HALF-YEAR REPORT AT 30 JUNE 2012

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Highlights

INTRODUCTION

This half-year report to 30 June 2012, comprising the interim report on operations and the condensed half-year financial statements, was prepared in accordance with article 154-ter of Legislative Decree 58/1998 (TUF), as subsequently amended.
The report was prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and approved by the European Union, and with the provisions of IAS 34 - Interim Financial Reporting.

For ease of reference, all figures in this half-year report, in both the sections relating to the interim report on operations and the condensed half-year report, are expressed in million euro to one decimal place, while the original data are 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.
In certain cases, representation in million euro can result in apparent discrepancies in both values expressed in absolute terms and those expressed as percentages.

	H1 2012 € million	H1 2011 € million	Change %	% change at constant exchange rates
Net sales	**618.3**	**589.1**	**5.0**	**2.8**
Contribution margin	259.9	240.7	8.0	4.9
EBITDA before non-recurring items	162.9	154.2	5.7	1.9
EBITDA	**159.3**	**152.1**	**4.8**	**0.9**
Result from recurring activities	147.4	139.0	6.0	2.0
Operating result	**143.8**	**136.9**	**5.0**	**1.0**
Operating margin (operating result/net sales)	**23.3%**	**23.2%**		
Profit before tax	122.7	115.4	6.3	
Group and minorities' net profit	78.2	75.5	3.5	
Group net profit	**77.9**	**75.3**	**3.5**	
Basic earnings per share (€)	0.14	0.13		
Diluted earnings per share (€)	0.13	0.13		
Average number of employees	2.308	2.249		
Free cash flow	30.6	51.8		
Acquisitions of companies and brands	1.3	7.7		
ROI % (operating result/fixed assets)	**7.9%**	**8.0%**		

	30.06.12 € million	31.12.11 € million
Net debt	655.7	636.6
Shareholders' equity - Group and minorities	1,419.4	1,367.5
Fixed assets	1,825.1	1,810.5
Working capital and other assets and liabilities	250.0	193.6

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 for the three-year period 2010-2012.
The Board of Directors, at a meeting held on the same date, gave Managing Directors Robert Kunze-Concewitz, Paolo Marchesini and Stefano Saccardi the following powers for three years until approval of the 2012 accounts:
- individual signature: powers of ordinary representation and management, within the value or time limits established for each type of function;
- joint signature: powers of representation and management for specific types of function, within the value or time limits deemed to fall outside ordinary activities.

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

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

[4][5] The Internal Audit Committee (formerly the Audit Committee) and the Remuneration and Appointments Committee were appointed by the Board of Directors on 30 April 2010, and were confirmed for the three-year period 2010-2012 by the Board of Directors on 27 April 2012.

Interim report on operations

Significant events during the period

Distribution of Tullamore DEW in Germany

The Group announced a major new distribution agreement under which the Irish whiskey Tullamore DEW, for which Germany is a key sales market, is to be distributed by Campari Deutschland GmbH from 1 July 2012.

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.
The new facility is scheduled to start bottling operations in the autumn of 2013.
The Group also plans to build a new plant in Scotland to handle the bottling of GlenGrant whiskies in house.
The new line is set to be operational in the second half of 2013, with the investment totalling GBP 4.9 million.

Ordinary shareholders’ meeting of the Parent Company

On 27 April 2012, the ordinary shareholders’ meeting of Davide Campari-Milano S.p.A. approved the financial statements for financial year 2011 and agreed the payment of a dividend of € 0.07 per share outstanding, up 16.7% on the dividend paid out for financial year 2010.
The total dividend paid out, calculated on the shares outstanding and excluding own shares (2,163,020 shares), was € 40,504,589.

Continuation of the process to streamline the Group’s structure

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.
The merger of Camargen SRL into Campari Argentina SA has been initiated.
The company name of Vasco (CIS) OOO was changed to Campari RUS OOO.

Purchase of own shares

Between 1 January and 1 June 2012, transactions took place for the sale of 1,338,797 own shares and the purchase of 1,300,000 own shares, at an average unit price of € 5.17.
At 30 June 2012, the Parent Company held 3,307,768 own shares, equivalent to 0.57% of the share capital.

Sales performance

Overall performance

Consolidated net sales totalled € 618.3 million in the first half of 2012, an increase of 5.0% on the previous year.
At constant exchange rates and structure, organic growth was 3.2% compared with the first half of 2011. As the following table shows, external growth had a negative effect of 0.4%, while exchange rate fluctuations had a positive effect of 2.2%.

	€ million	% compared with H1 2011
Net sales in H1 2012	618.3	
Net sales in H1 2011	589.1	
Total change	29.2	5.0%
of which		
organic growth	18.9	3.2%
external growth	-2.5	-0.4%
exchange rate effect	12.8	2,2%
Total change	29.2	5.0%

Sales in the first half of 2012 show organic growth of 3.2%. This is, objectively speaking, a positive result in view of the current macroeconomic context, as well as the fact that the comparison with the first half of last year, when organic growth reached double figures (+12.2%), was particularly unfavourable for the current financial year.
Some contingent effects also slowed sales growth in the first half of 2011. Specifically:

- In Brazil, the first half of the year was affected by a high level of advance ordering in December 2011 in anticipation of the price increase that came into effect in January 2012. In addition, in the second quarter of the year there was a clear slowdown in consumption, owing to higher levels of debt among the middle classes arising from the very aggressive use of consumer credit instruments.
- In Russia, the change in the distribution structure after the acquisition of Vasco (CIS) OOO led to a more intense sales drive by the previous distributors in the final part of 2011, in anticipation of the discontinuation of the relative contracts. The reabsorption in 2012 of excess product placed on the market in the second half of 2011 by distributors meant a slow start to the year, but this was in line with expectations. In this context, there was satisfactory growth in the Group's key markets.
- In Italy, in a context of restricted credit and a consequent rise in insolvencies, particularly cautious lending management has led to a weaker commercial dynamic, with inevitable results for sales.

However, the financial crisis has also had effects on confidence and consumption patterns in nearly all the western economies. While the southern European countries, which are deep in recession, have been hardest hit, there have also been signs of slowing consumption in countries such as Germany and Brazil, which are registering moderate economic growth.
In this context, however, there was a slight improvement in Group organic sales growth in the second quarter of 2012 (3.6%) compared with the first quarter (2.8%). The following table shows organic growth by quarter, compared with the same period of the previous year, for the past ten periods, starting with the first quarter of 2010.

Organic growth - % change	2012/2011	2011/2010	2010/2009
Q1	+2.8%	+10.5%	+14.5%
Q2	+3.6%	+13.6%	+4.3%
Q3		+7.3%	+3.7%
Q4		+5.2%	+12.0%
Total for the year		+8.8%	+8.4%

External growth had a limited effect overall, with a negative net balance of € 2.5 million (0.4%), due entirely to third-party brands.
As the following table shows, lower sales due to the termination of some distribution agreements, particularly for Cutty Sark in the US, had a greater impact than additional sales arising from new distribution agreements.

Sales - H1 2012: breakdown of external growth	€ million
Third-party brands in Russia	1.1
New still wines in Italy	1.5
Termination of distribution of Cutty Sark in the US	-3.5
Termination of distribution of other agency brands	-1.6
Sub-total - third-party brands	-2.5
Total external growth	-2.5

Changes in average exchange rates had a positive effect on sales in the first half of 2012 of € 12.8 million (+2.2%), due to the appreciation against the euro of the US dollar (+8.2%), the Australian dollar (+8.1%) and the Swiss franc (+5.5%). These trends more than offset depreciation in the currencies of the main countries of Central and South America (Brazil, Mexico and, to a lesser extent, Argentina).
The table below compares the changes in exchange rates for the Group's most important currencies, both as a spot rate at 30 June and as an average figure for the period.

Exchange rates for the period	H1 2012	H1 2011	% change
US$ x € 1 average for the period	1.297	1.403	8.2%
US$ x € 1 exchange rate at 30 June	1.259	1.445	14.8%
BRL x € 1 average for the period	2.414	2.287	-5.3%
BRL x € 1 exchange rate at 30 June	2.579	2.260	-12.4%
CHF x € 1 average for the period	1.205	1.270	5.5%
CHF x € 1 exchange rate at 30 June	1.203	1.207	0.3%
CNY x € 1 average for the period	8.192	9.176	12.0%
CNY x € 1 exchange rate at 30 June	8.001	9.342	16.8%
GBP x € 1 average for the period	0.823	0.868	5.5%
GBP x € 1 exchange rate at 30 June	0.807	0.903	11.9%
ARS x € 1 average for the period	5.693	5.679	-0.2%
ARS x € 1 exchange rate at 30 June	5.643	5.932	5.1%
AUD x € 1 average for the period	1.256	1.358	8.1%
AUD x € 1 exchange rate at 30 June	1.234	1.349	9.3%
MXN x € 1 average for the period	17.180	16.684	-2.9%
MXN x € 1 at 30 June	16.876	16.977	0.6%
RUB x € 1 average for the period	39.694	40.145	1.1%
RUB x € 1 exchange rate at 30 June	41.370	40.400	-2.3%

Sales by region

Sales were particularly strong in the first half of 2012 in the Americas and the rest of the world and duty free, while growth was extremely limited in Italy (although, given the difficult macroeconomic context in which it was achieved, this can also be regarded as very positive), and the rest of Europe registered a negative sales performance.

