
Euro	+/- 20 basis points	-1.1	1.1
Dollar	+/- 12 basis points	0.0	0.0
Other currencies	+/- 6 basis points on CHFLIBOR, +/- 25 basis points on GBPLIBOR, +/- 150 basis points on R$LIBOR	0.4	-0.4
Total effect		-0.7	0.7

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

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 52.4% of the Group's net sales in 2012.
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 2012.
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.

46.Commitments and risks

The main commitments and risks of the Campari Group on the closing date of the accounts 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 2012 € million	31 December 2011 € million
Within 1 year	5.8	6.3
1-5 years	13.4	17.9
More than 5 years	8.8	1.5
	27.9	**25.8**

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

Non-cancellable finance leases

The table below shows the commitments relating to the finance leasing contract entered into by CJSC Odessa Sparkling Wine Company for its production facility.
The existing agreement for the Novi Ligure property complex was cancelled by the Parent Company in February 2012. Thus, last year, the remaining amount of € 3.0 million, was reclassified under short term.
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 2012		31 December 2011	
	Minimum future payments € million	Present value of future payments € million	Minimum future payments € million	Present value of future payments € million
Within 1 year	0.2	0.1	3.2	3.1
1-5 years	0.8	0.3	0.8	0.3
More than 5 years	3.6	0.4	3.5	0.4
Total minimum payments	4.6	0.8	7.5	3.8
Financial charges	(3.8)		(3.6)	
Present value of minimum future payments	**0.8**	**0.8**	**3.8**	**3.8**

Existing contractual commitments for the purchase of goods or services

These commitments total € 112.2 million, of which € 79.0 million mature by the end of the year, and € 33.2 million mature within five years.
The commitments mainly relate to the purchase of wine and grapes (€ 36.9 million), the purchase of raw materials, semi-finished goods and merchandise (€ 56.7 million) and the purchase of co-packing services (€ 11.1 million).

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

These commitments totalled € 25.2 million, and all expire within the year.
These commitments mainly relate to the purchase of ageing barrels for the Wild Turkey distillery in Kentucky (about € 13.5 million), the purchase of equipment and machinery for the new bottling line being constructed by Campari America (€10.6 million) and improvements in the Parent Company's production units (€ 0.8 million, € 0.3 million by subsidiary TJ Carolan&Son Ltd.).

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 such as customs bonds for excise taxes totalling € 39.6 million at 31 December 2012, to the tax authorities in the amount of € 10.6 million, and € 5.3 million for the promotion of wines.

47. 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 2012, 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 € 2.6 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 2012, the Parent Company and its Italian subsidiaries owed Alicros S.p.A. € 7.2 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 2012	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.	-	-	-	(0.0)	-	-
Jamaica Joint Venture Investment Co. LTD	-	-	-	-	-	-
Alicros S.p.A.	-	-	(1.9)	(7.2)	2.2	-
Payables to directors	-	-	-	-	-	(1.7)
	-	**-**	**(1.9)**	**(7.2)**	**2.2**	**(1.7)**
Balance sheet percentage of related item	0%	0%	0%	0%	0%	0%

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%

2012	Sale of merchandise	Trade allowances	Other income and charges	Financial income	Profit (loss) of joint ventures
	€ million	€ million	€ million	€ million	€ million
Alicros s.S.p.A.	-	-	0.2	-	-
Jamaica Joint Venture Investment Co. Ltd.					
International Marques V.O.F.	0.2	(0.1)	-	-	-
	0.2	**(0.1)**	**0.2**	**-**	**-**
Balance sheet percentage of related item	0%	0%	0%	0%	0%

2011	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.	3.5	(1.0)	-	-	(0.4)
	3.5	**(1.0)**	**0.2**	**-**	**(0.4)**
Balance sheet percentage of related item	0%	0%	0%	0%	0%

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

	2012	2011
	€ million	€ million
Short-term benefits	4.8	4.3
Defined contribution benefits	0.0	0.0
Stock options	1.2	2.2
	6.0	**6.5**

Note that, at the date of this report, a payable to directors of € 1.7 million was recorded in the accounts.

48. Employees

The following tables indicate the average number of employees at the Group, broken down by business sector, category and region.
It should be noted that the impact of the acquisition of Lascelles deMercado&Co. Ltd. on the number of employees was weighted with respect to the acquisition date.

By business segment	2012	2011
Production	909	857
Sales and distribution	1,043	968
General	498	452
Total	2,450	2,278
By category	2012	2011
Managers	179	137
Office staff	1,395	1,316
Manual workers	877	825
Total	2,450	2,278
By region	2012	2011
Italy	853	789
Abroad	1,598	1,489
Total	2,450	2,278

49.Subsequent events

Purchase of distribution rights for Rum Appleton brands in the US

With reference to the acquisition of Lascelles deMercado&Co. Ltd., through wholly-owned subsidiary Campari America, Davide Campari-Milano S.p.A. announced that it had reached an agreement with Kobrand Corporation to shift the distribution and marketing rights of the Appleton rum portfolio in the US to Campari America from 1 March 2013 for US$ 20 million.

Continuation of the Group's rationalisation process

On 30 January 2013, the Group announced that Campari International S.A.M., a subsidiary with registered office in Munich, will discontinue its trading activities effective 30 June 2013. The company's operations, which consist of managing the Group's operations in numerous international markets, will be handled by Campari International S.r.l., a newly-established subsidiary of Davide Milano S.p.A. with registered office in Sesto San Giovanni at the Group's headquarters. The mission and geographical basis of consolidation of the International Business Unit will remain unchanged, however. This change is intended to speed up decision-making processes, communication and the sharing of information, and to enable the harmonisation of procedures, the improved use of shared tools and processes, and the rapid integration of new trademarks.

Disposal of Punch Barbieri trademark

On 1 March 2013, the Company completed the sale of the Punch Barbieri brand to Distilleria Moccia for € 4.45 million. The operation, announced on 4 February 2013, enables the Group to increase its focus on the priority brands in its portfolio.

Punch Barbieri became part of the Campari Group’s portfolio in 2003 following the acquisition of the Barbero 1891, portfolio, which included Aperol, Aperol Soda, Asti Mondoro and Enrico Serafino still wines.

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

On 28 February 2013, the Group exercised previously agreed to options for the purchase of the 20% remaining stake in Campari Rus OOO for a sum of € 2.1 million. This amount did not generate any additional charge over what was already recorded at 31 December 2012.

Sesto San Giovanni (MI), Thursday 7 March 2013

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 2012.

2. We furthermore certify that

2.1. The consolidated financial statements to 31 December 2012:

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), Thursday 7 March 2013

Managing Director
Robert Kunze-Concewitz

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

Managing Director
Stefano Saccardi

Davide Campari-Milano S.p.A.

Separate financial statements for the year ending 31 December 2012

Financial statements

Income statement

	Notes	2012	*of which: related parties*	2011	*of which: related parties*
		€	€	€	€
Net sales	7	**542,070,252**	*181,547,824*	**545,498,718**	*174,923,532*
Cost of goods sold	8	(252,984,255)	*(10,061,798)*	(266,251,976)	*(10,364,383)*
Gross profit		**289,085,997**		**279,246,742**	
Advertising and promotional costs	9	(60,569,655)	*1,552,454*	(62,050,363)	*2,376,418*
Contribution margin		**228,516,342**		**217,196,379**	
Overheads	10	(76,922,336)	*9,513,650*	(73,591,694)	*4,073,832*
of which: non-recurring		*(1,941,248)*		*(972,522)*	
Operating result		**151,594,006**		**143,604,685**	
Financial income and charges	16	(34,061,100)	*(5,020,055)*	(31,772,185)	*(5,689,230)*
of which: non-recurring financial items		*(2,562)*		*(1,767,264)*	
Dividends		3,076,923	*3,076,923*	125,000,000	*125,000,000*
Profit before tax		**120,609,829**		**236,832,500**	
Taxes	17	(37,709,702)		(45,704,967)	
Profit for the year		**82,900,127**		**191,127,533**	

Statement of comprehensive income

	2012	2011
	€	€
Net profit (A)	**82,900,127**	**191,127,533**
Cash flow hedge		
Profit (loss) for the period	(1,217,262)	(5,216,501)
Less: profits (losses) reclassified to the separate income statement	(991,263)	(815,743)
Net gains (losses) from cash flow hedging	(2,208,525)	(6,032,244)
Tax effect	334,747	1,434,538
Cash flow hedge	**(1,873,778)**	**(4,597,706)**
Other comprehensive income (losses) (B)	**(1,873,778)**	**(4,597,706)**
Total comprehensive income (A+B)	**81,026,349**	**186,529,827**

Statement of financial position

	Notes	31.12.12	*of which: related parties*	31.12.11	*of which: related parties*
		€	€	€	€
ASSETS					
Non-current assets					
Net tangible fixed assets	18	111,310,850		118,506,810	
Investment property	19	446,781		531,231	
Goodwill and trademarks	20	427,624,072		427,624,072	
Intangible assets with a finite life	22	14,803,764		15,682,015	
Investments in subsidiaries	23	1,234,396,726		904,172,283	
Other non-current assets	24	18,714,933	*1,927,443*	13,845,511	-
Total non-current assets		**1,807,297,126**	***1,927,443***	**1,480,361,922**	-
Current assets					
Inventories	25	83,773,185		77,586,355	
Trade receivables	26	117,483,025	*52,750,517*	89,380,916	*50,314,897*
Short-term financial receivables	27	82,566,013	*40,899,934*	44,959,507	*43,813,134*
Cash and cash equivalents	28	147,677,397		60,095,658	
Other receivables	26	19,164,959	*11,935,184*	11,393,799	*4,474,601*
Total current assets		**450,664,579**	***105,585,635***	**283,416,235**	***98,602,632***
Non-current assets held for sale	29	1,022,246		2,291,251	
Total assets		**2,258,983,951**	***107,513,078***	**1,766,069,408**	***98,602,632***
LIABILITIES AND SHAREHOLDERS' EQUITY					
Shareholders' equity					
Share capital	30	58,080,000		58,080,000	
Reserves	30	751,470,850		715,343,441	
Total shareholders' equity		**809,550,850**	-	**773,423,441**	-
Non-current liabilities					
Bonds	31	990,758,539		596,385,066	
Other non-current financial liabilities	31	229,154,464	*200,000,000*	74,468,296	*50,000,000*
Defined benefit plans	33	6,784,257		6,841,184	
Provision for risks and charges	34	3,298,609		2,676,427	
Deferred tax liabilities	17	13,497,593		14,178,706	
Other non-current liabilities	32	1,927,121	*187,647*	7,112,682	
Total non-current liabilities		**1,245,420,583**	***200,187,647***	**701,662,361**	***50,000,000***
Current liabilities					
Payables to banks	31	8,321,767		1,056	
Other financial payables	31	70,424,521	*58,255,603*	163,359,522	*151,394,806*
Trade payables	35	89,989,244	*1,408,594*	77,676,314	*1,964,359*
Payables to tax authorities	36	8,645,141	*2,567,304*	25,481,066	*18,070,744*
Other current liabilities	35	26,631,845	*9,415,216*	24,465,648	*5,783,223*
Total current liabilities		**204,012,518**	***71,646,717***	**290,983,606**	***177,213,132***
Total liabilities and shareholders' equity		**2,258,983,951**	***271,834,364***	**1,766,069,408**	***227,213,132***

Statement of cash flows

	Notes	2012	2011
Operating result		**151,594,006**	**143,604,685**
Adjustments to reconcile operating profit and cash flow:			
Depreciation and amortisation	11	15,100,782	15,016,095
Net capital losses (gains) on the sale of fixed assets	18	(499,316)	(3,067,866)
Write-downs of tangible fixed assets	18	82,106	2,075,961
Fund provisions	33/34	4,838,070	1,989,248
Utilisation of provisions	33/34	(701,635)	(4,924,160)
Net financial charges	16	(78,174)	(443,435)
Other non-cash items	37	4,410,080	4,480,692
Change in net operating working capital	25/26/35	(22,834,675)	14,498,336
Change in receivables from related parties	41	(9,896,203)	8,227,203
Change in payables to related parties	41	4,042,058	(39,376,139)
Income taxes paid	17/36	(64,357,286)	(40,562,906)
Other changes in non-financial assets and liabilities	35	(583,742)	1,900,022
Cash flow from operating activities		**81,116,071**	**103,417,736**
Purchase of tangible and intangible fixed assets	18/22	(5,173,800)	(10,380,224)
Income from sales of fixed assets	18	(82,106)	9,666,630
Disposals (investments) in affiliated companies	23	(330,224,443)	(9,500,000)
Interest income	16	1,895,759	1,168,953
Interest received from related parties	16	599,501	667,840
Dividends received	30	3,081,015	125,000,000
Cash flow used in investing activities		**329,904,074**	**116,623,199**
Issue of bond in €	31	393,175,844	0
Payment of lease instalments	31	(3,008,064)	(3,351,530)
Repayment of medium / long-term payables	31	(175,752)	(169,697)
Net change in short-term payables to banks and loans	31	8,320,711	(71,574)
Net change in financial receivables from related parties	41	2,913,200	(3,725,057)
Net change in financial payables to related parties	31/41	56,860,798	(100,770,516)
Interest expenses	16	(31,170,261)	(26,735,771)
Interest paid to related parties	16	(5,669,586)	(6,908,103)
Change in other financial payables and receivables	27/31	8,709,771	493,943
Purchase and sale of own shares	30	(12,157,338)	(21,257,117)
Net change in securities	27	(40,924,992)	6,746
Dividend payout	30	(40,504,589)	(34,600,338)
Cash flow from (used in) financing activities		**336,369,742**	**(197,089,014)**
Net cash flow for the period		**87,581,739**	**22,951,921**
Cash and cash equivalents at start of period	28	60,095,658	37,143,737
Cash and cash equivalents at end of period	28	147,677,397	60,095,658

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 2012		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
Dividend payout	30	-	-	-	-	-	-	-	(40,504,589)	(40,504,589)
Purchase of own shares	30	-	-	-	-	-	-	(25,226,912)	-	(25,226,912)
Use of own shares	30	-	-	-	-	-	-	19,405,088	(6,335,514)	13,069,574
Stock options	30	-	-	-	-	-	-	3,807,651	3,955,336	7,762,987
Profit for the year - 2012		-	-	-	-	-	-	-	82,900,127	82,900,127
Other comprehensive income (losses)		-	-	-	-	-	-	(1,873,778)	-	(1,873,778)
Total comprehensive income		-	-	-	-	-	-	(1,873,778)	82,900,127	81,026,349
Balance at 31 December 2012		58,080,000	11,616,000	243,221,990	1,086,287	25,823	3,041,357	(4,857,664)	497,337,057	809,550,850

	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
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)	-
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

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, Wild Turkey, along with the recently-acquired Appleton, as well as brand leaders in local markets including Aperol, Cabo Wabo, Campari Soda, 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 and Riccadonna, which are well-known all over the world, the main regional brands are Liebfraumilch, Mondoro, Odessa, Riccadonna, Sella&Mosca and Teruzzi & Puthod.
Lastly, the soft drinks line 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 2012.
The financial statements of Davide Campari-Milano S.p.A. for the year ending 31 December 2012 were approved on 7 March 2013 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 2012 and 2011, were prepared in accordance with the international financial reporting standards (IFRS) issued by the International Accounting Standards Board (IASB) and ratified 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 separate 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 (classified by function), 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 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 cash flow statement 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 posted to assets, 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 for the financial year in which they are incurred.

Intangible assets with a finite life are amortised on a straight-line basis in relation to their remaining useful life, taking into account losses due to a reduction in accumulated value.

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 trademarks, 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.

Write-downs in goodwill cannot be recovered in future years.

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 certainty that all requirements necessary for access to such grants have been met and that the grant will be disbursed.
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 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 for use, 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 reported value to the related recoverable value, 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 discount rate applied 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 unit generating cash flows is increased up to the new estimate of recoverable value, and may not exceed the value that would have been determined if no loss from a reduction in value had been recognised.
The reversal of impairment losses is recognised 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 as follows:
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 for accounting purposes or when a loss of value is apparent beyond 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 valued 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 written down. At that time the accumulated profits and losses, including those previously posted to shareholders' equity, are included in the income statement for the period.

Loss in value 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 on a financial asset or a group of financial assets 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 benefits relating to the ownership of the financial asset, or (ii) has neither transferred nor retained all the risks and benefits 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 on the balance sheet 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 has been cancelled or 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 valuations 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 accounts, 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 stock options are recorded at fair value with a offsetting entry under the stock option reserve.

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 allocated to 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 allocated 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 reserves 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 costs and allocated 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 accounts and the corresponding values recognised for tax purposes using the liability method.

Deferred tax assets are reported when their recovery 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 these relate to income taxes levied by the same tax authority and a legal right of 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 accounts 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 write-downs, 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 2012

IFRS 7-Financial Instruments: Disclosures

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 benefits 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.

IAS 12-Income Taxes

The amendment, which is applicable for accounting periods from 1 January 2012, 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 no longer applies.
The adoption of this amendment did not have a significant impact on the disclosures in the Company's financial statements.

Accounting standards, amendments and interpretations not yet applicable that have not been adopted in advance

The standards that must be applied from 1 January 2013 are as follows:

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

The amendment, which applies to accounting periods that start after 1 July 2011, 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.
The objective of this amendment is to introduce a new exception to the scope of application of IFRS 1 that allows entities that were subject to severe inflation to use fair value as a replacement for the cost of their assets and liabilities in the opening statement of financial position, in compliance with IFRS. Moreover, these amendments also replace references to the dates established in IFRS 1 with references to the transition date.
The adoption of this amendment did not have a significant impact on the disclosures in the Company's financial statements.

In addition, on 13 March 2012, IASB issued a further amendment to IFRS 1, relating to government loans, applicable from 1 January 2013 and not yet ratified at the date of this financial report The amendment requires that, for first-time adopters of IFRS, government loans obtained at a below market rate of interest may be booked at the carrying amount of the loan recorded, according to the previous GAAP criteria, in the financial statements at the date of transition. The proceeds resulting from loans at a below market rate will be recorded as government grants subsequent to the first-time adoption of IFRS.

IFRS 13-Fair Value Measurement

IFRS 13 establishes a unique framework within IFRS to measure fair value and provides a complete guide on how to measure the fair value of financial and non-financial assets and liabilities. IFRS 13 applies when another IFRS requires or permits fair value measurements or requires additional information on fair value measurements.

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 is the requirement to group items of comprehensive income according to whether they can be reclassified in the income statement, in order to make the increasing number of elements of the other components of the statement of comprehensive income clearer.

This amendment relates exclusively to the presentation of the financial statements and does not therefore affect 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 Group is exposed to by participating in them.

The adoption of this amendment will not have a significant impact on the disclosures in the Company’s financial statements.

IFRS 7-Financial Instruments: Disclosures

IFRS 7-Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities requires information to be presented that enables readers of the financial statements to assess the effects or potential effects on the group’s financial position of offsetting the financial assets and liabilities of the group and its affiliated companies.

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.

IAS 16-Property, plant and equipment

The amendment clarifies the recognition of spare parts and servicing equipment. These are booked as property, plant and equipment if they meet the capitalisation requirements defined by IFRS, or are otherwise booked as inventory.

IAS 3- Interim Financial Reporting

The amendment requires that segment information relating to assets and liabilities is reported in the interim financial statements, when this information is normally used in company decision-making processes and if significant changes have occurred with respect to the last approved annual financial statements.

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

IFRIC 20 clarifies when and how to account for stripping costs: it provides guidance on reporting stripping costs in the production phase as an asset, and on the initial and subsequent valuation of the asset arising from a stripping operation, in order to reduce the number of different ways in which organisations account for costs incurred in the production phase of a surface mine.

This standard does not apply to the Company.

The standards applicable from 1 January 2014 are as follows:

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 objective of IFRS 10 is to provide a single model for the consolidated financial statements that stipulates control as the basis for the consolidation of all types of organisation. 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

IFRS 11 establishes the financial reporting principles for entities that are parties to joint control agreements and replaces IAS 31 (Interests in Joint Ventures) and SIC 13 (Jointly Controlled Entities – Non-monetary Contributions by Venturers).
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 method of proportional consolidation of joint ventures has also been removed.
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 12 combines, strengthens and replaces the disclosure requirements for subsidiaries, agreements for joint control, affiliated companies and non-consolidated structured entities.
Following these new IFRS, the IASB also issued an amended IAS 27 and IAS 28.

In addition, the following standards will apply from 1 January 2015:

IFRS 9-Financial Instruments

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 creditworthiness of the liability. These changes shall be reported 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.

5. Default risk: negative pledges and covenants on debt

The agreements relating to the Company's US bond issue of 2003 (in US$) 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 Campari America, 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 € 542,070 thousand, broadly in line with the previous year (-0.6%). They include sales to third-party customers on the Italian market for € 360,287, a moderate decline compared with 2011 on a same-structure basis, and € 181,548 thousand in sales to Group companies that conduct most of their operations on international markets, representing an increase on the previous year.

For more detailed analysis of net sales and the key markets, please refer to the information in the Report on operations in the Sales performance section.

8. Cost of goods sold

	2012 €/000	2011 €/000
Materials and manufacturing costs	232,014	246,407
Distribution costs	20,970	19,845
Total cost of goods sold	**252,984**	**266,252**
Raw materials and finished goods acquired from third parties	190,411	208,251
Miscellaneous sales adjusted for cost of goods sold	(2,273)	(4,564)
Sales of materials, refunds, miscellaneous income	(1,795)	(309)
Personnel costs	18,905	18,625
Other staff costs	2,071	1,652
Depreciation and amortisation	9,344	9,559
Utilities	4,179	3,843
External production and maintenance costs	9,836	8,783
Variable transport costs	14,550	13,285
Operating leases and rental expenses	1,249	1,222
Services, consultancy and insurance costs	4,507	4,374
Taxes	604	677
Workbenches costs	431	(86)
Other income and charges	965	940
Total cost of goods sold	**252,984**	**266,252**

The cost of goods sold, totalling € 252,984 thousand, decreased compared with the previous year, both in absolute terms (5%) and as a percentage of net sales, which fell by 0.21 points from 48.8% al 46.7%. This was due to the positive impact of the sales and volumes mix on the cost, which was partly offset by an increase in the cost of the main raw materials and a tariff increase in transport costs.

9. Advertising and promotional costs

	2012 €/000	2011 €/000
Advertising and promotional costs	60,570	62,050
Total advertising and promotional costs	**60,570**	**62,050**
Advertising space	26,506	31,473
Sponsorships, trade fairs and events	5,994	6,015
Equipment production	5,719	8,045
Consumer promotions	1,613	2,253
Customer promotions	21,369	20,653
Market research	1,544	1,763
Other A&P costs	2,425	2,069
A&P contributions	(4,600)	(10,221)
Total advertising and promotional costs	**60,570**	**62,050**

Advertising and promotional costs, which totalled € 60,570 thousand, were down by 2.4% in absolute terms compared with 2011 but broadly the same 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. The decrease in these contributions compared with the previous year is attributable to the expiry of one of the licensed distribution agreements.

10. Overheads

	2012 €/000	2011 €/000
Sales costs	23,305	23,060
General and administrative expenses	48,579	47,589
Other operating income and costs	5,038	2,943
of which: non-recurring	*(1,941)*	*(973)*
Total overheads	**76,922**	**73,592**
Depreciation	5,579	5,457
Personnel costs	30,984	29,110
Other staff costs	5,062	4,691
Meetings and conferences	1,001	1,234
Travel, business trips,, training and meetings	3,471	3,579
Fees and other agent-related expenses	6,530	5,974
Utilities	2,549	2,623
Services. maintenance and insurance	14,785	16,855
Operating leases and rental expenses	2,293	2,136
Taxes	675	1,516
Property income	(565)	(572)
Services rendered to group companies	(212)	(646)
Other income and charges	4,770	1,635
Total overheads	**76,922**	**73,592**

Overheads increased by 4.5% overall compared with the previous year, and rose as a percentage of net sales.

Sales costs remained broadly in line with the previous year, while general and administrative costs increased by 1.8%, due mainly to the necessary strengthening of the structure in certain specific and strategic areas of the organisation.

Other recurring operating expenses and income, for which the net figure was a charge of € 3,097 thousand at 31 December 2012, was mainly impacted by higher provisions for risks relating to trade receivables, reflecting the particularly critical economic and financial situation of the Italian market (which inevitably affects customers' financial capacity in that region), and which led, on the one hand, to the adoption of more prudent provisioning criteria and, on the other, to the acknowledgement of the current, particularly difficult financial situation of Italian customers.
A breakdown of non-recurring income and charges is shown in the following table:

	2012 €/000	2011 €/000
Capital gains on disposals of fixed assets	499	1,777
Total other non-recurring income	**499**	**1,777**
Liabilities for tax penalties	(176)	(981)
Capital losses on disposals of fixed assets	(82)	(799)
Liabilities for voluntary redundancy incentives	(1,553)	(524)
Capital losses on disposals of equity investments	(24)	-
Miscellaneous non-recurring charges	(605)	(446)
Total other non-recurring charges	**(2,440)**	**(2,750)**
Other non-recurring income (charges)	**(1,941)**	**(973)**

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.