	H1 2012		H1 2011		% change
	€ million	%	€ million	%	2012/2011
Italy	212.6	34.4%	209.6	35.6%	1.4%
Rest of Europe	137.5	22.2%	140.5	23.9%	-2.1%
Americas	208.2	33.7%	190.0	32.3%	9.6%
Rest of the world and duty free	60.0	9.7%	49.0	8.3%	22.5%
Total	**618.3**	**100.0%**	**589.1**	**100.0%**	**5.0%**

In **Italy**, sales came in at € 212.6 million in the first half of 2012, up 1.4% on the first half of 2011. Italy, due to the seasonal peak in sales in the soft-drinks segment (nearly all generated in the country), is once again – for the time being - the Group's core region, accounting for 34.4 % of total sales.
The following table shows the sales performance in **Italy**, broken down into four business segments and, for each of these, showing both absolute values and percentage changes, separating the effect of organic growth from changes in structure.

Italy	H1 2012 € million	H1 2011 € million	Total change	Organic growth	External growth	Exchange rate effect
Spirits	145.2	141.3	2.8%	2.9%	-0.1%	0.0%
Wines	15.1	16.3	-7.3%	-13.5%	6.1%	0.0%
Soft drinks	52.3	52.0	0.6%	0.6%	0.0%	0.0%
Total	**212.6**	**209.6**	**1.4 %**	**1.1%**	**0.4%**	**0.0%**

In Italy, sales reached € 212.6 million in the half-year, with overall growth of 1.4%, driven by a positive result for spirits, which boosted sales by 2.8% (2.9% year on year on a same-structure basis). Among the individual brands, Campari and Aperol performed very strongly, confirming their absolute leadership of the growing aperitifs category, which is showing a positive consumer trend. SKYY Vodka also performed very well in the half-year, benefiting from the introduction to the market of the flavoured-vodka range, while Campari Soda was largely unchanged and the GlenGrant, Cynar and Zedda Piras (Mirto di Sardegna) brands were down due to contracting sales in the categories of whiskies, bitters and sweet liqueurs.
The wine segment, meanwhile, saw a reduction in sales of 7.3%, despite the positive effect of the new distribution agreements, which had a positive structural effect of 6.1%. None of the wine brands performed brilliantly, but the biggest decrease was in the still-wines range, seriously affected by falling consumption in the restaurant channel.
Lastly, the soft-drinks segment registered limited growth of 0.6%: a positive result from the Lemonsoda drinks range offset a slight contraction in Crodino and mineral waters.

In the **rest of Europe**, sales came in € 137.5 million in the first half of 2012, down 2.1% compared with the same period of 2011; stripping out an exchange rate effect of +0.8% and an external growth component of +0.3%, organic sales were down by 3.2%. This decrease was due to very divergent performances in the Group's core markets: positive in Russia, Austria, Switzerland and Ukraine; the opposite in Germany, Spain, France and Greece; and completely unchanged in Belgium.

Rest of Europe	H1 2012 € million	H1 2011 € million	Total change	Organic growth	External growth	Exchange rate effect
Spirits	95.4	99.4	-4.1%	-4.1%	-0.6%	0.6%
Wines	35.9	35.0	2.6%	0.6%	0.9%	1.0%
Soft drinks	2.9	2.2	29.9%	27.3%	0.0%	2.6%
Other sales	3.3	3.8	-13.6%	-31.5%	17.3%	0.6%
Total	**137.5**	**140.5**	**-2.1 %**	**-3.2%**	**0.3%**	**0.8%**

In Russia, where the Group's new commercial structure ramped up in 2012, and the process of reabsorption of excess products placed on the market in the second half of 2011 by the previous distributors proceeded according to plan, sales of the main brands (Cinzano, Mondoro and Campari) showed positive levels of organic growth.
In Germany, by contrast, sales were negatively affected by two partly inter-related factors in the first half of 2012. On the one hand, the comparison with the first half of 2011 was generally very unfavourable: the explosive success of Aperol and weather conditions that encouraged consumption outside the home meant that Germany registered a second record quarter in 2011. As well as this, the commercial dispute with a major customer, particularly active in 2011, had a negative effect on sales of Aperol and Campari in the first half of 2012. In the rest of Europe overall, the 3.2% decrease in sales was due to a contraction in spirits of 4.1%, with sales of both Campari and Aperol down and limited growth in wines (0.6%), particularly in Mondoro and Cinzano sparkling wines.
The soft drinks segment, while limited in size in this region, achieved growth of 27.3%, due to the launch of the Lemonsoda range in Switzerland and Austria.
The other sales segment, which is equally small, saw a decrease in sales of 13.6% in Europe, due mainly to third-party products sold in Russia, which are in this segment because they cannot be included in the Group’s three other businesses.

Sales in the **Americas** totalled € 208.2 million, with overall growth of 9.6% compared with the first half of 2011. The increase included organic business development of 7.2% and a positive exchange rate effect of 4.3%, with a negative external growth impact of 1.9%.

Americas	H1 2012 € million	H1 2011 € million	Total change	Organic growth	External growth	Exchange rate effect
Spirits	195.5	177.8	10.0%	7.5%	-2.1%	4.6%
Wines	10.1	10.5	-3.7%	-4.3%	1.2%	-0.6%
Other sales	2.5	1.6	55.4%	55.0%	0.0%	0.4%
Total	**208.2**	**190.0**	**9.6 %**	**7.2%**	**-1.9%**	**4.3%**

Since spirits account for approximately 94% of sales in the region, to provide a more detailed analysis of the region, including by business segment, the figures for the two main markets (US and Brazil) and the additional region of other countries on the American continents are broken down separately in the following two tables.

	H1 2012 € million	%	H1 2011 € million	%	% change 2012/2011
US	134.4	64.6%	113.1	59.5%	18.9%
Brazil	37.6	18.1%	46.3	24.3%	-18.7%
Other countries	36.2	17.4%	30.6	16.1%	18.0%
Total Americas	**208.2**	**100.0%**	**190.0**	**100.0%**	**9.6%**

Breakdown of % change	Total	Organic growth	External growth	Exchange rate effect
US	18.9%	13.2%	-3.3%	9.0%
Brazil	-18.7%	-14.2%	0.0%	-4.5%
Other countries	18.0%	17.6%	0.2%	0.1%
Total Americas	**9.6%**	**7.2%**	**-1.9%**	**4.3%**

The **US**, which represented 64.6% of total sales in the Americas region in the half-year and 21.7% of the Group total, registered total growth of 18.9% and organic growth of 13.2%.
This excellent result was due mainly to a good performance across the board by almost all of the spirits. The Wild Turkey franchise in particular stood out, with organic growth of 22.8% on the back of sales of American Honey, which has proven a great success; sales of the other brands – for which the US market is key – were also very good in the period, including SKYY Vodka first of all, followed by Espolon, Cabo Wabo and Campari.
The entire wines segment registered a decline in sales, however, for both the Cinzano brand and still wines.
US sales were also somewhat affected in structural terms by the termination of the distribution of Cutty Sark (-3.3%), but benefited, at actual exchange rates, from a substantial positive exchange rate effect (+9.0%) relating to the revaluation of the US dollar.

In **Brazil**, sales decreased by 18.2% overall year on year in the first half of 2012, with a 14.2% decline in organic terms and a negative exchange rate effect of 4.5%, due to depreciation in the Brazilian real.
With the single exception of SKYY Vodka, boosted by the launch of the Infusions range, sales of all the core brands were down in the first half of 2012. The performance of the Brazilian market in the first half shows different sales dynamics in the two quarters, as well as different factors affecting the results.
Specifically, in the first quarter of the year, the sharp contraction in sales was due mainly to advance ordering by distributors in December 2011, in anticipation of the price increase that came into effect in January 2012.
In the second quarter, however, the recovery in sales was limited by an increasing contraction in consumption due to levels of debt among middle-class consumers, who, in a climate of euphoria (which has recently vanished), abused the use of consumer credit instruments.

The sales of **other countries on the American continents**, however, continued to show a positive trend overall, rising by 17.6% in total in the half-year at constant exchange rates and by 18.0% at actual exchange rates.
This growth was attributable largely to the three core markets of Argentina, Canada and Mexico, but Peru and Chile, for which the outlook is interesting in terms of both growth and business size, also contributed.
In Argentina, Campari and Old Smuggler performed well, as did the local brands acquired by the Group in 2011, while Cinzano saw a slight sales contraction.
In Canada the results for the first half-year were positive, with growth due to SKYY Vodka and, to a lesser extent, Campari. The Carolans brand, for which Canada is the second-biggest market in the world, was also down slightly.
Mexican growth continues to be driven by the SKYY Blue ready-to-drink range, which is the main brand in this market, but other Group brands, including SKYY Vodka and Espolon, are also showing encouraging results.

Changes in structure and exchange rates were positive, but both marginal, for the sales of **other countries on the American continents**.