	2012 €/000	2011 €/000
Depreciation, amortisation and any losses in value:		
- Depreciation of tangible assets	12,529	12,372
- Amortisation of intangible assets	2,572	2,644
	15,101	**15,016**
of which		
Amounts included in cost of goods sold:		
- Depreciation of tangible assets	9,342	9,544
- Amortisation of intangible assets	2	15
Included in advertising and promotional expenses:		
- Depreciation of tangible assets	178	-
- Amortisation of intangible assets	-	-
Included in sales costs		
- Depreciation of tangible assets	12	133
- Amortisation of intangible assets	-	-
Included in structure costs:		
- Depreciation of tangible assets	2,997	2,695
- Amortisation of intangible assets	2,570	2,629
	15,101	**15,016**

12. Personnel costs

This item breaks down as follows:

	2012 €/000	2011 €/000
Salaries and wages	35,546	34,318
Social security contributions	10,457	10,374
Other costs	2,206	1,666
Costs for post-employment benefits	2,912	2,520
Cost of share-based payments	4,418	4,346
	55,539	**53,224**
of which		
Included in cost of goods sold	19,800	19,396
Included in sales costs	12,035	12,085
Included in general and administrative expenses	22,730	21,219
Included in non-recurring costs	974	524
	55,539	**53,224**

13. Miscellaneous management costs

	2012 €/000	2011 €/000
Taxes and penalties	1,551	2,532
Entertainment costs	1,288	759
Membership fees	593	601
Newspapers, journals and other publications	147	154
Charitable donations	103	98
Wine consortium costs	431	516
Capital losses on the sale of tangible assets	2	289
Capital losses on the sale of real estate	-	510
Capital losses on the scrapping of materials	80	60
Costs for managing leased buildings	26	11
Free gifts	445	394
Losses on receivables	365	-
Expenses relating to previous financial years	72	38
Miscellaneous expenses	962	601
	6,065	**6,563**
of which		
Included in cost of goods sold	1,553	1,543
Included in advertising and promotional expenses	952	696
Included in sales costs	815	436
Included in general and administrative expenses	2,174	1,983
Included in non-recurring operating costs	571	1,905
	6,065	**6,563**

14. Other costs

Rental costs on operating leases are broken down below.

	2012 €/000	2011 €/000
Hardware	599	511
Software	58	47
Cars	1,557	1,583
Lifting apparatus	102	113
Plant equipment	80	93
Protective clothing	123	152
Photocopiers	165	138
Gym equipment	24	32
Tanks	43	40
Pallets	40	80
Transport costs platform	65	-
Mobile telephones	26	-
Other	37	22
	2,919	**2,811**

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 (€ 1,090 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 2012 and 2011.

	2012 €/000	2011 €/000
Bank and term deposit interest	1,870	1,196
Dividends from other companies	4	7
Other income	286	141
Total financial income	**2,160**	**1,344**
Net interest payable on bonds and private placements	(27,750)	(24,709)
Interest payable on leases	-	(88)
Interest payable to banks and on loans	(23)	(27)
Miscellaneous interest payable	(38)	(87)
Total interest payable to third parties	**(27,811)**	**(24,911)**
Net interest payable to Group companies in respect of centralised cash system	237	(310)
Interest on loans from Group companies	(5,480)	(5,357)
Total interest payable to Group companies	**(5,243)**	**(5,667)**
Total interest payable	**(33,054)**	**(30,578)**
Actuarial effects relating to defined benefit plans	(297)	(328)
Bank charges	(354)	(371)
Other charges and exchange rate differences	46	(72)
Total other income and charges	**(605)**	**(771)**
Total financial charges	**(33,659)**	**(31,349)**
Financial charges on the term loan facility	(2,382)	-
Income from financial assets	(180)	(1,767)
Total non-recurring income and charges	**(2,562)**	**(1,767)**
Net financial income (charges)	**(34,061)**	**(31,772)**

Financial management for the period shows an overall result of € 34,061 thousand in net financial charges, representing an increase on the previous year.

This increase is chiefly due to higher debt, arising from the issue of a bond with a notional value of € 400 million, which was used mainly to finance the acquisition of the Lascelles deMercado Group announced on 3 September and finalised on 10 December. The placement of this bond generated higher net interest payable in current operations as well as non-recurring financial charges after the Company took out a term and revolving loan facility, negotiated with a leading bank, for the purpose of financing the acquisition of Lascelles deMercado.

The financial income and charges arising from bond issues and the related hedging instruments are shown below.

	2012 €/000	2011 €/000
Financial charges payable to US$ bondholders	(10,748)	(10,075)
Financial charges payable to Eurobond 2009 bondholders	(18,813)	(18,813)
Financial charges payable to Eurobond 2012 bondholders	(3,304)	-
Financial charges payable to bondholders (coupons)	**(32,865)**	**(28,888)**
Financial charges relating to bond derivative (in US$)	(8,982)	(9,241)
Financial charges relating to bond derivative (Eurobond 2009)	(3,291)	(7,871)
Total financial charges relating to derivatives	**(12,273)**	**(17,112)**
Financial income relating to bond derivative (in US$)	10,738	10,084
Financial income relating to bond derivative (Eurobond 2009)	6,126	10,750
Total financial income from derivatives	**16,864**	**20,834**
Net cost of coupons and hedges	**(28,274)**	**(25,166)**
Net changes in fair value and other components of amortised cost	(467)	(359)
Cash flow hedge reserve reported in the income statement during the year	991	816
Net interest payable on bonds and private placements	**(27,750)**	**(24,709)**

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:

	2012 €/000	2011 €/000
Income tax - current		
- taxes for the year	39,906	38,433
- taxes relating to previous financial years	(1,850)	4,729
Income tax - deferred		
- deferred tax income	386	799
- deferred tax expense	(732)	1,744
Income tax reported in the income statement	**37,710**	**45,705**

Taxes relating to previous years mainly concern the right to refunds of the higher income taxes paid in previous years due to the non-deductibility of IRAP relating to personnel and similar costs following recent legislative changes introduced by article 2, paragraph 1-*quater*, of Legislative Decree 201 of 6 December 2011, supplemented by article 4, paragraph 12 of Legislative Decree 16 of 2 March 2012. The higher income taxes paid and due to be refunded relate to tax periods from 2007 to 2011 as well as to previous years, as the Company had submitted valid refund application forms in good time.

Taxes relating to previous years also reflect the conclusion of an agreement regarding litigation with the tax authorities, following notification of an official record of findings to the Italian finance policy on 26 March 2012 relating to the tax period from 2007-2010.
The facilitated settlement of the potential litigation entailed total interest of € 94 thousand, classified under non-recurring financial charges, and penalties of € 170 thousand, recorded under other non-recurring financial 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.

	2012 €/000	2011 €/000
Deferred taxes relating to items debited or credited to shareholders' equity		
- Deferred tax assets	295	-
- Deferred tax liabilities	(40)	(1,435)

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.

	2012	2011
	€/000	€/000
Profit before tax	**122,460**	**232,103**
Current tax rate	31.40%	31.40%
Theoretical taxes	38,452	72,880
Permanent differences	1,286	(32,064)
Other differences	(2,028)	4,889
	(742)	(27,175)
Effective tax charge	**37,710**	**45,705**
Effective tax rate	30.79%	19.69%

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 and from the beneficiary of the Allowance for Corporate Equity (ACE).
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:

	Balance sheet		Income statement	
	31.12.12	31.12.11	31.12.12	31.12.11
	€/000	€/000	€/000	€/000
Deferred tax assets				
Deferred expenses	624	513	(111)	318
Taxed funds	1,590	1,220	(370)	610
Other	4,183	3,637	(251)	816
Total deferred tax assets	**6,397**	**5,370**	**(732)**	**1,744**
Deferred tax liabilities				
Accelerated depreciation	(1,730)	(2,622)	(892)	(1,153)
Capital gains subject to deferred taxation	(740)	(1,150)	(410)	544
Goodwill and trademarks deductible locally	(14,188)	(12,651)	1,536	2,091
Leasing	(2,228)	(2,629)	(401)	-
Other	(1,009)	(497)	553	(683)
Total deferred tax liabilities	**(19,895)**	**(19,549)**	**386**	**799**
Total	**(13,498)**	**(14,179)**	**(346)**	**2,543**

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 (*)	31.12.12 Amount of temporary difference €/000	Tax effect IRES 27.5% IRAP 3.9% €/000	31.12.11 Amount of temporary difference €/000	Tax effect IRES 27.5% IRAP 3.9% €/000
Deferred tax assets				
Entertainment costs	-	-	-	-
Miscellaneous reserves	5,686	1,590	4,317	1,220
Write-downs of assets listed under fixed assets	917	288	2,993	859
Cash flow hedge reserve	4,242	1,166	2,177	599
Differences arising from depreciation/amortisation	4,718	1,379	4,191	1,234
Directors' remuneration	1,682	463	1,317	362
Other	5,353	1,511	3,834	1,096
Total deferred tax assets	**22,598**	**6,397**	**18,829**	**5,370**
Deferred tax liabilities				
Differences arising from depreciation/amortisation	5,151	1,635	8,545	2,350
Capital gains spread over a number of years	2,691	740	4,182	1,150
Inventories	2,686	833	2,195	457
Cash flow hedge	-	-	144	40
Leasing	8,101	2,228	8,101	2,629
Trademark amortisation	46,950	14,187	40,290	12,651
Other	945	272	945	272
Total deferred tax liabilities	**66,524**	**19,895**	**64,402**	**19,549**
Total deferred tax liabilities, net of deferred tax assets	**43,926**	**13,498**	**45,573**	**14,179**

(*) IRAP tax effect where applicable

The change in the balance of deferred tax assets, of € 1,027 thousand, is broken down below.

	€/000
Deferred tax assets at 31 December 2011	**5,370**
IRES deferred tax assets in the year	2,229
IRES deferred tax assets in the year (from cash flow hedging)	680
Use of IRES deferred tax assets in the year	(1,826)
Use of IRES deferred tax assets in the year (from cash flow hedging)	(112)
Adjustment to IRES deferred tax assets relating to previous financial years	65
Use of IRAP deferred tax assets	(9)
Adjustment to IRAP deferred tax assets relating to previous financial years	-
Total change in the year	1,027
Deferred tax assets at 31 December 2012	**6,397**

The use of IRES deferred tax assets for the year includes the tax effect on adjustment to the cash flow hedge reserve booked under shareholders' equity of € 296 thousand, as well as the tax effect on the increase and reversal to the income statement, of € 385 thousand. The reserve was increased in response to the hedging instrument on the bond issue (see note 38 - Financial instruments).

The change in deferred tax liabilities in the period, of € 346 thousand, is shown below.

	€/000
Deferred tax liabilities at 31 December 2011	**19,549**
Increase in IRES deferred tax liabilities in the year	2,097
Increase in IRES deferred tax liabilities in the year (from cash flow hedging)	-
Use of IRES deferred tax liabilities in the year	(1,474)
Use of IRES deferred tax liabilities in the year (from cash flow hedging)	(40)
Adjustment to IRAP deferred tax liabilities relating to previous financial years	(275)
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	**346**
Deferred tax liabilities at 31 December 2012	**19,895**

The use of IRES deferred tax liabilities for the year includes the tax effect on adjustment to the cash flow hedge reserve (€ 40 thousand) booked under shareholders' equity. 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 €/000	Plant and machinery €/000	Other €/000	Total €/000
Carrying value at start of period	103,285	128,909	17,127	249,321
Accumulated depreciation at start of period	(27,549)	(92,040)	(11,225)	(130,814)
Balance at 31 December 2011	**75,736**	**36,869**	**5,902**	**118,507**
Capital expenditure	394	4,226	812	5,432
Disposals	-	(34)	-	(34)
Depreciation	(2,934)	(8,310)	(1,266)	(12,510)
Other reclassifications	40	(40)	-	-
Write-downs	(4)	(72)	(2)	(78)
Other changes	(2)	(4)	-	(6)
Balance at 31 December 2012	**73,230**	**32,635**	**5,446**	**111,311**
Carrying value at end of period	103,697	129,226	17,428	250,351
Accumulated depreciation at end of period	(30,467)	(96,591)	(11,982)	(139,040)

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.
This item also includes the water system, plumbing works and light buildings.
The increase for the year of € 394 thousand mainly relates to rebuilding and improvement works at the Canale, Novi Ligure and Crodo industrial sites. Works were carried out at the Sesto San Giovanni site, although the amounts involved were not material.
Fixed assets in progress of € 170 thousand were also recorded under this item.

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.
The increase, totalling € 4,226 thousand, mainly relates to capital expenditure on production lines at the facilities, and specifically expenditure on new plant to expand production lines at the Novi Ligure facility (€ 1,411 thousand), at the Crodo site (€ 975 thousand), and at the Canale site (€ 734 thousand). In addition, the Sesto San Giovanni site and chemistry laboratory have also been expanded at a cost of € 111 thousand.
Decreases total € 34 thousand and relate to the sale or dismantling of production lines no longer used in production processes.

It also includes fixed assets in progress of € 995 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 electronic equipment totalling € 313 thousand, purchases of industrial equipment totalling € 311 thousand, and other sundry assets totalling € 188 thousand.

Tangible assets by ownership

The following table provides a breakdown of tangible fixed assets by ownership.

	Owned fixed assets €/000	Fixed assets under finance leases €/000	Total €/000
Land	3,168	-	3,168
Buildings	70,062	-	70,062
Plant and machinery	32,635	-	32,635
Industrial equipment	2,817	-	2,817
Other assets	2,629	-	2,629
	111,311	**-**	**111,311**

Additional information is provided below, in accordance with paragraph 79 of IAS 16.

	Land and buildings €/000	Plant and machinery €/000	Other €/000	Total €/000
Gross value of fully depreciated assets still in operation	2,835	46,469	8,133	57,437
Net value of assets removed from service and not classified as held for sale	-	56	1	57

19. Investment property

Investment property (€ 447 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 carried at their approximate fair value at the reporting date.

20. Goodwill and trademarks

Goodwill and trademarks 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 resulting from 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.

Trademarks include the value of the brands GlenGrant (€ 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 on international markets (€ 1,553 thousand) and Mondoro in the US (€ 1,028 thousand).
Trademarks 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 2012, the impairment tests carried out both on trademarks and goodwill reported in the financial statements did not reveal any permanent loss of value.

21. Impairment

With reference to the potential impairment of the intangible assets of Davide Campari-Milano S.p.A., goodwill and trademarks were measured using the fair value criterion minus cost of sales.
This methodology applies parameters inferred from the valuation assigned to businesses acquired and comparable, in an active market, in terms of type of business acquired and transaction structure: these are implicit parameters or multipliers derived from the ratio between the acquisition price and specific economic and financial indicators relating to those companies. The fair value method was used to calculate the recoverable amount for trademarks, using the EV/EBITDA multiple inferred from a sample of transactions comparable to the acquisition. 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 2012, based on the methodology set out above, the impairment test revealed that the value of goodwill and trademarks was fully recoverable.

The allocation of goodwill and trademarks at 31 December 2012 is reported in the table below.

	31 December 2012 €/000	31 December 2011 €/000
Trademarks		
Riccadonna	11,300	11,300
Cinzano	771	771
Cynar (Brazil and Switzerland)	1,626	1,626
X-Rated	1,553	1,553
GlenGrant	98,264	98,264
Mondoro (USA)	1,028	1,028
Old Smuggler	6,000	6,000
Total trademarks	**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**
Total trademarks and goodwill	**427,624**	**427,624**

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	18,751	11,000	29,751
Accumulated amortisation at start of period	(13,171)	(898)	(14,069)
Balance at 31 December 2011	**5,580**	**10,102**	**15,682**
Additions	1,768	-	1,768
Disposals	(16)	-	(16)
Amortisation for the period	(1,899)	(673)	(2,572)
Write-downs	(1)	-	(1)
Reclassifications and other changes	(57)	-	(57)
Balance at 31 December 2012	**5,375**	**9,429**	**14,804**
Carrying value at end of period	14,387	11,000	25,387
Accumulated amortisation at end of period	(9,012)	(1,571)	(10,583)

The significant capital expenditure on information technology relates to the completion of several major projects to integrate Parent Company IT systems with the new global Group platform. The systems of all Group companies will also be migrated to the new platform over 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 € 603 thousand, and the finalisation of further incremental spending on software for € 522 thousand, relating to work in progress, and € 643 thousand, reported under other fixed assets.

23. Investments in affiliated companies

During the year, the Company took full control of Campari España S.L., through which it acquired, in December, the Jamaican group Lascelles deMercado&Co. Ltd., the producer and owner of major brands in the rum category, such as Appleton Estate, Wray & Nephew and Coruba.
The total cost of the shares acquired in Lascelles deMercado&Co. Ltd. was US$ 409 million, or € 326.9 million.
The liquidation of Turati 27 S.r.l. was also completed during the year.

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 2011 €/000	Increases €/000	Decreases €/000	31 December 2012 €/000
Campari America	496,322	1,002	-	497,324
Campari Benelux S.A.	64,001	-	-	64,001
Campari do Brasil Ltda.	125,833	544	271	126,106
Campari España S.L.	-	326,904	-	326,904
DI.CI.E. Holding B.V.	31,133	1,927	134	32,926
Sella&Mosca S.p.A.	86,064	258	-	86,322
T.J. Carolan&Son Ltd.	100,794	20	-	100,814
Turati Ventisette S.r.l.	25	-	25	-
	904,172	**330,655**	**430**	**1,234,397**

Investments in subsidiaries			Share capital	Shareholders' equity	Profit/loss	Percentage		Carrying
				at 31 December 2012	at 31 December 2012	investment		value
Name	Head office	Currency	Amount	€/000	€/000	Direct	Indirect	€/000
Campari (Beijing) Trading Co. Ltd.	Beijing	RMB	65,300,430	-4,324	-2,188		100.00	
Campari America	San Francisco	US$	566,321,274	758,822	48,303	100.00		497,324
Campari Argentina S.A.	Buenos Aires	AR$	136,963,590	20,654	134		100.00	
Campari Australia PTY Ltd.	Sydney	AU$	21,500,000	31,000	7,293		100.00	
Campari Austria Gmbh	Wien	€	500,000	2,340	1,496		100.00	
Campari Benelux S.A.	Brussels	€	246,926,407	298,811	6,564	26.00	74.00	64,001
Campari Deutschland GmbH	Oberhaching	€	5,200,000	19,636	13,071		100.00	
Campari do Brasil Ltda.	Barueri	BRC	239,778,071	91,764	-1,112	100.00		126,106
Campari España S.L.	Madrid	€	3,272,600	321,942	-4,914	100.00		326,904
Campari International S.A.M.	Monaco	€	70,000,000	21,465	-50,643		100.00	
Campari Japan Ltd.	Tokyo	JPY	3,000,000	69	2		100.00	
Campari Mexico S.A. de C.V.	Jalisco	MXN	294,945,500	12,874	235		100.00	
Campari RUS OOO	Moscow	RUB	10,000,000	1,100	2,553		100.00	
Campari Schweiz A.G.	Baar	CHF	500,000	3,093	1,802		100.00	
Campari South Africa Pty Ltd.	Cape Town	ZAR	5,747,750	499	-16			
Campari Wines S.r.l.	Alghero	€	100,000	1,199	-990		100.00	
Cjsc 'Odessa Sparkling Wine Company'	Odessa	UAH	158,041,016	12,133	-1,886		99.95	
DI.CI.E. Holding B.V.	Amsterdam	€	15,015,000	411,132	-11,595	100.00		32,926
Glen Grant Ltd.	Rothes	GBP	24,949,000	118,042	766		100.00	
Gregson's S.A.	Montevideo	UYU	175,000	559	5		100.00	
Kaloyannis-Koutsikos Distilleries S.A.	Volos	€	8,884,200	10,300	1,066		75.00	
Lamargue S.a.r.l.	Saint Gilles	€	750,000	524	-59		100.00	
Red Fire Mexico S. de R.L. de C.V.	Jalisco	MXN	1,254,250	-175	-13		100.00	
Sella&Mosca S.p.A.	Alghero	€	15,726,041	34,418	1,265	100.00		86,322
Société Civile du Domaine de la Margue	Saint Gilles	€	6,793,200	22	-415		100.00	
T.J. Carolan&Son	Dublin	€	2,600	144,424	10,032	76.92	23.08	100,814
Varhol B.V.	Amsterdam	€	90,000	343	-34		80.00	
Appleton Estate Ltd.	Kingston	JMD	3	0	0		100.00	
C.P. Stephenson Ltd.	Kingston	JMD	30,000	-3	0		100.00	
Daniel Finzi & Co. Ltd.	Kingston	JMD	2,030,000	5	0		100.00	
Dr. Ian Sangster & Co. Ltd.	Kingston	JMD	1,000	0	0		100.00	
Edwin Charley Jamaica Ltd	Kingston	JMD	73,902,000	6,220	0		100.00	
Estate Industries Ltd.	Kingston	JMD	13,300,000	204	0		100.00	
Grange Hill Products Company Ltd.	Kingston	JMD	200	0	0		100.00	
J. Wray&Nephew (UK) Ltd.	London	GBP	10,000	-114	179		100.00	
J. Wray&Nephew Ltd.	Kingston	JMD	1,200,000	7,659	-2,500		100.00	
J. WrayySobrino de Costa Rica S.A.	San José	CRC	1,000,000	94	12		100.00	
Lascelles deMercado&Co. Ltd.	Kingston	JMD	20,400,000	113,001	33,412		100.00	
Lascelles Laboratories Ltd.	Kingston	JMD	200	-13	0		100.00	
Lascelles Ltd.	Kingston	JMD	239,470	8,808	32		100.00	
Lascelles Merchandise Ltd.	Kingston	JMD	3,000,000	0	0		100.00	
New Yarmouth Holdings Ltd.	Kingston	JMD	200	0	0		100.00	
New Yarmouth Ltd.	Kingston	JMD	810,000	1,771	-258		100.00	
Newton Cane Farms Ltd.	Kingston	JMD	400	-105	0		100.00	
Run Company (New Zealand)	Auckland	NZD	10,000	1,087	204		100.00	
Sugar Mills Ltd.	Kingston	JMD	200	0	0		100.00	
T.T.L. Rum Bottlers Ltd.	Kingston	JMD	4,000	0	0		100.00	
The Rum Compnay (Jamaica) Ltd.	Kingston	JMD	6,300,000	56	0		100.00	
Tradewell Ltd.	Kingston	JMD	2,000	-26	41		100.00	
West Indies Metal Product Ltd.	Kingston	JMD	40,000	30	0		100.00	
Wray&Nephew (Canada) Ltd.	Mississauga	CAD	100	4,189	324		100.00	
Wray&Nephew Group Ltd.	Kingston	JMD	62,900,000	10,403	3,630		100.00	
Total investments in subsidiaries								**1,234,397**

Investments in affiliated companies			Share capital	Shareholders' equity	Profit/loss	Percentage		Carrying
				at 31 December 2012	at 31 December 2012	investment		value
Name	Head office	Currency	Amount	€/000	€/000	Direct	Indirect	€/000
International Marques V.o.f.	Harleem	€	140,000	128	-46		33.3	-
Jamaica Joint Venure Investment Co. Ltd.	Kingston	JMD	450,000	500	44		33.0	

24. Other non-current assets

	31 December 2012 €/000	31 December 2011 €/000
Financial receivables from banks	13,654	-
Fair value on derivatives	-	13,172
Non-current financial assets	**13,654**	**13,172**
Equity investments in other companies	**153**	**150**
Receivables from related parties	**1,927**	**-**
Security deposits	9	9
Tax credits	2,972	515
Other non-current receivables	**2,981**	**524**
	18,715	**13,846**

Equity investments in other companies have been shown in euro for greater clarity.

	31 December 2012 €	31 December 2011 €
Agenzia 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	8,673	6,000
Sapi Immobiliare Padova	5,320	5,320
Unione Italiana Vini	4,638	4,638
Conai	1,097	1,097
ISTUD Istituto Studi Direzionali S.p.A.	1,033	1,033
Banca Credito Cooperativo Alba	220	220
Pejo Funivie	10	10
Alberghi popolari	1	1
Gazzetta vinicola	1	1
Società Promozione Piemonte	1	1
Equity investments in other companies	**152,706**	**150,033**

Non-current financial assets include € 13,654 thousand due from banks after the closure of the derivative used to hedge the interest rate on the Eurobond issued on the European market in 2009.
The interest rate swap, which had been negotiated in 2009 on an underlying amount of € 250,000 thousand, was reduced to € 200,000 thousand in 2010.
Tax receivables of € 2,972 thousand derive from the right to a refund on the additional income tax paid in previous years due to the non-deductibility of IRAP relating to personnel and similar costs following recent legislative changes introduced by article 2, paragraph 1, of Legislative Decree 201/2011, supplemented by article 4, paragraph 12 of Legislative Decree 16 of 2 March 2012. The Company had submitted the relevant refund application forms to this end.