In the **rest of the world and duty free** region, sales came in at € 60.0 million in the first half of 2012, up by 22.5% on the same period a year earlier and representing approximately 10% of total Group sales.
Exchange rate fluctuations had a substantial positive effect of 7.5%. Even without this, organic growth was strong at 15.0%. In addition, the comparison with the previous year was extremely challenging, since the region registered organic sales growth of 58.1% in the first half of 2011.
All the five core markets in the region (in order: Australia, Japan, China, Nigeria and South Africa) recorded increased sales in the first half of 2012, while the aggregate for the duty free channel was down slightly.
In terms of the business segments, spirits represented 87.0% of total sales in the region, and wines accounted for 12.5%.

Rest of the world and duty free	H1 2012 € million	H1 2011 € million	Total change	Organic growth	External growth	Exchange rate effect
Spirits	52.2	41.8	24.9%	17.2%	0.0%	7.7%
Wines	7.5	6.8	10.5%	3.8%	0.0%	6.6%
Soft drinks	0.1	0.1	12.8%	12.8%	0.0%	0.0%
Other sales	0.3	0.4	-32.7%	-35.0%	0.0%	2.3%
Total	**60.0**	**49.0**	**22.5 %**	**15.0%**	**0.0%**	**7.5%**

Spirits increased by 24.9% (17.2% at constant exchange rates).
This strong growth mainly reflected the excellent performance of the entire Wild Turkey franchise on the Australian market, with the ready-to-drink business and American Honey registering double-digit growth. SKYY Vodka and the Campari and Aperol aperitifs also made a very substantial contribution to the good overall growth seen in the Australian market.
In other markets, Wild Turkey in Japan, SKYY Vodka in South Africa and Campari in Nigeria performed well.
The **wines** segment also increased sales in the reporting period: overall growth was 10.5%, and 3.8% excluding the positive exchange rate effect.
The main brand, Riccadonna, closed the half-year broadly in line with the previous year, with strong growth in Australia balanced out by a contraction in New Zealand.
Growth in this segment was due mainly to sales of Cinzano sparkling wines (in Japan, China and the duty free channel) and Sella&Mosca wines (in China).

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 organic growth of 3.2% registered at Group level was due to spirits (+4.5%) and soft drinks (+1.7%), while wines and the additional segment of other sales closed the half-year with an organic contraction (3.1% and 7.7% respectively).

	H1 2012 € million	%	H1 2011 € million	%	% change 2012/2011
Spirits	488.3	78.9%	460.3	78.1%	6.1%
Wines	68.6	11.1%	68.6	11.6%	0.0%
Soft drinks	55.3	9.0%	54.3	9.2%	1.8%
Other sales	6.1	1.0%	5.9	1.1%	4.3%
Total	**618.3**	**100.0%**	**589.1**	**100.0%**	**5.0%**

Breakdown of % change	Total	Organic growth	External growth	Exchange rate effect
Spirits	6.1%	4.5%	-1.0%	2.6%
Wines	0.0%	-3.1%	2.1%	1.1%
Soft drinks	1.8%	1.7%	0.0%	0.1%
Other sales	4.3%	-7.7%	11.3%	0.7%
Total	**5.0%**	**3.2%**	**-0.4%**	**2.2%**

Spirits

Sales of spirits totalled € 488.3 million. The increase of 6.1% was due to organic growth of 4.5% and a positive exchange rate effect of 2.6%, whereas external growth had a negative effect of 1.0% (due mainly to the termination of distribution of Cutty Sark in the US).

In addition to the previous comment on the sales performance of the key brands in each region, the following is a summary of the trend in consolidated net sales of the key brands in the first half of 2012.

Core Group spirit brands Sales in H1 2012 compared with H1 2011	Change at constant exchange rates	Change at actual exchange rates
Campari	-0.9%	-0.6%
SKYY Vodka (including the Infusions range)	11.0%	18.5%
Aperol	1.7%	1.9%
Campari Soda	-0.5%	-0.5%
Wild Turkey franchise	22.1%	31.9%
of which Wild Turkey core brand	12.9%	22.0%
of which Wild Turkey ready-to-drink	24.0%	34.0%
of which American Honey	45.9%	57.6%
Brazilian brands (Old Eight, Drury's and Dreher)	-16.7%	-21.0%
Former C&C brands	-0.2%	6.3%
of which Carolans	9.3%	17.5%
of which Frangelico	-7.6%	-2.2%
GlenGrant	-7.8%	-6.7%
Old Smuggler	23.4%	24.3%
Ouzo12	1.4%	2.0%
Cynar	-4.1%	-4.6%
Tequila (Cabo Wabo, Espolon)	41.4%	52.4%

Meanwhile, third-party spirit brands distributed by the Group registered an overall contraction of 1.3%, owing to the negative impact of discontinued distribution agreements, mainly for Cutty Sark. On a same-structure basis year on year, and at constant exchange rates, the agency brand spirits registered a 5.3% increase in sales (6.8% at constant structure and exchange rates).

Wines

Sales of wine totalled € 68.6 million in the first half of 2012, exactly the same as in the first half of last year. Solely in organic terms, growth was down by 3.1%, however, while external growth was +2.1%, due to new third-party still-wine distribution agreements on the Italian market and to the third-party wine portfolio distributed in Russia, and the positive exchange rate effect was 1.1%.

The following is a summary of the consolidated sales performance of the key brands.

Group wine brands Sales in H1 2012 compared with H1 2011	Change at constant exchange rates	Change at actual exchange rates
Cinzano sparkling wines	0.9%	1.6%
Cinzano vermouth	-4.2%	-3.3%
Other sparkling wines (Riccadonna, Mondoro, Odessa)	4.6%	8.1%
Sella&Mosca	-9.1%	-8.8%

In wines, the brand agencies accounted for a lower proportion of total sales than in spirits. However, the strategy of growth, including by expanding the portfolio to the distribution of new third-party brands, also resulted in the completion of major new agreements in 2012, including the agreement for Fazi-Battaglia wines.

Soft drinks

In the first half of 2012, sales of soft drinks totalled € 55.3 million, up 1.8% compared with the first half of 2011 (1.7% stripping out a marginally positive exchange rate effect).

The following is a summary of the key brand trends at consolidated level.

Group soft drink brands Sales in H1 2012 compared with H1 2011	Change at constant exchange rates	Change at actual exchange rates
Crodino	-2.6%	-2.5%
Lemonsoda drinks range	12.7%	12.9%
Crodo mineral waters and other drinks	-13.5%	-13.5%

Other sales

The other sales segment, which is marginal since it represents less than 1.0% of total Group sales, grew by 4.3% in the first half of 2012.

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 co-packing activities on behalf of third parties, this segment also includes the sale of finished products that do not fall into the product categories that represent the Group's core business (spirits, wines and soft drinks). Growth in other sales in the first half of 2012 was due to other finished products and particularly to sales still recorded as external growth.

Income statement

The Group's results for the first half of 2012 show growth in both sales and profits. This growth was in line with expectations, despite the difficult macroeconomic context in some key regions and a challenging comparison with a particularly positive first half of 2011.

Year on year, the operating result grew by 5.0% in total. Organic growth, excluding changes in structure (-2.4%) and exchange rates (+4.1%), was 3.4%.

	30.06.12		30.06.11		Change
	€ million	%	€ million	%	%
Net sales	618.3	100.0	589.1	100.0	5.0
Cost of goods sold after distribution costs	(255.1)	-41.3	(242.6)	-41.2	5.2
Gross profit after distribution costs	363.2	58.7	346.5	58.8	4.8
Advertising and promotional costs	(103.3)	-16.7	(105.8)	-18.0	-2.4
Contribution margin	259.9	42.0	240.7	40.9	8.0
Overheads	(112.5)	-18.2	(101.7)	-17.3	10.7
Result from recurring activities	147.4	23.8	139.0	23.6	6.0
Non-recurring income (charges)	(3.6)	-0.6	(2.1)	-0.4	-
Operating result	143.8	23.3	136.9	23.2	5.0
Net financial income (charges)	(20.8)	-3.4	(21.5)	-3.7	-3.2
Non-recurring financial income (charges)	(0.1)	0.0	-	-	-
Profit (loss) of companies valued at equity	-	-	0.1	0.0	-
Put option income (charges)	(0.1)	0.0	-	-	-
Profit before tax and minority interests	122.7	19.8	115.4	19.6	6.3
Taxes	(44.5)	-7.2	(39.9)	-6.8	11.7
Net profit	78.2	12.6	75.5	12.8	3.5
Minority interests	(0.3)	0.0	(0.3)	0.0	-
Group net profit	77.9	12.6	75.3	12.8	3.5
			-		
Total depreciation and amortisation	(15.6)	-2.5	(15.2)	-2.6	2.3
EBITDA before non-recurring income and charges	162.9	26.3	154.2	26.2	5.7
EBITDA	159.3	25.8	152.1	25.8	4.8

Net sales for the half-year were € 618.3 million, up 5.0% due to organic growth of 3.2% and a positive exchange rate effect of 2.2%, offset partially by a negative external growth effect of 0.4%.

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 accounted for 41.3% of sales, close to the first half of last year (41.2%).
However, a range of performances underlie this figure, shown in the various cost components. On the one hand, distribution costs rose due to the general increase in the unit costs of transport and the Group's expansion in new markets, entailing higher logistics costs (particularly in Russia).
On the other, there was an almost equal change in the other direction in the production cost: in this case, the favourable sales mix and the positive limitation on some industrial fixed costs more than offset the sharp increase in some raw materials (particularly sugar).

Gross profit was € 363.2 million, up 4.8% on the first half of 2011. As a proportion of sales, it was 58.7%, in line with the previous year (58.8%) due to the substantial stability in the cost of goods sold, mentioned above.

Advertising and promotional costs amounted to 16.7% of sales in the first half of 2012. Although the expected increase in marketing investment did take place between the first and second quarters of 2012, the overall figure for the half-year was lower than for the first half of 2011 (when it was 18.0%), due to more focused investment planning in the second part of the year, and particularly due to the delayed launch of the SKYY Vodka advertising campaign in the US.

The **contribution margin** for the half-year was € 259.9 million, with total growth of 8.0% comprising organic growth (5.2%), a favourable exchange rate (3.1%) and a negative external growth effect of 0.3%.

Overheads, which include the cost of the sales structures and general and administrative costs, increased by 10.7% in total during the half-year.
This strong growth was due to both an exchange rate effect of 1.9% and an external growth effect of 2.5%, attributable to the launch of direct distribution on the Russian market, which entailed substantial investments to reinforce the entire structure of Vasco CIS OOO, acquired in March 2011 and subsequently renamed Campari RUS OOO.
Stripping out these items, organic growth in overheads in the half-year was 6.2% and included a major strengthening of the Group's central and commercial structures in some particularly dynamic markets.

The result from recurring activities was € 147.4 million, an increase of 6.0% compared with the same period of last year.
Stripping out the negative effects of external growth (-2.4%) and positive exchange rate effects (+4.0%), the result from recurring activities grew by 4.4%.
While in terms of the Group's net sales and contribution margin the negative external growth effect on the Group's income statement was marginal (-0.4% and -0.3% respectively), the negative effect was more substantial in the result for recurring activities (and therefore also for the operating result), at -2.4%, owing to the external overheads component previously mentioned.

Non-recurring income and charges showed a net negative balance of € 3.6 million, caused mainly by restructuring costs (the same figure for 2011 was a negative balance of € 2.1 million).

The **operating result** was € 143.8 million in the first half of 2012, representing a total increase of 5.0% compared with the first half of last year. Stripping out the effects of external growth (-2.4%) and exchange rates (+4.1%), organic growth was 3.4%.
ROS (return on sales, i.e. operating result as a percentage of net sales) was 23.3%, compared with 23.2% in the previous year.

Depreciation and amortisation in the period totalled € 15.6 million, up 2.3% on the first half of 2011.

EBITDA before non-recurring income and charges increased by 5.7% (4.0% on a same-structure basis and at constant exchange rates) to € 162.9 million, while **EBITDA** rose by 4.8% (3.1% on a same-structure basis and at constant exchange rates) to € 159.3 million.

Net financial charges totalled € 20.9 million in the first half of 2012, lower than the € 21.5 million registered in the same period of 2011. The average cost of debt (6.55%) was in line with the previous year.

Group profit before tax was € 122.7 million in the first half of 2012, up 6.3% year on year.

Income tax for the period came in at € 45.5 million, representing an increase over the figure for the first half of 2011 both in absolute terms (€ 39.9 million in the previous year) and in terms of the tax rate, which rose to 36.2% from 34.6% last year.
This increase resulted from both a different income generation mix across the various countries in which the Group operates and non-recurring charges of € 2.5 million due to tax disputes.
This item also includes a component for deferred taxes of € 11.1 million in 2012 (€ 10.0 million in 2011), reported for the purposes of cancelling out the effect of the tax-deductibility of amortisation on goodwill and brands permitted under local legislation.

Minority interests for the period were low, at € 0.3 million, and the same as in the first half of 2011.

Group net profit in the first half of 2012 came in at € 77.9 million, an increase of 3.5% compared with the first half of the previous year, representing 12.6% of sales.

Profitability by business area

The Campari Group's main unit of analysis is business segment, where its results are broken down into spirits, wines, soft drinks and other sales. A summary of the financial results for each of these four business areas is therefore shown below.
The income statement figure used by the Campari Group to represent the profitability of its business areas is the contribution margin, which is the margin generated by sales after the cost of goods sold (including all logistics costs) and advertising and promotional costs.

The table below shows the contribution margin of each segment and the percentage share of the Group total represented by each business area. In the first half of 2012, the Group total was € 259.9 million, up 8.0% on the same period of 2011.

Contribution margin	H1 2012			H1 2011			2012/2011
	€ milion	% of total	as % of sales	€ milion	% of total	as % of sales	% change
Spirits	221,1	85,0%	45,3%	201,8	83,8%	43,8%	9,5%
Wines	16,8	6,5%	24,5%	17,3	7,2%	25,2%	-2,6%
Soft drinks	20,7	8,0%	37,5%	20,4	8,5%	37,5%	1,9%
Other	1,3	0,5%	20,6%	1,2	0,5%	20,6%	4,1%
Total	259,9	100,0%	42,0%	240,7	100,0%	40,9%	8,0%

Spirits further strengthened their position as the Group's biggest contributor and confirmed their standing as the most profitable segment. In the first half of 2012, spirits generated 85.0% of the total contribution, higher than the percentage figure for the previous year (83.8%) and, above all, higher than the segment's share of net sales, which was 78.9% as mentioned above.

The tables below show a summary income statement for each segment, with an analysis of organic growth, external growth and the exchange rate effect.

Spirits

The excellent sales performance achieved by the spirits segment in the first half of the year, which rose by a total of 6.1%, is also reflected in profitability: gross profit rose by 6.7% and the contribution margin by 9.5% (€ 221.1 million).
The improvement in the segment's gross profit as a percentage of net sales, up 30 bps, is due to the favourable trend mix within the cost of goods sold; given the substantial impact that this segment has on the overall results, many of the comments on the cost of goods sold at Group level in the "Income statement" section also apply to this segment.

The contribution margin as a proportion of net sales rose to 150 bps in the segment, due to advertising and promotional spending that was proportionally lower than in the first half of 2011 (from 20.0% to 18.9%), although it was higher in absolute terms.

Income statement: spirits	H1 2012		H1 2011		2012/2011
	€ million	% of sales	€ million	% of sales	Change %
Net sales	488.3	100.0%	460.3	100.0%	6.1%
Gross profit after distribution costs	313.5	64.2%	294.0	63.9%	6.7%
Contribution margin	221.1	45.3%	201.8	43.8%	9.5%

The analysis of growth provided below shows the positive effect on gross profit of both external growth, due to the discontinued distribution of low-margin brands, and the exchange rate effect: fluctuations in some currencies had a positive effect on sales with no corresponding negative effect on the cost of goods sold, due to the high concentration of production costs generated in euro.

Analysis of growth	% Total change	Organic growth	External growth	Exchange rate effect
Net sales	6.1%	4.5%	-1.0%	2.6%
Gross profit after distribution costs	6.7%	3.5%	-0.2%	3.3%
Contribution margin	9.5%	6.3%	-0.4%	3.6%

Wines

The Group's wine brands showed a trend of steady sales in the first half of 2012 compared with the previous year, with an 8.8% decrease in gross profit and a more limited decrease in the contribution margin (2.6%).

Income statement: wines	H1 2012		H1 2011		2012/2011
	€ million	% of sales	€ million	% of sales	Change %
Net sales	68.6	100.0%	68.6	100.0%	0.0%
Gross profit after distribution costs	22.9	33.4%	25.1	36.6%	-8.8%
Contribution margin	16.8	24.5%	17.3	25.2%	-2.6%

The negative impact on gross profit, i.e. the increase in the cost of goods sold as a percentage of net sales compared with the first half of 2011, was 320 bps. The reasons for this lie partly in increased production costs for sparkling wines, a category in which Group companies Cinzano, Riccadonna and Mondoro operate, and partly in an unfavourable mix, with a greater contraction in sales volumes for the higher-margin brands.
The contribution margin for wine, which was 2.6% lower, was affected by decreased advertising and promotional investment and fell to 8.9% as a percentage of sales in the first half of 2012, from 11.4% in the first half of 2011.

Analysis of growth	% Total change	Organic growth	External growth	Exchange rate effect
Net sales	0.0%	-3.1%	2.1%	1.1%
Gross profit after distribution costs	-8.8%	-9.9%	-0.6%	1.8%
Contribution margin	-2.6%	-3.7%	-0.9%	1.9%

The analysis of the effects of the changes above shows greater growth in gross profit than in sales due to exchange rate differences, for the reasons previously described for spirits (nearly all the Group's wines are produced in Italy and denominated in euro). With regard to external growth, meanwhile, there was a positive change in sales (+2.1%), but no corresponding growth in gross profit. This was not due to negative margins on the new brands distributed but exclusively to costs relating to the development of the platform on the Russian market.

Soft drinks

The soft-drinks segment reported a contribution margin of € 20.7 million in the first half of 2012, down 1.9% compared with the previous year.

The segment's sales performance was good overall, with growth of 1.8%, while sales as a percentage of gross profit were down by 1.5%, due partly to the increased cost of goods sold and partly to an unfavourable sales mix (with volumes of Crodino, a high-margin brand, down compared with last year).
With regard to the cost of goods sold, note that in the first half there was strong pressure on sugar prices, which had quite a significant effect in the soft-drinks segment, since sugar accounts for a large proportion of the cost of these products.
The reduced investment in advertising and promotion, which decreased as a percentage of sales from 10.2% to 8.6%, led to a 1.9% increase in the contribution margin.