25. Inventories

This item breaks down as follows:

	31 December 2012 €/000	31 December 2011 €/000
Raw materials	7,208	6,742
Packaging materials	5,898	5,634
Ancillary materials	1,466	1,437
Maintenance materials	1,455	1,364
Work in progress and semi-finished products	34,652	30,635
Finished products and goods for resale	33,094	31,774
	83,773	**77,586**

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

	€/000

Balance at 31 December 2011	**167**
Accruals	424
Utilisations	(167)
Balance at 31 December 2012	**424**

At 31 December 2012, the value of inventories had increased from the previous year mainly due to a cost effect, and only partly due to the quantity of physical stocks.

The write-down of the inventories figure at 31 December 2011 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 amounts to € 6,611 thousand.

26. Trade receivables and other receivables

	31 December 2012 €/000	31 December 2011 €/000
Trade receivables from external customers - Italy	60,487	32,320
Receivables in respect of contributions to promotional costs	4,246	6,668
Trade receivables from external customers - exports	-	78
Trade receivables from related parties	52,750	50,315
Trade receivables	**117,483**	**89,381**
Tax credits	160	298
Non-trade receivables from customers	3,559	3,317
Receivables from the sale of fixed assets	1,231	-
Payments on account on tangible assets	5	195
Receivables from suppliers	578	1,428
Receivables from agents	12	12
Agricultural levies receivable	12	35
Receivables from employees	237	320
Receivables from pension organisations	481	377
Receivables from related parties	11,935	4,475
Receivables for prepaid costs	917	921
Receivables from others	38	16
Miscellaneous doubtful receivables	93	178
Miscellaneous bad debt provisions	(93)	(178)
Other receivables	**19,165**	**11,394**

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 the sale of fixed assets relate to the completed sale of land at Ponte Galeria in Rome to Rome City Council. The transaction had already been taken to the income statement in the previous financial year.

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 2012	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	28,360	2,862	52,750	-	9,478	92,662
Due and not written down:						
Less than 30 days	6,748	792	-	1,210	173	9,711
30 - 90 days	10,954	20	-	808	465	12,247
Within 1 year	10,192	157	-	858	1,129	12,336
Within 5 years	623	415	-	564	436	2,045
Due after 5 years	-	-	-	-	125	118
Total due and not written down:	28,517	1,384	-	4,228	2,328	36,457
Due and written down	7,620	-	-	93	-	7,713
Amount written down	(4,010)	-	-	(93)	-	(4,103)
	60,487	4,246	52,750	3,440	11,806	132,729
Receivables not significant for breakdown by maturity	-	-	-	3,790	129	3,919
Total	60,487	4,246	52,750	7,230	11,935	136,648

31 December 2011	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	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

The composition of trade 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 customers 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 20.29% 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 € 7,620 thousand at 31 December 2012, gross of write-downs; the related provisions for doubtful receivables of € 4,010 thousand posted a decrease in 2012 due to accruals of € 3,472 thousand and utilisation of € 2,823 thousand, due almost entirely to the settlement of lawsuits outstanding from previous years.
Losses recorded during the year came to 0.9% 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 accounts.

Changes in provisions for doubtful receivables during the year are as follows:

	Provisions for doubtful receivables Trade receivables €/000
Balance at 31 December 2011	3,361
Accruals	3,472
Utilisations	(2,823)
Balance at 31 December 2012	**4,010**

	Provisions for doubtful receivables Trade receivables €/000
Balance at 31 December 2010	3,408
Accruals	1,923
Utilisations	(1,970)
Balance at 31 December 2011	**3,361**

The total value of trade payables falling due at the reporting date is € 28,359 thousand, representing 46.89% of total receivables (€ 60,487 thousand). The amount falling due at the end of 2011 was € 7,893 thousand, representing 24.4% of the total receivables at this date (€ 32,398 thousand).
As shown in the table, 62% 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 96.
In addition, on 24 October 2012 the Company began applying article 62 of Decree-Law 1 of 24 January 2012, which stipulates, *inter alia*, a reduction in payment terms for perishable and non-perishable produce to 30 and 60 days respectively. In 2013, the adoption of this legislation is expected to lead to an improvement in the average number of days before payment.
Current receivables recorded a significant increase 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, the average number of days for payment remained unchanged compared with the previous year, due to a stricter credit management policy being adopted by the Company. Lastly, the best estimate of the credit risk to which the Company is exposed corresponds to the total figure for bad debts of € 7,619 thousand.
Receivables in respect of contributions to promotional costs, of € 4,246 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 € 52,750 thousand should be considered all due; see note 41 – Related parties, for further details.
Other doubtful receivables from third parties, gross of write-downs, totalled € 93 thousand, and the related provision for doubtful receivables of € 93 thousand posted utilisations of only € 85 thousand, as the following table shows.

	Provisions for doubtful receivables Other receivables €/000
Balance at 31 December 2011	178
Accruals	-
Utilisations	(85)
Balance at 31 December 2012	**93**

	Provisions for doubtful receivables
	Other receivables
	€/000
Balance at 31 December 2010	328
Accruals	-
Utilisations	(150)
Balance at 31 December 2011	**178**

27. Short-term financial receivables

	31 December 2012 €/000	31 December 2011 €/000
Net accrued swap interest income on bonds	741	1,147
Short-term financial receivables from related parties	40,900	43,813
Other short-term financial receivables	40,925	-
Short-term financial receivables	**82,566**	**44,960**

Accrued interest of € 741 thousand is due to current market rates and the corresponding impact on the derivative hedging the bond in US$ issued by the Company.
Financial receivables include term deposits maturing after three months of € 35,000 thousand.
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 2012	31 December 2011
	€/000	€/000
Current accounts at banks	37,503	45,084
Cash and liquidity	14	12
Term deposits	110,160	15,000
Total cash and cash equivalents	**147,677**	**60,096**

Cash and cash equivalents totalled € 147,677 thousand, significantly higher than in the previous year.
The reconciliation with the Company's net debt is set out below.

	31 December 2012	31 December 2011
	€/000	€/000
Cash and cash equivalents	14	12
Other cash assets	147,663	60,084
Liquidity (A)	**147,677**	**60,096**
Short-term financial receivables (B)	**82,566**	**44,960**
Short-term bank debt	3	1
Other short-term financial payables	78,743	163,360
Short-term financial debt (C)	**78,746**	**163,361**
Net short-term financial debt (A+B+C)	**(151,497)**	**58,305**
Bonds issued	990,759	596,385
Other non-current payables	229,154	74,468
Medium/long-term financial debt (D)	**1,219,913**	**670,853**
Net financial debt (A+B-C-D)	**1,068,416**	**729,158**
Reconciliation with net debt:		
Other non-current receivables	13,654	13,171
Medium / long-term financial receivables	**13,654**	**13,171**
Net debt	**1,054,762**	**715,987**

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

The sale of land at Ponte Galeria in Rome to Rome City Council was finalised during the year. At 31 December 2011, the plot was valued at € 1,231 thousand, corresponding to the compensation guaranteed by Rome City Council for the expropriation of the land, recognised in 2012 and posted under receivables from the sale of fixed assets at the reporting date. The effects of this transaction were recognised in the previous year.
In addition, a property in Crodo with a net carrying value of € 38 thousand was sold during the period, generating a gain of € 137 thousand.
A residual portion of the Termoli site is also 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.

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 2012, 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 27 April 2012, the Company allocated 2011 profit, equal to € 191,128 thousand, to the payment of dividends totalling € 40,505 thousand, equivalent to € 0.07 per outstanding share, and to earnings carried forward (€ 150,623).

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 2012	31 December 2011	31 December 2010	31 December 2012 €	31 December 2011 €	31 December 2010 €
Outstanding shares at the beginning of the period	577,453,435	578,522,820	287,945,880	57,745,343	57,852,282	28,794,588
Purchases for the stock option plan	(4,613,817)	(9,540,000)	(1,160,000)	(461,381)	(954,000)	(116,000)
Disposals for the stock option plan	3,462,264	8,470,615	1,491,496	346,226	847,061	149,150
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	576,301,882	577,453,435	578,522,820	57,630,188	57,745,343	57,852,282
Total own shares held	4,498,118	3,346,565	2,277,180	449,812	334,657	227,718
Own shares as % of total shares	0.8%	0.6%	0.4%			

In 2012, 4,613,817 own shares were acquired at a purchase price of € 25,227 thousand, equating to an average price of € 5.468 per share.
In the same period, 3,462,264 own shares were sold at a market value of € 13,070 thousand.

Dividends paid and proposed

The table below shows the dividends approved and paid in 2011 and 2012 and the dividend subject to the approval of the shareholders' meeting to approve the accounts for the year ending 31 December 2012.

	Total amount		Dividend per share	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
	€/000	€/000	€	€
Dividends approved and paid during the period on ordinary shares	40,505	34,600	0.07	0.06
Dividends proposed on ordinary shares	40,256 (*)		0.07	

(*) calculated on the basis of outstanding shares at the date of the Board of Directors' meeting on 7 March 2013.

Other reserves

	Reserve for own shares	Stock options	Cash flow hedge reserve	Programme contract reserve	Total
	€/000	€/000	€/000	€/000	€/000
Balance at 31 December 2011	**(18,823)**	**15,776**	**(1,699)**	**3,776**	**(970)**
Cost of stock options for the year		4,506			4,506
Purchase of own shares	(25,227)				(25,227)
Sale of own shares	19,405				19,405
Investments in portions of subsidiaries' stock options		3,751			3,751
Release for utilisations and not exercise		(4,450)			(4,450)
Cash flow hedging - adjustment in period			(882)		(882)
Reversals in period			(991)		(991)
Balance at 31 December 2012	**(24,645)**	**19,583**	**(3,572)**	**3,776**	**(4,858)**

In relation to the sales of own shares in the year, which are shown in the above table at the original purchase price, the Company recorded a loss of € 6,335 thousand, which was 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 € 8,257 thousand, with an offsetting entry posted to the related shareholdings of € 3,751 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 € 2,470 thousand and € 1,486 thousand respectively.
  Lastly, options cancelled during the year amounted to € 494 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 two of 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 2009).
  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 € 1,166 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 27 April 2012, the profit for the year to 31 December 2011, amounting to € 191,128 thousand, was allocated as follows:

- € 40,505 to dividends
- € 150,623 carried forward.

Profits (losses) allocated directly to shareholders' equity

During 2012, the cash flow hedge reserve was adjusted downwards by € 1,217 thousand (€ 882 thousand net of the related deferred tax effect).

In addition, the losses of € 6,335 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 2012	Amount	Possibility of utilisation	Portion available	Summary of utilisations in 3 previous years:	
nature/description				to hedge losses	for other reasons
Share capital (1)	58,080	- - -			
Capital reserves:					
Reserve for own shares	(450)	- - -			
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	385,878	A, B, C	385,878		31,179
Other reserves:					
Cash flow hedge reserve	(3,075)	- - -	-		
Stock option reserve	19,583	- - -	-		
Total reserves	**726,651**		**648,737**		
Non-distributable portion			11,616		
Residual distributable portion			637,121		
Profit for the year	**82,900**				
Grand total	**809,551**				

(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 2012	31 December 2011
	€/000	€/000
Non-current liabilities		
Bond issued in 2003 (US$)	233,278	235,542
Bond issued in 2009 (Eurobond)	364,305	360,843
Bond issued in 2012 (Eurobond)	393,176	-
Total bond issues	**990,759**	**596,385**
Derivatives on bond issue (US$)	28,782	23,919
Assisted financing: Minindustria	372	549
Payables to related parties	200,000	50,000
Total non-current financial liabilities	**229,154**	**74,468**
Current liabilities		
Payables and loans due to banks	**8,322**	**1**
Accrued interest on bonds	11,975	8,764
Property leases	-	3,008
Payables to related parties	58,255	151,395
Other debt	194	193
Total other financial payables	**70,424**	**163,360**
Total	**1,298,659**	**834,214**

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 include 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 (in USS)	fixed rate from 4.03% to 4.37% (1) 6-month € LIBOR + 60 basis points (2)	2015-2018	262,060	259,462
- issued in 2009 (Eurobond)	fixed rate 5.375%	2016	364,304	347,671
- issued in 2012 (Eurobond)	fixed rate 4.5%	2019	393,176	
Property leases	3-month € LIBOR + 60 basis points	2012	-	3,008
Other debt	0.90%	2013-2015	566	742
			1,020,106	**610,883**

(1) Rate applied to the portion of the bond loan hedged by an interest rate swap, corresponding to a nominal value of € 171,900 thousand

(2) Rate applied to the portion of the bond loan hedged by an interest rate swap, corresponding to a nominal value of € 85,900 thousand

Bonds

Liabilities for bonds include the US$ 300,000 thousand bond issue placed on the US institutional market in 2003, the € 350,000 thousand Eurobond issue placed on the European institutional market in October 2009, and the € 400,000 thousand Eurobond issue placed on the European institutional market in October 2012.
The bond issue placed on the US market 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 first Eurobond issue (Eurobond 2009) was placed on the European market and matures in October 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%.
The second Eurobond issue (Eurobond 2012) was placed on the European market and matures on 25 October 2019.
It was placed solely with institutional investors at a price of 99.068%; coupons are paid annually at the fixed rate of 4.5%. The gross return on the bond is therefore 4.659%.