Income statement: soft drinks	H1 2012		H1 2011		2012/2011
	€ million	% of sales	€ million	% of sales	Change %
Net sales	55.3	100.0%	54.3	100.0%	1.8%
Gross profit after distribution costs	25.5	46.1%	25.9	47.7%	-1.5%
Contribution margin	20.7	37.5%	20.4	37.5%	1.9%

There were no changes in the basis of consolidation in the soft-drinks segment, and the exchange rate effect was very marginal.

Other sales

The contribution margin for this minor segment, which includes sales of raw materials and semi-finished and finished goods to third parties, was € 1.3 million, broadly in line with the previous year.
The figures are very small in absolute terms and the sales included in this segment vary greatly in terms of type and profitability, meaning that even very large percentage changes are not very significant.
Since March 2011, this segment has also included sales made in Russia by Campari RUS OOO of third-party finished products that do not fall into the product categories that represent the Group's core business.

Income statement: other sales	H1 2012		H1 2011		2012/2011
	€ million	% of sales	€ million	% of sales	Change %
Net sales	6.1	100.0%	5.9	100.0%	4.3%
Gross profit after distribution costs	1.3	20.7%	1.5	26.0%	-17.1%
Contribution margin	1.3	20.6%	1.2	20.6%	4.1%

Financial situation

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.

	30.06.12	30.06.11	Change
	€ million	€ million	€ million
Operating profit	143.8	136.9	6.9
Depreciation	15.6	15.2	0.4
EBITDA	159.3	152.1	7.3
Other non-cash items	3.4	0.0	3.3
Changes in non-financial assets and liabilities	(1.8)	2.0	(3.8)
Taxes paid	(53.1)	(43.0)	(10.0)
Cash flow from operating activities before changes in working capital	107.8	111.1	(3.3)
Change in net operating working capital	(42.5)	(27.8)	(14.7)
Cash flow from operating activities	65.3	83.4	(18.0)
Net interest paid	(17.4)	(16.1)	(1.3)
Cash flow used for investment	(17.4)	(15.4)	(2.0)
Free cash flow	**30.6**	**51.8**	**(21.3)**
Acquisitions	(1.3)	(7.7)	6.5
Other changes	(1.7)	(14.2)	12.5
Dividend paid out by Parent Company	(40.5)	(34.6)	(5.9)
Total cash flow used in other activities	(43.5)	(56.5)	13.1
Exchange rate differences and other changes	(7.5)	14.2	(21.7)
Change in net debt due to operating activities	(20.4)	9.5	(29.9)
Change in payables for the exercise of put options and earn-out payments	1.3	(1.6)	2.9
Change in net debt = total net cash flow for the period	**(19.1)**	**7.9**	**(27.0)**
Net debt at the start of the period	(636.6)	(677.0)	40.4
Net debt at the end of the period	(655.7)	(669.0)	13.4

Free cash flow in the first half of 2012 was € 30.6 million: cash flow from operating activities was € 65.3 million, which was offset partly by the payment of net financial interest of € 17.4 million and net investment of € 17.4 million.
Free cash flow decreased by € 21.3 million in the first half of 2012, from € 51.8 million in the first half of last year. The most significant changes were as follows:
- EBITDA (operating profit and amortisation/depreciation) grew by € 7.3 million (see the previous section entitled "Income statement" for a breakdown by item);
- tax of € 53.1 million was paid in the half-year, an increase of € 10.0 million on the previous year;
- operating working capital changed more markedly than in the previous year (excluding exchange rate effects); this had a negative effect on the comparison between the two half-years of € 14.7 million (for more detail on this item, see the "Operating working capital" section below);
- net interest paid increased by € 1.3 million;
- investment spending was € 2.0 million higher than in the previous year.

Cash flow used in other activities was € 43.5 million, compared with € 56.5 million in the first half of 2011.
In 2012, the most significant item was the dividend paid out by the Parent Company for € 40.5 million, higher than the dividend for the previous year (€ 34.6 million).

Disbursements for acquisitions, amounting to € 1.3 million, include only earn-out payments relating to Cabo Wabo and Sagatiba S.A. in 2012, while in 2011 the acquisitions of Vasco (CIS) OOO in Russia and the Cazalis and Reserva San Juan brands in Argentina, as well as earn-out payments on previous acquisitions, totalled € 7.7 million.
Lastly, the other changes are due to the net balance between purchases and sales of own shares for € 1.7 million, while in the first six months of 2011 this balance was € 14.2 million.

Exchange rate differences and **other changes** had a positive impact of € 7.5 million on net cash flow for the period, relating mainly to negative exchange rate differences on operating working capital of € 3.7 million and other differences of € 3.8 million.
In the same half of last year, this item was positive for € 14.2 million, due mainly to positive differences on operating working capital of € 15.3 million.

The change in financial payables relating to the exercise of put options and earn-out payments in the first half of 2012 shows a net reduction of € 1.3 million, due to the earn-out payments mentioned above, already included in the net financial position at 31 December 2011.

To conclude, **net cash flow of € 19.1 million had been absorbed** at 30 June 2012, corresponding to the increase in Group financial debt compared with 31 December 2011.

Breakdown of net debt

At 30 June 2012, consolidated net debt stood at € 655.7 million, or € 19.1 million higher than the € 636.6 million registered at 31 December 2011.
The main cash inflows and outflows giving rise to the change in debt in the period are analysed in the previous section entitled "Cash flow statement".
The table below shows how the debt structure changed between the beginning and end of the period.

	30.06.12 € million	31.12.11 € million	Change
Cash and cash equivalents	380.2	414.2	(33.9)
Payables to banks	(124.0)	(144.9)	20.9
Real estate lease payables	(0.0)	(3.0)	3.0
Short-term portion of private placement	(86.1)	(83.7)	(2.4)
Other financial receivables and payables	(14.2)	(10.7)	(3.5)
Short-term net cash position	155.9	171.8	(15.9)
Payables to banks	(0.0)	(0.1)	0.1
Real estate lease payables	(1.4)	(1.4)	(0.0)
Private placement and bond	(803.3)	(798.5)	(4.8)
Other financial receivables and payables	(0.4)	(0.5)	0.2
Medium-/long-term net debt	(805.1)	(800.6)	(4.5)
Debt relating to operating activities	(649.2)	(628.8)	(20.4)
Payables for the exercise of put options and potential earn-out payments	(6.5)	(7.8)	1.3
Net debt	**(655.7)**	**(636.6)**	**(19.1)**

In terms of structure, the net financial position at the end of the first half of 2012 confirms a positive division between the Group's short- and medium-/long-term debt.
The short-term net cash position was € 155.9 million at 30 June 2012, consisting of cash and cash equivalents of € 380.2 million, offset by payables to banks and other short-term payables totalling € 124.0 million (at 31 December 2011, the short-term net financial position was slightly more liquid, at € 171.8 million). Note that, after the reporting date, Redfire Inc. used part of this amount to repay the residual portion of the private placement of 2002 (US$ 108.3 million), falling due on 11 July 2012.
The medium-/long-term component, made up almost exclusively of bonds in issue, showed a debt position of € 805.1 million, € 4.5 million more than at 31 December 2011 due to the exchange rate effect on payables denominated in US dollars.
Overall, currency fluctuations between the two dates under comparison resulted in a consolidated net financial position of € 9.4 million at 30 June 2012.

Group net debt also includes a financial payable of € 6.5 million, relating to the possible future exercise of put options by third parties and future earn-out payments.
At 31 December 2011, this payable amounted to € 7.8 million and related to the possible recognition of earn-outs on the acquisitions of Cabo Wabo, Sagatiba S.A., Campari Argentina S.A. (formerly Sabia S.A.) and Campari Mexico S.A. de C.V. (formerly Destiladora San Nicolas, S.A. de C.V.) and a put option relating to Campari RUS OOO (formerly Vasco (CIS) OOO).
At 30 June 2012, the payable was reduced by € 1.3 million, due mainly to the payment of earn-outs on Cabo Wabo and Sagatiba S.A.

Group balance sheet

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

	30.06.12	31.12.11
	€ million	€ million
Fixed assets	1,825.1	1,810.5
Other non-current assets and liabilities	(161.4)	(157.1)
Operating working capital	488.7	442.5
Other current assets and liabilities	(77.3)	(91.9)
Total invested capital	**2,075.0**	**2,004.0**
Shareholders' equity	1,419.4	1,367.5
Net debt	655.7	636.6
Total financing sources	**2,075.0**	**2,004.0**

Invested capital at 30 June 2012 was € 2,075.0 million, € 71.0 million higher than at 31 December 2011.
There were no major structural changes in the individual components of invested capital and sources of financing.
With regard to operating working capital, which showed the biggest change (€ 46.2 million), the figure at 30 June 2012 included, like all the other items on the statement of financial position, an increase due to exchange rates.
The Group's financial structure is largely in line with levels at 31 December 2011, with a debt-to-equity ratio of 46.2% at the end of the period, compared with 46.6% at 31 December 2011.

Operating working capital

The table below compares the figures at 30 June 2012, 31 December 2011 and 30 June 2011; operating working capital is also shown, for each period, as a proportion of sales over the previous 12 months.

	30.06.12	31.12.11	Change	30.06.11	Change
	€ million	€ million	€ million	€ million	€ million
Receivables from customers	305.5	278.0	27.5	264.9	40.6
Inventories	379.6	331.3	48.3	316.0	63.6
Trade payables	(196.4)	(166.8)	(29.6)	(187.7)	(8.7)
Operating working capital	**488.7**	**442.5**	**46.2**	**393.1**	**95.6**
Sales in the previous 12 months	1,303.5	1,274.2	29.2	1,236.4	67.0
Working capital as % of sales in the previous 12 months	37.5	34.7		31.8	

Operating working capital at 30 June 2012 was € 488.7 million, € 46.2 million higher than at the start of the year.

The most significant increase was in inventories (€ 48.3 million), which are traditionally higher on average at the end of June than at the start of the year.

The cash flow statement previously presented shows more limited growth in working capital, at € 42.5 million, since the figures in the statement of financial position have been stripped of the exchange rate effect that generated an increase in the working capital (€ 3.7 million).
Working capital as a percentage of net sales for the previous 12 months was 37.5% at 30 June 2012, compared with the 34.7% registered at 31 December 2011.

The comparison with 30 June 2011 shows growth in operating working capital of € 95.6 million, relating both to the ramp-up of the commercial activity of Campari RUS OOO and to the substantial increase in stocks undergoing the aging process at the Group's distilleries in Scotland and Kentucky, aimed at sustaining expected sales growth in the GlenGrant and Wild Turkey brands. This has an impact on the increase in the ratio of working capital to net sales in the past 12 months compared with 30 June 2011, when it stood at 31.8%.

Events taking place after the end of the period

No significant events took place after the end of the reporting period.

Outlook

Although the macroeconomic context remains very volatile and consumer confidence has fallen across the board, the Group's results in the first half of 2012 were positive and in line with expectations.

The Group's European business was affected as follows: in Russia, by transactions on the new commercial platform, which slowed the sales volumes of Cinzano and Mondoro; in Germany, by a commercial dispute with a major customer, which hampered sales of Campari and Aperol; and, lastly, in Italy, by a steady deterioration in confidence which has led, above all, to a contraction in consumption outside the home (traditional bars and restaurants), which is particularly important for the Group's single-dose aperitifs and still wines.

In South America, the business was affected by new protectionist restrictions on imports in Argentina and, above all, by slowing consumption in Brazil, caused by high levels of debt among the new and important middle class, which has had a negative effect on sales of the Group's local brands.

On a positive note, the strong focus on brand building in North America (product innovation and advertising communications) is bringing a positive return across the entire product portfolio, from SKYY Vodka to the Wild Turkey franchise and the Espolon and Cabo Wabo tequilas. In the Asia-Pacific region, business development continues to be extremely positive, with growth in market share for the Wild Turkey core brand and a very positive acceleration in brands that are locally still small but with great potential.

Turning to the second and most important part of the year, the Group's forecasts are again cautiously optimistic. Positive momentum in North America and Asia Pacific with a return to normal trading conditions in Russia and slow but gradual closure of the Trade dispute in Germany should help offset the very challenging environment in Italy and Brasil.

Investor information

International economy

The first few months of 2012 were marked by an expansion in global economic activity, although this was limited given the stagnation in Europe and the slowdown in the US and emerging economies. From March onwards, however, the economy again weakened. In particular, uncertainty regarding developments in the eurozone's sovereign debt crisis and US budgetary policies continued to weigh on prospects for a recovery. The International Monetary Fund (IMF) estimates that global growth will fall to 3.5% in 2012 (from 3.9% in 2011), held in check by the drop in economic activity in the eurozone and the slowdown in emerging countries (source: Bank of Italy).

In the first quarter of 2012, the US GDP growth rate dropped to 1.9%, owing to destocking and a slowdown in investment, despite stronger consumer spending and a positive contribution from net exports. In Japan, production increased by 4.7%, owing mainly to the upturn in consumption and the strong recovery in public investment related to reconstruction after the earthquake of March 2011. In the UK, production fell by 1.3% owing to a drop in private-sector demand. According to the most recent economic indicators, economic activity in the main advanced economies outside the eurozone slowed in the second quarter of 2012. In the US, after the temporary upturn at the beginning of the year, GDP growth is likely to have continued at the same rate as in the first quarter. Based on the economic information available, it is estimated that GDP increased modestly in Japan and continued to contract in the UK (source: Bank of Italy).

The main emerging markets registered a slowdown in the first quarter of 2012, owing to weak demand in advanced countries and the restrictive economic policy measures adopted in 2011. Based on industrial production indices and economic surveys among companies operating on these markets, a further slowdown is thought to have taken place in the second quarter of 2012.

In the eurozone, economic activity remained weak. It was weighed down by uncertainty relating to developments in the sovereign debt crisis, while inflationary pressures eased, due partly to the fall in commodity prices. In the first quarter of 2012, eurozone GDP remained unchanged versus the previous quarter. The cyclical position of the main countries remained highly divergent, however. GDP advanced by 0.5% in Germany, remained stable in France, and fell in Spain and Italy by 0.3% and 0.8% respectively. Economic activity also remained lacklustre in the second quarter of 2012, and the GDP performance indicator estimated by the Bank of Italy was slightly negative.

As regards Italy, economic activity continued to decline in the first half of 2012, mainly reflecting the weakness in domestic demand on account of the slowdown in consumer spending and investment, while foreign trade remained positive and continued to support the economy. In particular, household spending remained very weak, owing to both the drop in disposable income and the worsening of prospects on the labour market. In June, confidence fell to its lowest levels since records began in 1996, owing mainly to more pessimistic assessments on the economic situation in general (source: Bank of Italy). The medium-term outlook for the Italian economy remains very uncertain and is closely correlated to developments in the sovereign debt crisis and to its effects on interest rates, borrowing conditions, demand from the country's European partners and on confidence.

Financial markets

At the end of the first half of 2012, following the improvements registered at the beginning of the year, the financial markets were marked by a considerable increase in aversion for the riskiest assets. Volatility increased sharply in the government bond and equities segments, especially in the eurozone. Fears regarding the political situation in Greece and Spain's banks also contributed to this situation. The agreements reached in the European Council meeting of 28-29 June regarding possible intervention on the government bond markets of countries with high spreads and the recapitalisation of banks temporarily eased tensions.

The long-term rates in countries considered to be low risk fell further, reflecting both the decline in global economic growth expectations and investors' preference for less risky assets. In contrast, the spreads versus Germany of the eurozone countries most exposed to the sovereign debt crisis began to widen again.

Financial conditions in emerging countries have also deteriorated, as a result of the slowdown in the Chinese economy, both in terms of share prices and the spread versus US government bond yields.

After rising in the first few weeks of the year, the share indices of the main advanced countries have trended downwards since March, most significantly in the eurozone. Overall, in the first half of 2012, the FTSE MIB and FTSE

Italia All-Share indices fell by 5.4% and 4.2% respectively. The MSCI Europe index closed the period1.8% higher, while in the US the S&P500 was up by 8.3%.

As regards exchange rates, since the end of March 2012 the euro has significantly weakened against the other main currencies, on the back of uncertainty relating to developments in the area's sovereign debt crisis. In the first half of 2012, the euro weakened by 2.7% against the US dollar versus 31 December 2011, by 3.4% against the sterling and by 0.1% against the yen.

Spirits segment

In the first half of 2012, the DJ Stoxx 600 Food & Beverage benchmark index rose by 10.3% and outperformed the DJ Stoxx 600 by 7.6 percentage points. All the spirits companies outperformed equity markets and consumer shares; in the first half of 2012, shares in spirits companies continued to benefit from the fact that they are perceived as a safe haven by investors in a highly risk-averse market.

In terms of expectations, emerging markets remain one of the main growth drivers for spirits companies, particularly Asian markets (China) that continue to register growth rates above the market average. In the US, sales volumes in the spirits market continue to show encouraging signs owing to an upturn in consumption, particularly in the traditional channel. However, in relation to pricing, which is an important growth driver for operating margins, opportunities to implement price increases in advanced markets remain limited, and these are not always able to offset inflation. Furthermore, financial markets remain somewhat sceptical regarding companies particularly exposed to western Europe, and, in the case of Campari, to Italy, because of the expected slowdown in consumption owing to the negative effects on disposable income of the austerity measures adopted in 2011 and to the outlook for the labour market. In contrast, expectations of further consolidation in the spirits industry are having a positive impact on the valuations of industry stocks owing to new growth opportunities that future M&A may create in the market.

Davide Campari Milano S.p.A. shares

Against a background of the economic and sector conditions described above, Davide Campari-Milano S.p.A. shares, listed on the FTSE MIB index of the Italian stock market, rose by 6.7% in absolute terms in the first half of 2012 compared with the closing price at 31 December 2011.

As regards overall return, i.e. including dividends, the Campari share posted a performance of 8.0% for cash dividends and dividends reinvested in Campari shares. Campari shares outperformed the leading Italian stock market indices, the FTSE MIB and the FTSE Italia All-Share, by 12.1% and 10.9% respectively. The shares underperformed the DJ Stoxx 600 Food & Beverage index by 3.6 percentage points but outperformed the MSCI Europe index by 4.9 percentage points.