For the bond issue placed on the US market, the Company has put in place various instruments to hedge exchange rate and interest rate risks.
Specifically, 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. This derivative was closed on 27 July 2012.

The changes in the item in 2012 relate to:
- in relation to the 2003 issue (US$), the valuation of existing hedging instruments (which have a negative effect of € 4,863 thousand) and the effects on the bonds of the actual hedges and the amortised cost (positive effect of € 2,264 thousand);
- in relation to the 2009 issue (Eurobond), the valuation of hedges outstanding at the reporting date (which have a positive effect of € 4,558 thousand) and the related effect on the bonds (negative effect of € 3,462 thousand).

For more information on the changes during the year, see note 38 - Financial instruments.

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 2012 €/000	31 December 2011 €/000
Tax payables	1,739	7,113
Payables to related parties	188	-
Other non-current liabilities	**1,927**	**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 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 liability indemnity 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 liability indemnities 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, employee liability indemnity contributions accrued up to 31 December 2006 remain in the Company, while for contributions accruing from 1 January 2007, employees have the choice of allocating them to a complementary pension scheme, or keeping them in the Company, which will transfer the employee liability indemnity 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 2012 €/000	Employee indemnity liability (TFR) 31 December 2011 €/000	Employee indemnity liability (TFR) 31 December 2010 €/000	Employee indemnity liability (TFR) 31 December 2009 €/000
Defined benefit obligations (to 31 December 2006)	6,784	6,841	7,889	5,896
Defined contribution obligations (from 1 January 2007)	-	-	-	-
	6,784	**6,841**	**7,889**	**5,896**

The tables below summarise the components of the net cost of benefits reported in the income statement in 2012 and 2010.

Defined benefit obligations (to 31 December 2006)	Employee indemnity liability (TFR) 31 December 2012 €/000	Employee indemnity liability (TFR) 31 December 2011 €/000
Financial charges on the obligations	297	328
Net actuarial (gains)/losses	111	(156)
	408	**172**

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 2012 €/000	Employee indemnity liability (TFR) 31 December 2011 €/000
Present value at 1 January	6,841	7,889
Benefits paid	(465)	(1,220)
Financial charges on the obligations	297	328
Actuarial gains (losses) on the obligations	111	(156)
Present value at 31 December	**6,784**	**6,841**

The main assumptions used in determining the obligations resulting from the plans described are indicated below.

	Employee indemnity liability (TFR) 31 December 2012	Employee indemnity liability (TFR) 31 December 2011
Discount rate	4.00%	4.50%
Future salary increases	2.25%	2.82%
Staff turnover rate	3.22%	5.76%
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	Voluntary redundancy €/000	Agent severance fund €/000	Other €/000	Total €/000
Balance at 31 December 2011	**1,238**	**-**	**884**	**554**	**2,676**
Accruals	-	579	183	291	1,053
Utilisations	(11)	-	(85)	(362)	(458)
Effect of discounting to present value	-	-	28	-	28
Balance at 31 December 2012	**1,227**	**579**	**1,010**	**483**	**3,299**
of which, projected disbursement					
- due within 12 months	-	579	-	483	
- due after 12 months	1,227	-	1,010	-	

The tax provision at 31 December 2012 included estimated potential liabilities of € 1,227 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 Campari Italia S.p.A., incorporated in 2010.
The voluntary redundancy column includes the estimated future expense in respect of employment liability.
At 31 December 2012, 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 2012 €/000	31 December 2011 €/000
Trade payables to external suppliers - Italy	81,177	69,102
Trade payables to external suppliers - exports	7,403	6,610
Trade payables to related parties	1,409	1,964
Trade payables	**89,989**	**77,676**
Withholding tax payables	1,729	1,865
Production tax payables	996	1,691
Payables to employees	5,830	5,194
Payables to pension organisations	4,041	3,886
Payables to pension funds and INPS fund	324	375
Payables to customers	-	165
Payables to agents	1,889	1,618
Payables to other related parties	9,415	5,783
Payables in respect of contributions received	1,095	1,095
Payables for deferred revenues	658	812
Other	655	1,981
Other current liabilities	**26,632**	**24,465**

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.

Changes in payables for capital grants and deferred income relating to these grants are shown below.

	31 December 2012		31 December 2011	
	Payables to tax authorities	Deferred income	Payables to tax authorities	Deferred income
	€/000	€/000	€/000	€/000
Balance at 1 January	1,095	812	1,142	965
Proceeds received in the period	-	-	-	-
Grants certain to be received posted to the income statement	-	(154)	-	(153)
Other changes	-	-	(47)	-
Balance at 31 December	**1,095**	**658**	**1,095**	**812**

Payables to external suppliers comprise payables for invoices received (€ 57,540 thousand at 31 December 2012), while for the amounts relating to invoices and credit notes to be received (€ 31,040 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 € 3,702 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 € 1,409 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 2012	Trade payables	Trade payables to related parties	Other payables to third parties	Other payables to related parties	Total
	€/000	€/000	€/000	€/000	€/000
On demand	19,364	66	145	5	19,580
Within 1 year	38,176	1,343	3,485	2,004	45,008
Due in 1 to 2 years	-	-	-	-	-
Due in 3 to 5 years	-	-	-	-	-
Due in more than 5 years	-	-	-	-	-
	57,540	1,409	3,630	2,009	64,588
Payables not significant for breakdown by maturity	31,040	-	13,587	7,406	52,033
Total	88,580	1,409	17,217	9,415	116,621

31 December 2011	Trade payables	Trade payables to related parties	Other payables to third parties	Other payables to related parties	Total
	€/000	€/000	€/000	€/000	€/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

The payment terms applied to suppliers are generally 60 days from the end of the month of invoice.
In addition, on 24 October 2012, the Company applied the provisions of article 62 of Decree-Law 1 of 24 January 2012, which imposes, *inter alia*, an obligation to settle invoices within 30 days for perishable items and within 60 days for all other goods. Other payables to third parties comprise payables to agents totalling € 1,889 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, € 655 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 (€ 1,682 thousand), which will be settled during 2013.
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 2012 €/000	31 December 2011 €/000
IRAP payables	277	2,039
IRES payable	5,801	5,371
Payables to related parties	2,567	18,071
	8,645	**25,481**

Payables to related parties exclusively consist of direct taxes (IRES - corporate income tax) covered by the tax consolidation scheme under Alicros S.p.A. These payables do not earn interest.
The effect of the reduction in payables to related parties compared with the previous year is solely due to the terms and conditions of interim payments required by law for tax consolidation schemes.

37. 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.
Subsequently, further options were allocated each year, governed by the framework plan approved by the shareholders' meeting on 2 May 2001.

Following a resolution of the Board of Directors dated 27 April 2012, the Parent Company has assigned new stock options governed by the same framework plan.
The number of stock options granted totalled 13,036,580, at an average price at € 5.25, equivalent to the average closing price in the month preceding the option grant date.
The plan entitles beneficiaries to exercise options in the two-year period following the end of the seventh year from the grant date, with the right to bring forward the (total or partial) exercise at the end of the fifth or sixth year, with the consequent one-off application of a 20% or 10% reduction, respectively, of the total number of options granted.
For the purpose of evaluating the plan in accordance with IFRS 2 – Share-based payment, the plan was divided into three different tranches, corresponding to a number of options equal to 80%, 10% and 10% vesting in five, six and seven years respectively. All tranches carry a vesting condition that require assignees to remain with the Company for the whole vesting period. Furthermore, to exercise the second and third tranche, all options previously matured up to the end of the sixth (second tranche) and seventh (third tranche) years must be maintained. For the purposes of IFRS 2, this condition takes the form of a non-vesting condition.
This results in a different unit fair value for each tranche, equivalent to € 1.64 for the first tranche, € 1.50 for the second and € 1.18 for the third.

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

	31 December 2012		31 December 2011	
	No. of shares	Average allocation/exercise price (€)	No. of shares	Average allocation/exercise price (€)
Options outstanding at the beginning of the period	36,264,953	3.49	45,203,271	3.42
Options granted during the period	13,036,580	5.25	699,452	5.43
(Options cancelled during the period)	(1,510,822)	3.63	(1,167,155)	3.38
(Options exercised during the period) (*)	(3,461,769)	3.77	(8,470,615)	3.41
Options outstanding at the end of the period	44,328,942	3.96	36,264,953	3.49
of which those that can be exercised at the end of the period	1,382,248	3.79	3,511,262	3.83

(*) The average market price on the exercise date was € 5.60.

At the end of the period, 23,370,779 options existed under plans assigned to employees of Davide Campari-Milano S.p.A.

The average exercise price for the options allocated in each year is as follows:

	Average exercise price (€)
Allocation 2006	3.84
Allocation 2007	3.75
Allocation 2008	2.85
Allocation 2009	3.02
Allocation 2010	3.87
Allocation 2011	5.44
Allocation 2012	5.25

The average remaining life of outstanding options at 31 December 2012 was 4.2 years (4.1 years at 31 December 2011).

The average fair value of options granted during the year was € 1.58 (€ 1.24 in 2011).
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 measurement of options issued in 2012 and 2011:

	2012	2011
Expected dividends (€)	0.07	0.06
Expected volatility (%)	26%	22%
Historical volatility (%)	26%	22%
Market interest rate	1.80%	2.42%
Expected option life (years)	7.60	7.00
Exercise price (€)	5.25	5.43

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	
	2012	2011	2012	2011
Balance at 1 January	3,346,565	2,277,180	18,823	9,085
Purchases	4,613,817	9,540,000	25,227	50,125
Disposals	(3,462,264)	(8,470,615)	(19,405)	(40,387)
Balance at 31 December	4,498,118	3,346,565	24,645	18,823
% of share capital	0.77%	0.58%		

In relation to the sales of own shares in the year, which are shown in the above table at the original purchase price (€ 19,405 thousand), the Parent Company recorded a loss of € 6,335 thousand, accounted for under shareholders' equity. During the year, the utilisation of the stock option reserve totalled € 3,955 thousand.

38. Financial instruments-disclosures

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

31 December 2012	Loans and receivables	Financial liabilities at amortised cost	Hedging transactions
	€/000	€/000	€/000
Cash and cash equivalents	147,677		
Short-term financial receivables	81,825		
Other non-current financial assets	13,654		
Trade receivables	117,483		
Payables to banks		(8,322)	
Bonds		(990,759)	
Accrued interest on bonds		(11,975)	
Other financial liabilities		(258,822)	
Trade payables		(89,989)	
Non-current assets for hedge derivatives			-
Current assets for hedge derivatives			741
Non-current liabilities for hedge derivatives			(28,782)
Total	360,639	(1,359,867)	(28,041)

31 December 2011	Loans and receivables	Financial liabilities at amortised cost	Hedging transactions
	€/000	€/000	€/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)

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 2012 €/000	31 December 2011 €/000	31 December 2012 €/000	31 December 2011 €/000
Cash and banks	147,678	60,096	147,678	60,096
Financial receivables from subsidiaries for centralised cash system	40,900	43,813	40,900	43,813
Financial receivables from other companies	54,579	-	54,579	-
Accrued interest on bonds	741	1,146	741	1,146
Hedging transactions	-	13,172	-	13,172
Financial investments	**243,898**	**118,227**	**243,898**	**118,227**
Payables to banks	8,322	1	8,322	1
Real estate lease payables	-	3,008	-	3,008
Bonds in US$ (2003)	233,278	235,542	246,131	232,349
Bonds in € (2009)	364,304	360,843	386,262	367,353
Bonds in € (2012)	393,176	-	424,842	
Accrued interest on bonds	11,975	8,764	11,975	8,764
Hedging transactions	28,782	23,919	28,782	23,919
Financial payables to subsidiaries	258,256	201,395	-	201,395
Other debt	566	742	-	742
Financial liabilities	**1,298,659**	**834,214**	**1,106,314**	**837,531**

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 various inputs from previous prices, but that can be observed on the market directly or indirectly;
- Level 3: the method use inputs that are not based on observable market data.