The minimum and maximum closing prices over the period of € 5.08 and € 5.71 were recorded on 5 June and 8 March respectively.

An average of 1.8 million shares was traded daily in the first half of 2012, with an average daily value of € 9.6 million.

At 30 June 2012, Campari's market capitalisation was € 3.2 billion.

The performance of the Campari share in the first half of 2012 benefited from the announcement of very positive results for 2011, with all performance indicators showing growth. These results were achieved through the good performance of the main brands (especially aperitifs in the main European markets) and sustained growth in key markets, due partly to recent investment in upgrading the distribution platform. Moreover, in relation to the Company's results for the first quarter of 2012, the share was affected by an unfavourable comparison with the corresponding period of the previous year and the negative impact of certain contingent factors. High levels of volatility and nervousness on the financial markets, particularly in relation to fears regarding consumption trends in the eurozone and Italy, also had an effect.

Performance of the Campari share and the main benchmark indices since 1 January 2012

Shareholder base

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

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

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

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

Dividend

On 27 April 2012, the shareholders' meeting approved the full-year results for 2011 and agreed the payment of a dividend of € 0.07 per share (+16.7% compared with the dividend of € 0.06 per share distributed for 2010).

The dividend was paid (except on own shares) on 24 May 2012, with an ex-date (coupon no. 9) of 21 May 2012.

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 10 years.

Stock information [1] [2]		First half 2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Reference share price												
Price at end of period	€	5.49	5.15	4.87	3.65	2.40	3.28	3.76	3.12	2.37	1.93	1.50
Maximum price	€	5.71	5.94	4.99	3.71	3.30	4.21	4.05	3.39	2.39	1.93	1.89
Minimum price	€	5.08	4.44	3.51	1.94	1.93	3.25	3.14	2.24	1.79	1.37	1.27
Average price	€	5.27	5.17	4.15	2.82	2.78	3.77	3.66	2.86	2.02	1.65	1.58
Change in Campari share	%	+6.7	+5.6	+33.5	+52.1	-26.8	-12.8	+20.5	+32.0	+22.9	+28.2	+13.8
Change in FTSE MIB	%	-5.4	-25.2	-13.2	+19.5	-49.5	-7.0	+16.0	+15.5	+14.9	+14.4	-27.3
Capitalisation and volumes												
Average daily trading volume [2]	million	1.8	2.0	1.9	1.6	1.3	1.5	1.2	1.0	0.9	0.8	1.1
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	1.7
Stock market capitalisation at end of period	€ million	3,189	2,988	2,828	2,118	1,394	1,904	2,183	1,812	1,374	1,118	871
Dividend												
Dividend per share [3]	€	0.07	0.06	0.06	0.055	0.055	0.050	0.050	0.050	0.044	0.044	0.044
Shares with dividend rights	million	578.6	576.7	576.6	576.4	578.7	580.8	562.7	562.1	560.8	560.8	560.8
Total dividend [3] [4]	€ million	40.5	34.6	34.6	31.7	31.8	29.0	28.1	28.1	24.7	24.7	24.7

[1] Share information prior to the dates on which changes to the amount of share capital occurred has been adjusted to take account of the new composition of share capital as described below:
- bonus capital increase 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 classified on the basis of the year in which it was paid out.
[4] Total dividend distributed excluding own shares.

Investor relations

Campari has adopted a communications policy for 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.

During the first half of 2012, the company continued to communicate information to institutional investors and financial analysts through numerous meetings organised in the major financial centres in Europe and outside Europe, including in the US and Canada.

Information on the Group, particularly in relation to financial results, corporate developments, corporate governance and stock exchange information, is published and updated regularly 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 the following address: investor.relations@campari.com.

Condensed half-year report

Financial statements

For ease of reference, all figures in these condensed half-year financial statements are expressed in million euro to one decimal place, whereas all the original data are recorded and consolidated by the Group in thousand euro.
In certain cases, this can result in apparent discrepancies, as there may be a difference between the sum of the individual figures and the total, amounting to no more than € 0.1 million.

Consolidated income statement

	Notes	H1 2012	*of which: related parties*	H1 2011	*of which: related parties*
		€ million	€ million	€ million	€ million
Net sales	8	**618.3**	**0.2**	**589.1**	**1.8**
Cost of goods sold	9	(255.1)	-	(242.6)	
Gross profit		**363.2**	**0.2**	**346.5**	**1.8**
Advertising and promotional costs		(103.3)	(0.1)	(105.8)	(0.4)
Contribution margin		**259.9**	**0.2**	**240.7**	**1.4**
Overheads	10	(116.1)	0.1	(103.8)	0.1
of which: non-recurring	*11*	*(3.6)*	-	*(2.1)*	-
Operating result		**143.8**	**0.3**	**136.9**	**1.5**
Financial income and charges	12	(21.0)	-	(21.5)	-
of which: non-recurring	*12*	*(0.1)*	-	-	-
Share in profit (loss) of companies valued at equity		-	-	0.1	0.1
Income (charges) relating to put options and earn-outs	13	(0.1)	-	-	-
Profit before tax		**122.7**	**0.3**	**115.4**	**1.5**
Taxes	14	(44.5)	-	(39.9)	-
Profit for the period		**78.2**	**0.3**	**75.5**	**1.5**
Profit attributable to:					
Parent Company shareholders		77.9		75.3	
Minority interests		0.3		0.3	
		78.2		**75.5**	
Basic earnings per share (€)		0.14		0.13	
Diluted earnings per share (€)		0.13		0.13	

Consolidated statement of comprehensive income

	H1 2012	H1 2011
	€ million	€ million
Net profit (A)	**78.2**	**75.5**
Cash flow hedge		
Profit (loss) for the period	(1.8)	(1.0)
Less: profits (losses) reclassified to the separate income statement	(0.5)	0.3
Net gains (losses) from cash flow hedging	(1.3)	(1.3)
Tax effect	0.5	0.4
Cash flow hedge	**(0.8)**	**(0.9)**
Conversion difference	14.0	(60.3)
Other comprehensive income (losses) (B)	13.2	(61.2)
Total comprehensive income (A+B)	**91.4**	**14.3**
Attributable to:		
Parent Company shareholders	91.1	14.0
Minority interests	0.3	0.3

Consolidated statement of financial position

	Notes	30.06.12	*of which: related parties*	31.12.11	*of which: related parties*
		€ million	€ million	€ million	€ million
ASSETS					
Non-current assets					
Net tangible fixed assets	15	319.5	-	320.6	-
Biological assets	16	17.1	-	17.4	-
Investment property	17	0.5	-	0.6	-
Goodwill and brands	18	1,465.9	-	1,448.6	-
Intangible assets with a finite life	19	21.0	-	21.0	-
Investments in affiliates and joint ventures		0.0	-	0.0	-
Deferred tax assets		8.7	-	6.5	-
Other non-current assets	20	19.7	-	17.1	-
Total non-current assets		**1,852.4**	**-**	**1,831.8**	**-**
Current assets					
Inventories	21	379.6	-	331.3	-
Trade receivables		305.5	-	278.0	0.8
Short-term financial receivables	22	7.7	-	1.8	-
Cash and cash equivalents	23	380.2	-	414.2	-
Current tax receivables		13.8	0.3	17.8	0.2
Other receivables		25.7	-	23.9	-
Total current assets		**1,112.5**	**0.3**	**1,066.9**	**1.0**
Non-current assets held for sale	24	1.1	-	2.3	-
Total assets		**2,966.0**	**0.3**	**2,901.0**	**1.0**
LIABILITIES AND SHAREHOLDERS' EQUITY					
Shareholders' equity					
Share capital	25	58.1	-	58.1	-
Reserves		1,357.3	-	1,305.6	-
Parent Company's portion of shareholders' equity		1,415.4	-	1,363.7	-
Minorities' portion of shareholders' equity		4.0	-	3.7	-
Total shareholders' equity		**1,419.4**	**-**	**1,367.5**	**-**
Non-current liabilities					
Bonds	26	803.7	-	787.8	-
Other non-current liabilities	26	22.1	-	37.1	-
Defined-benefit plans		8.7	-	8.8	-
Provision for risks and future liabilities	28	7.3	-	7.1	-
Deferred tax liabilities		155.9	-	144.4	-
Total non-current liabilities		**997.7**	**-**	**985.2**	**-**
Current liabilities					
Payables to banks	27	124.0	-	144.9	-
Other financial payables	27	111.6	-	103.2	-
Trade payables		196.4	-	166.8	-
Current payables to tax authorities	29	23.9	7.3	34.6	18.8
Other current liabilities		92.9	2.9	98.9	4.2
Total current liabilities		**548.8**	**10.2**	**548.4**	**23.0**
Total liabilities and shareholders' equity		**2,966.0**	**10.2**	**2,901.0**	**23.0**