	31 December 2012 €/000	Level 1 €/000	Level 2 €/000	Level 3 €/000
Assets valued at fair value:				
Accrued interest on bond swaps	741		741	
Interest rate swap on bond (Eurobond)	-		-	
Liabilities valued at fair value				
Interest rate and cross currency swap on bond (US$)	28,782		28,782	

	31 December 2011	Level 1	Level 2	Level 3
	€/000	€/000	€/000	€/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	

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 2012		31 December 2011	
	Assets	Liabilities	Assets	Liabilities
	€/000	€/000	€/000	€/000
Interest rate and cross currency swap on bond (US$)		(26,311)		(24,063)
Interest rate swap on bond (Eurobond)	-	-	13,172	
Accrued interest on bond swap	741		1,146	
Hedging derivatives at fair value	741	(26,311)	14,318	(24,063)
Interest rate swap on bond (USS)		(2,471)		144
Interest rate swap on bond (Eurobond)		-		-
Cash flow hedging derivatives	-	(2,471)	-	144
Total derivatives	741	(28,782)	14,318	(23,919)

Fair value hedging

The Company has in place the following contract, which meets 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 2012, the cross currency swap had a negative fair value of € 26,311 thousand, reported under non-current financial liabilities.
  The change in fair value of these instruments, reported in the income statement in 2012, represented an expense of € 2,248 thousand. The income recorded on the hedged item was € 2,598 thousand.

The Company also terminated the following contract on 27 July 2012, which meets the definition of hedging instruments based on IAS 39.

- Interest rate swap on bond issue (Eurobond)
  The hedging instrument taken out during the year involved 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 27 July 2012 indicated an asset of € 17,730 thousand; the changes reported on the income statement relate to changes in the fair value of the swap (a profit of € 4,151 thousand) and the related change in the underlying debt (a loss of € 2,808 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 2012	31 December 2011
	€/000	€/000
Gains on hedging instrument – US$ bond issue	-	8,830
Gains on hedging instrument - Eurobond	4,558	9,542
Losses on hedging instrument – US$ bond issue	(2,248)	-
Losses on hedging instrument - Eurobond	(406)	(384)
Total gains (losses) on hedging instruments	**1,904**	**17,988**
Gains on hedged item – USS bond issue	2,598	-
Gains on hedged item - Eurobond	-	-
Losses on hedged item - USS bond issue	-	(8,333)
Losses on hedged item - Eurobond	(2,808)	(8,245)
Total gains (losses) on hedged items	**(210)**	**(16,578)**

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 € 2,471 thousand, equating to a liability.
  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 € 1,217 thousand was posted to the reserve, together with the corresponding deferred tax effect of € 335 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 € 1,398 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 2012, an effect of € 406 thousand was recycled to the income statement.

The following table shows, at 31 December 2012, when the Group expects to receive the hedged cash flows.

These cash flows only concern interest and have not been discounted.

31 December 2012	within 1 year	1-5 years	Due after 5 years	Total
	€/000	€/000	€/000	€/000
Cash outflows	7,319	31,110	-	38,429
Cash inflows	6,905	29,600	-	36,505
Net cash flows	(414)	(1,510)	-	(1,924)

31 December 2011	within 1 year	1-5 years	Due after 5 years	Total
	€/000	€/000	€/000	€/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)

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

	Cash flow hedge reserve - 2003 bond issue	Tax effect related to 2003 bond issue	Cash flow hedge reserve - 2009 bond issue	Tax effect related to 2009 bond issue	Cash flow hedge reserve net of tax effect
	€/000	€/000	€/000	€/000	€/000
Balance at 31 December 2011	144	(40)	(2,177)	599	(1,474)
Adjustment in period	(1,217)	-	-	-	(1,217)
Allocation to reserve	-	-	-	-	-
Reversals in period	(1,398)	-	406	-	(992)
Deferred tax (assets and liabilities)	-	335	-	-	335
Use of deferred taxes taken to income statement	-	385	-	(112)	273
Balance at 31 December 2012	**(2,471)**	**680**	**(1,771)**	**487**	**(3,075)**

	Cash flow hedge reserve - 2003 bond issue	Tax effect related to 2003 bond issue	Cash flow hedge reserve - bond issue 2009	Tax effect related to 2009 bond issue	Cash flow hedge reserve net of tax effect
	€/000	€/000	€/000	€/000	€/000
Balance at 31 December 2010	6,559	(1,804)	(2,560)	704	2,899
Adjustment in period	(5,216)	-	-	-	(5,216)
Allocation to reserve	-	-	-	-	-
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)**

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 2012, compared with the previous year.

The table below summarises financial liabilities by maturity at 31 December 2012 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 2012	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	-	8,322	-	-	-	8,322
Financial payables to subsidiaries	-	58,256	-	-	200,000	258,256
Bonds	-	10,300	10,300	100,128	158,602	279,330
Derivatives on bonds	-	(2,046)	(2,046)	6,019	19,321	21,248
Eurobond 2009	-	18,813	18,813	383,707	-	421,333
Eurobond 2012	-	18,000	18,000	54,000	436,000	526,000
Subsidised loan from industry ministry	-	196	393	-	-	589
Projected net cash flows	**-**	**111,841**	**45,460**	**543,854**	**813,923**	**1,515,078**
Derivatives on Eurobond	-	-	-	-	-	-
Expected cash flows, net of hedging activities	**-**	**111,841**	**45,460**	**543,854**	**813,923**	**1,515,078**

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**

Payables to banks for current accounts and lines of credit represent the negative balance of cash management, which decreased considerably in 2012 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 92% of total financial payables at 31 December 2012.
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 2012	Income statement	
Increase/decrease in rates (in basis points)	Increase in interest rates	Decrease in interest rates
Euribor +/- 30 basis points	(1,942)	1,942

31 December 2011	Income statement	
Increase/decrease in rates (in basis points)	Increase in interest rates	Decrease in interest rates
Euribor +/- 28 basis points	(1,532)	1,532

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 2012.

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 2012 €/000	31 December 2011 €/000
Within 1 year	2,348	2,176
1-5 years	3,623	2,838
More than 5 years	-	-
	5,971	5,014

Operating lease contracts relate to cars (€ 3,016 thousand), hardware (€ 1,650 thousand), photocopiers (€ 275 thousand) and equipment for manufacturing units and general services for headquarters (€ 1,030 thousand).

The commitment relating to the finance lease for the Novi Ligure site has been extinguished.

	31 December 2012		31 December 2011	
	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
1-5 years	-	-	-	-
Total minimum payments	-	-	3,017	3,001
Financial charges	-		(16)	
Present value of minimum future payments	-	-	3,001	3,001

The Company's other commitments for purchases of goods or services are shown below.

	31 December 2012					
	Assets €/000	Purchases of production assets €/000	Sponsorship €/000	Co-packing €/000	Other €/000	Total €/000
Within 1 year	1,773	70,636	1,724	2,554	4,161	80,848
1-5 years	-	24,616	-	8,513	-	33,129
	1,773	95,252	1,724	11,067	4,161	113,977

Contractual commitments for fixed assets chiefly relate to the purchase of equipment and improvements to the Company's manufacturing units (€ 721 thousand), improvements to buildings (€ 88 thousand), and the implementation of the Group's new IT system and management processes (€ 964 thousand).

Purchases of production assets relate to commitments to buy goods, wine and grapes for Cinzano wines 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 habillage, goods, maintenance materials and supplies, as well as services associated with the activities of the Company's production units.

	31 December 2012 €/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
Alessandria customs authority - to guarantee excise duties on goods stored in a fiscal warehouse in Novi	338
Cuneo customs authority - to guarantee excise duties on goods stored in a fiscal warehouse in Canale	235
Verbano-Cusio-Ossola customs authority - to guarantee customs duties	10
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	6,000
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	950
Cuneo customs office - to guarantee customs duties	1
AGEA - to guarantee restructuring work and reconversion of vineyards	679
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	29
Ministry of International Trade - to guarantee export certificates	23
Ministry of Economic Development – to guarantee promotional events	997
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
Royal Bank of Scotland - guarantee on commitment undertaken by Glen Grant Distillery for GBP 40 thousand	49
Royal Bank - guarantee on netting facility	1,500
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	4,738
AGEA - to guarantee an EC loan for promotion of wine in third countries	592
	56,593

	31 December 2012 €/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	1,690
Campari Wines Srl - to guarantee miscellaneous guarantees issued to third parties	21
Kaloyannis-Koutsikos 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 - financial guarantee for Pravex Bank	2,667
CJSC Odessa Sparkling Wine Company - to guarantee guarantees on Credit Agricole	2,600
Campari Australia PTY Ltd. - to guarantee credit lines	15,434
Campari Australia PTY Ltd. - to guarantee commercial activity	2,425
Glen Grant Distillery - to guarantee customs	1,470
Campari (Beijing) Trading Co. Ltd. - to guarantee credit lines	3,832
Campari America - to guarantee credit lines	22,738
Campari Benelux S.A. - to guarantee customs	400
Campari Benelux S.A. - international guarantee for Soc.Europ.des Banques	45,000
Campari España S.L.- - to guarantee credit lines	7,000
Campari Rus OOO - to guarantee credit lines	9,000
T.J. Carolan&Son Ltd. - to guarantee customs	200
	122,154
Guarantees issued to third parties	
Campari America - to guarantee US$ 250,000,000 private placement	190,081
	190,081

Guarantees issued to third parties include a guarantee given by Davide Campari-Milano S.p.A. in relation to the US$ 250,793 thousand private placement issued by Campari America on the US institutional market. At the reporting date, the value of the guarantee included the nominal amount of the debt and interest accrued.

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 2012 €/000	31 December 2011 €/000
Financial receivables from related parties	40,900	43,813

The table below shows the breakdown of receivables by company at 31 December 2012.

	Accrued interest €/000	Cash management €/000	Miscellaneous €/000	Total €/000
Campari America (Skyy Spirits, LLC)			57	57
Campari Australia PTY Ltd.			45	45
Campari Austria Gmbh			2	2
Campari Benelux S.A.			115	115
Campari Wines S.r.l.	14	10,144		10,158
Glen Grant Ltd.			4	4
Kaloyannis-Koustikos Distilleries S.A.	-	-	5	5
Sella&Mosca S.p.A.	49	30,463		30,512
T.J Carolan&Son			2	2
	63	**40,607**	**230**	**40,900**

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 2012 €/000	31 December 2011 €/000
Trade receivables from related parties	52,751	50,315
Other receivables from related parties	11,935	4,475
Current receivables from related parties	64,686	54,790
Other receivables from related parties	1,927	-
Non-current receivables from related parties	1,927	-
	66,613	**54,790**

The table below shows the breakdown of these receivables at 31 December 2012.

	Trade payables €/000	Miscellaneous €/000	Group VAT scheme €/000	Total €/000
Alicros S.p.A. (*)	-	1,927	-	1,927
Campari (Beijing) Trading Co. Ltd.	643	168	-	811
Campari America (Skyy Spirits, LLC)	3,188	1,865	-	5,053
Campari Argentina S.A.	490	1,456	-	1,946
Campari Australia PTY Ltd.	6,539	737	-	7,276
Campari Austria Gmbh	842	183	-	1,025
Campari Benelux S.A.	1,412	86		1,498
Campari Deutschland Gmbh	13,130	1,231	-	14,361
Campari do Brasil Ltda.	1,487	1,352	-	2,839
Campari España S.L.	-	2,725	-	2,725
Campari International S.A.M.	7,066	612	-	7,678
Campari Mexico S.A. de C.V.	254	80	-	334
Campari RUS OOO	13,209	553	-	13,762
Campari Schweiz A.G.	2,835	376	-	3,211
Campari Wines Srl	516	106	-	622
CJSC 'Odessa Sparkling Wine Company'	309	65	-	374
Glen Grant Ltd.	9	58	-	67
Kaloyannis-Koutsikos Distilleries S.A.	-	14	-	14
Lamargue S.a.r.l.		42		42
Sella&Mosca S.p.A.	59	22	129	210
Société Civile du Domaine de Lamargue	-	50	-	50
T.J. Carolan&Son	763	25	-	788
	52,751	**13,733**	**129**	**66,613**

(*): For Alicros S.p.A., to offset the receivable reported here (€ 1,927 thousand), the Company has recorded a tax consolidation liability of € 2,567 thousand, plus a Group VAT liability of € 7,219 thousand.

Financial payables to related parties

	31 December 2012 €/000	31 December 2011 €/000
Current financial payables to related parties	58,256	151,395
Non-current financial payables to related parties	200,000	50,000
	258,256	**201,395**

The table below shows the breakdown of these payables at 31 December 2012.

	Financial payables €/000	Cash management €/000	Total €/000
Campari Benelux S.A.	201,905	56,351	258,256
	201,905	**56,351**	**258,256**

Loans provided to Group companies carry interest at market rates.

Trade payables and other payables to related parties

	31 December 2012 €/000	31 December 2011 €/000
Trade payables to related parties	1,409	1,964
Tax payables to related parties	2,567	18,071
Other payables to related parties	9,415	5,783
Current payables to related parties	13,391	25,818
Other payables to related parties	188	-
Non-current payables to related parties	188	-
Total	**13,579**	**25,818**

The table below shows the breakdown of these payables at 31 December 2012.

Payables	Trade payables	Miscellaneous	Consolidation for tax purposes	Group VAT scheme	Total
	€/000	€/000	€/000	€/000	€/000
Alicros S.p.A.	-	-	2,567	7,219	9,786
Campari America (Skyy Spirits, LLC)	474	54	-	-	528
Campari Argentina S.A.		18	-	-	18
Campari Deutschland Gmbh	25	5	-	-	30
Campari Do Brasil Ltda.	-	20	-	-	20
Campari International S.A.M.	-	1	-	-	1
Campari Schweiz A.G.	29	-	-	-	29
Campari Wines S.r.l.	12	-	-	96	108
Glen Grant Ltd.	728	50	-	-	778
Sella&Mosca S.p.A.	124	458	-	-	582
T.J. Carolans&Son	17	-	-	-	17
	1,409	**606**	**2,567**	**7,315**	**11,897**
Payables to directors		1,682			1,682
Total	**1,409**	**2,288**	**2,567**	**7,315**	**13,579**

After the effect of the tax consolidation scheme, the Parent Company owes the controlling shareholder Alicros S.p.A. € 2,567 thousand. A payable of € 7,219 thousand in relation to the Group VAT scheme and a long-term tax receivable of € 1,927 thousand are also reported. Amounts due to and from Alicros S.p.A. are non-interest-bearing.

Financial dealings with related parties

	31 December 2012	31 December 2011
	€/000	€/000
Net sales and cost of goods sold	171,486	164,559
Advertising and promotional costs	1,552	2,376
Overheads	9,514	4,074
Dividends	3,077	125,000
Net financial income (charges)	(5,020)	(5,689)
	180,609	**290,320**

The amounts of trade and financial transactions entered into with related parties are set out below.

	Revenues	Costs	Total
	€/000	€/000	€/000
Alicros S.p.A.	(186)	-	(186)
Campari (Beijing) Trading Co. Ltd.	(476)	-	(476)
Campari America (Skyy Spirits, LLC)	(14,215)	2,131	(12,084)
Campari Argentina S.A.	(1,825)	18	(1,807)
Campari Australia PTY Ltd.	(12,733)	384	(12,349)
Campari Austria GmbH	(7,466)	-	(7,466)
Campari Benelux S.A.	(8,238)	5,695	(2,543)
Campari Deutschland GmbH	(63,373)	88	(63,285)
Campari do Brasil Ltda.	(4,213)	270	(3,943)
Campari España S.L.	(2,725)	-	(2,725)
Campari International S.A.M.	(36,841)	20	(36,821)
Campari Japan Ltd.	(24)	-	(24)
Campari Mexico S.A. de C.V.	(2,566)	250	(2,316)
Campari RUS OOO	(19,849)	686	(19,163)
Campari Schweiz A.G.	(9,842)	29	(9,813)
Campari Wines S.r.l.	(4,902)	242	(4,660)
CJSC 'Odessa Sparkling Wine Company'	(745)	-	(745)
Glen Grant Ltd.	(66)	9,472	9,406
Kaloyannis-Koutsikos Distillieres S.A.	(44)	-	(44)
Lamargue S.a.r.l.	(1)	-	(1)
Sella&Mosca S.p.A.	(1,133)	987	(146)
Société Civile du Domaine de Lamargue	(16)	-	(16)
T.J. Carolan&Son Ltd.	(9,517)	115	(9,402)
	(200,996)	**20,387**	**(180,609)**

Directors and general managers

The remuneration paid to the Company's directors with strategic responsibilities is set out below.

	2012 €/000	2011 €/000
Short-term benefits	4,734	4,250
Defined contribution benefits	39	39
Stock options	1,219	2,183
	5,992	**6,472**

42. Employees

All of the Company's employees are based in Italy.
The number of staff in each category is shown below.

	31 December 2012	31 December 2011
Managers	81	75
Office staff	385	369
Manual workers	181	193
Total	**647**	**637**

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 2012 €/000
Audit	PricewaterhouseCoopers SpA	Parent Company - Davide Campari - Milano S.p.A.	216.5
	PricewaterhouseCoopers SpA	Subsidiaries	637.7
	PricewaterhouseCoopers network	Subsidiaries	459.2
Other services	PricewaterhouseCoopers SpA	Parent Company - Davide Campari - Milano S.p.A.	380.0
	PricewaterhouseCoopers SpA	Subsidiaries	470.0
	PricewaterhouseCoopers network	Subsidiaries	41.0
Total			**2,204.4**

The other services paid by the Parent Company to PricewaterhouseCoopers SpA, amounting to € 380.0 thousand, are related to activities other than statutory audit and are due for € 250.0 thousand to the analysis of the consolidated proforma financial statements included in the prospectus issued with the Eurobond. In addition they include € 130.0 thousand for due diligences. The other services to PricewaterhouseCoopers SpA paid by subsidiaries refer to due diligence for the acquisition of Lascelles deMercado&Co. Ltd.

44. Subsequent events

On 1 March 2013, the Company completed the sale of the Punch Barbieri brand to Distilleria Moccia for € 4.45 million. The operation, announced on 4 February 2013, enables the Company to increase its focus on the priority brands in its portfolio.

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 2012 and to allocate the profit for the year of € 82,900 thousand 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 € 40.3 million;
- the remaining amount of around € 42.6 million to be carried forward as retained earnings.

It is proposed that the dividend of € 0.07 per share be paid on 23 May 2013 (with an ex-dividend date of 20 May 2013, in accordance with the Borsa Italiana calendar, and a record date of 22 May 2013).

Sesto San Giovanni (MI), Thursday 7 March 2013

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 2012.

2. We furthermore certify that:

2.1. The annual financial statements to 31 December 2012:

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), Thursday 7 March 2013

Managing Director
Robert Kunze-Concewitz

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

Managing Director
Stefano Saccardi

Auditors'reports

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE NO. 39 OF 27 JANUARY

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 2012 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 26 March 2012.

3 In our opinion, the consolidated financial statements of Campari Group as of 31 December 2012 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, letter b), of article 123-bis of Legislative Decree No. 58/98 presented in the report on

PricewaterhouseCoopers SpA

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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 2012.

Milan, 21 March 2013

PricewaterhouseCoopers SpA

Signed by

Fabio Facchini
(Partner)

This report has been translated into the English language from the original, which was issued in Italian, 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 2012 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 26 March 2012.

3 In our opinion, the separate financial statements of Davide Campari-Milano SpA as of 31 December 2012 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

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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 separate financial statements of Davide Campari-Milano SpA as of 31 December 2012.

Milan, 21 March 2013

PricewaterhouseCoopers SpA

Signed by

Fabio Facchini
(Partner)

This report has been translated into the English language from the original, which was issued in Italian, 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 Italian 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 2012 (hereinafter the "Financial Year").

1. In the performance of its supervisory and control activities, the Board of Statutory Auditors hereby confirms that:

   a) it supervised 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 Italian association of chartered accountants;

   b) it attended the meetings of the Board of Directors and Control and Risks 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, including in accordance with art. 150, para. 1 of the T.U.F. Of particular note was the acquisition of Lascelles deMercado & Co. Ltd, a company listed on the Jamaican Stock Exchange up to January 9, 2013, in relation to which the directors provide ample information in the Report on Operations.
   The Board of Statutory Auditors can reasonably ensure that the transactions approved and carried out comply with the law and the articles of association, and are not manifestly imprudent, risky, or involve a conflict of interest or conflict with resolutions passed by the Shareholders' Meeting, or are such as to 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 control and risk management. 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 Audit department, any transactions with related parties were managed appropriately. In this regard, the Board of Statutory Auditors notes that from 1 January 2011, the Company adopted procedures for related-party transactions pursuant to Consob Regulation 17221 of 12 March 2010 and the Consob Communication of 24 September 2010, as well as the specific regulations set out in the Group’s Code of Ethics, in order to avoid or manage transactions in which there are conflicts of interest or which involve directors’ personal interests. Pursuant to art. 4 of this Regulation, the Board of Statutory Auditors verified that the procedures adopted complied with the principles of this Regulation, and checked 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 auditing company, PricewaterhouseCoopers S.p.A. (which was awarded the statutory audit of the financial statements), including for the purposes of exchanging relevant data and information. No serious issues arose from these meetings. In addition, no serious issues arose from the annual reports issued by the Boards of Statutory Auditors on the financial statements of subsidiaries Sella & Mosca S.p.A. and Campari Wines S.r.l. (previously Sella & Mosca Commerciale S.r.l.);

e) it assessed and monitored, to the extent of its authority pursuant to art. 19 of Legislative Decree 39/2010, the financial reporting process and 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 exchanging information with the administration and control bodies of subsidiary Sella & Mosca S.p.A., pursuant to art. 151, paras. 1 and 2, of the T.U.F., during which the Board of Statutory Auditors acquired information on the company's administration and control systems, and its general business performance. From April 2012, the Company's Board of Statutory Auditors took on the same duties in subsidiary Campari Wines S.r.l.
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 Control and Risks Committee, and when specific issues so required, jointly working with the committee on such issues.

From the work carried out, no irregularities were found that indicated inadequacies in the internal control and risk management system;

f) it held meetings with managers of the external auditors pursuant to art. 150, para. 3 of the T.U.F. and art. 19 of Legislative Decree 39/2010, during which no facts or situations arose that should be highlighted in this report, and it carried out the monitoring stipulated by article 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 7 March 2013. 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 by art. 10 of this 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, whose meetings are usually attended by the Board of Statutory Auditors, 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 Regulation adopted with Consob Resolution 16191 of 29 October 2007;

j) it monitored the implementation of organisational measures connected with the development of corporate activities;

The Board of Statutory Auditors has issued opinions pursuant to art. 2389 of the Italian Civil Code.

In 2012, the Board of Statutory Auditors met nine times. It also attended meetings of the Board of Directors, Control and Risks Committee and Supervisory Body in accordance with Legislative Decree 231/2001, and met with the Board of Statutory Auditors of the subsidiary mentioned 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 dealings with the external auditors, the Board of Statutory Auditors confirms that:

   a) external auditors PricewaterhouseCoopers S.p.A. today issued the "annual confirmation of independence", pursuant to art. 17, para. 9a of Legislative Decree 39/2010;

   b) external auditors PricewaterhouseCoopers S.p.A. today issued the report pursuant to art. 19 of Legislative Decree 39/2010, which shows that no significant failings have been detected in the internal audit system in relation to the financial reporting process;

   c) external auditors PricewaterhouseCoopers S.p.A. today issued its report pursuant to arts. 14 and 16 of Legislative Decree 39/2010, which shows that:
   i. the consolidated and separate financial statements at 31 December 2012 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. the Reports on Operations and the information pursuant to para. 1c), d), f), l) and m) and para. 2b) of art. 123-*bis* of the T.U.F. as provided in the Report on Corporate Governance and Ownership Structure, are consistent with the consolidated and separate financial statements;

   d) in addition to the tasks required by law for listed companies, the companies in the PricewaterhouseCoopers S.p.A. network were also given assignments for non-auditing services totalling € 891,000, as mentioned in the notes to the Separate financial statements, compatible with the provisions of art. 17 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.;

   e) 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 Italian 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 comply with the law, that the accounting principles adopted, which are described in the notes to the financial statements, are appropriate for the activities and transactions carried out by the Company, that the procedure adopted (impairment test) to identify any impairment loses on goodwill and trademarks reported in the financial statements is appropriate, 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 supervisory activities undertaken.

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 annual financial statements at 31 December 2012 and agrees with the proposal of the Board of Directors concerning the appropriation of profit.

7. Lastly, the Board of Statutory Auditors notes that, as well as the approval of the annual financial statements to 31 December 2012 and related resolutions, the following items are on the agenda of the shareholders' meeting scheduled for 30 April 2013:

- appointment of the Board of Directors, due to the expiry of the current Board's mandate;
- appointment of the Board of Statutory Auditors, due to the expiry of the current Board's mandate;
- approval of the report on directors' remuneration, pursuant to art. 123-*ter* of Legislative Decree 58/98;

- approval of the stock option plan, pursuant to art. 114-*bis* of Legislative Decree 58/98;
- authorisation to buy and/or sell own shares.

Milan, 21 March 2013

For the Board of Statutory Auditors

The Chairman,

Pellegrino Libroia