Consolidated statement of cash flows

	Notes	30.06.12 € million	30.06.11 € million
Operating result		143.8	136.9
Adjustments to reconcile operating profit and cash flow:			
Depreciation		15.6	15.2
Gains on sales of fixed assets	11	(0.1)	(0.6)
Write-downs of tangible fixed assets		-	0.1
Accruals of provisions	28	1.4	0.6
Utilisation of provisions	28	(0.8)	(5.2)
Other non-cash items		2.9	5.1
Change in net operating working capital		(42.5)	(27.8)
Other changes in non-financial assets and liabilities		(1.8)	2.0
Taxes paid		(53.1)	(43.0)
Cash flow from (used in) operating activities		**65.3**	**83.4**
Purchase of tangible and intangible fixed assets	15-16-19	(18.6)	(18.4)
Capital grants received		-	0.4
Proceeds from disposals of tangible fixed assets		1.7	2.6
Changes in receivables and payables from investments		(0.5)	
Acquisition of brands and rights	18	(1.3)	(1.3)
Acquisition of companies or investments in subsidiaries		-	(6.4)
Interest income		2.5	2.6
Cash flow from (used in) investing activities		**(16.1)**	**(20.5)**
Other repayment of medium- and long-term debt		(3.0)	(2.2)
Net change in short-term bank debt		(20.9)	(11.6)
Interest expenses		(19.9)	(18.7)
Purchase and sale of own shares		(1.7)	(14.4)
Dividend paid out by Parent Company	24	(40.5)	(34.6)
Cash flow from (used in) financing activities		**(86.0)**	**(81.5)**
Effect of exchange rate differences on net operating working capital		(3.7)	15.3
Other exchange rate differences and other changes in shareholders’ equity		6.5	(18.1)
Exchange rate differences and other changes in shareholders’ equity		**2.9**	**(2.8)**
Net change in cash and cash equivalents: increase (decrease)		**(33.9)**	**(21.5)**
Cash and cash equivalents at start of period		414.2	259.7
Cash and cash equivalents at end of period		380.2	238.2

Statement of changes in consolidated shareholders' equity

	Notes	Attributable to Parent Company shareholders					Minority interests	Total
		Share capital	Legal reserve	Retained earnings	Other reserves	Total		shareholders' equity
		€ million	€ million	€ million	€ million	€ million	€ million	€ million
Balance at 31.12.11		**58.1**	**11.6**	**1,256.9**	**37.4**	**1,363.7**	**3.7**	**1,367.5**
Dividend payout to Parent Company shareholders	25	-	-	(40.5)	-	(40.5)	-	(40.5)
Purchase of own shares	25	-	-	(6.7)	-	(6.7)	-	(6.7)
Sale of own shares	25	-	-	5.0	-	5.0	-	5.0
Stock options	25	-	-	1.2	1.5	2.7	-	2.7
Profit for the period		-	-	77.9	-	77.9	0.3	78.2
Other comprehensive income (losses)	25	-	-	0.1	13.1	13.2	-	13.2
Total comprehensive income		-	-	78.0	13.1	91.1	0.3	91.4
Balance at 30.06.12		**58.1**	**11.6**	**1,293.9**	**52.0**	**1,415.4**	**4.0**	**1,419.4**

	Attributable to Parent Company shareholders					Minority interests	Total
	Share capital	Legal reserve	Retained earnings	Other reserves	Total		shareholders' equity
	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Balance at 31.12.10	**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)
Purchase of own shares	-	-	(24.1)	-	**(24.1)**	-	(24.1)
Sale of own shares	-	-	9.7	-	**9.7**	-	9.7
Stock options	-	-	2.4	0.9	**3.3**	-	3.3
Profit for the period	-	-	75.3	-	**75.3**	0.3	75.5
Other comprehensive income (losses)	-	-	-	(61.3)	**(61.3)**	-	(61.3)
Total comprehensive income	-	-	75.3	(61.3)	**14.0**	0.3	14.3
Balance at 30.06.11	**58.1**	**5.8**	**1,180.2**	**(25.9)**	**1,218.2**	**3.3**	**1,221.5**

Notes to the financial statements

1. General information

Davide Campari-Milano S.p.A. is a company listed on the Mercato Telematico (screen-based market) of Borsa Italiana, with its registered office at Via Franco Sacchetti 20, 20099 Sesto San Giovanni (Milan), Italy.
The publication of this report for the six months to 30 June 2012, subject to a limited audit, was authorised by the Board of Directors on 3 August 2012.
This report is presented in euro, the reference currency of the Parent Company and many of its subsidiaries.

2. Preparation criteria

These condensed half-year financial statements were prepared in consolidated format pursuant to article 154-*ter* of Legislative Decree 58 of 24 February 1998 (TUF) as amended, and were drafted in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and adopted by the European Union.
The term IFRS also encompasses the International Accounting Standards (IAS) still in force, as well as all interpretation documents of the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor, the Standing Interpretations Committee (SIC).
The condensed half-year financial statements were drafted in accordance with IAS 34 - Interim Financial Reporting, using the same principles as those applied in the preparation of the consolidated financial statements for the year ended 31 December 2011, except for the changes described in note 3 below, entitled "Changes in accounting standards".
The condensed half-year financial statements do not include all the information and notes required for the consolidated annual financial statements, and as such should be read in conjunction with the consolidated financial statements to 31 December 2011.
Unless otherwise indicated, the amounts shown in the following explanatory notes are expressed in millions of euro.

Form and content

In accordance with the format selected by the Campari Group, the income statement is classified by function.
The management considers that this format provides a more meaningful representation of the items that have contributed to the Group's results.
In the income statement, income and charges from non-recurring transactions, such as capital gains/losses on the sale of shareholdings, restructuring costs, financial charges and any other non-recurring income/expenses, are shown separately; this provides a clearer picture of the Company's operating performance. Non-recurring items are also discussed in detail in these notes.
The definition of "non-recurring" here conforms to that set out in Consob Communication DEM/6064293 of 28 July 2006.
In the first half of 2012, the Group did not carry out any atypical and/or unusual transactions, as defined in the same Communication.
The cash flow statement was prepared using the indirect method.
Taxes for the first six months of the year have been accounted for on the basis of the best estimate of the anticipated tax rate for 2012.
Lastly, with reference to the requirements of Consob Resolution 15519 of 27 July 2006 in relation to financial statements, the income statement and balance sheet contain columns providing information on any significant transactions with related parties.

Use of estimates

The preparation of the condensed half-year financial statements requires the management to make estimates and assumptions that have an impact on the value of revenues, costs, and assets and liabilities, as well as on disclosures concerning contingent assets and liabilities at the reporting date.
If, in the future, these estimates and assumptions, based on the best valuation currently available, differ from the actual circumstances, they will be amended accordingly at the time the circumstances change.
In particular, estimates are used to identify provisions for risks in respect of receivables, obsolete inventory, depreciation and amortisation, asset impairment, employee benefits, taxes, restructuring provisions and accrual of other provisions.

The estimates and assumptions are reviewed periodically, and the impact of any change is reflected in the income statement.
However, pursuant to IAS 36 – Impairment of Assets, some valuation procedures, especially the most complex ones, such as the determination of any impairment losses on non-current assets, are generally carried out only at the time of preparing the annual financial statements, when all the required information is available, except where there are indications of impairment requiring an immediate assessment of any losses in value.
Similarly, the actuarial valuations required to determine employee benefit funds are normally obtained at the time the annual financial statements are prepared.

Basis of consolidation

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.
Camargen SRL is currently being incorporated into Campari Argentina S.A.
In addition, the company name of Vasco (CIS) OOO was changed to Campari RUS OOO.
These transactions had no effect on the basis of consolidation.

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

		Share capital at 30 June 2012		% owned by Parent Company		
Name, activity	Head office	Currency	Amount	Direct	Indirect	Direct shareholder
Parent Company						
Davide Campari-Milano S.p.A., manufacturing, trading and holding company	Via Franco Sacchetti, 20 Sesto San Giovanni	€	58,080,000			
Fully consolidated companies						
Italy						
Sella&Mosca S.p.A., manufacturing, trading and holding company	Località I Piani, Alghero	€	15,726,041	100.00		
Sella&Mosca Commerciale S.r.l., trading company	Località I Piani, Alghero	€	100,000		100.00	Sella & Mosca S.p.A.
Turati Ventisette S.r.l., dormant company	Via Franco Sacchetti, 20 Sesto San Giovanni	€	20,000	100.00		
Europe						
Campari Austria GmbH, trading company	Naglergasse 1/Top 13 A, Vienna	€	500,000		100.00	DI.CI.E Holding B.V.
Campari Benelux S.A., finance and trading company	Avenue de la Métrologie, 10, Brussels	€	246,926,407	26.00	74.00	Glen Grant Ltd. (39%), DI.CI.E Holding B.V. (35%)
Campari Deutschland GmbH, trading company	Bajuwarenring 1, Oberhaching	€	5,200,000		100.00	DI.CI.E Holding B.V.
Campari France, manufacturing company	15 ter, Avenue du Maréchal Joffre, Nanterre	€	2,300,000 (1)		100.00	DI.CI.E Holding B.V.
Campari International S.A.M., trading company	7 Rue du Gabian, Monaco	€	70,000,000		100.00	DI.CI.E Holding B.V.
Campari Schweiz A.G., trading company	Lindenstrasse 8, Baar	CHF	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.
DI.CI.E. Holding B.V., holding company	Luna Arena, Herikerbergweg 114, Zuidoost, Amsterdam	€	15,015,000	100.00		
Glen Grant Distillery Company Ltd., manufacturing and trading company	Glen Grant Distillery, Rothes, Morayshire	GBP	0 (1)		100.00	Glen Grant Ltd.
Glen Grant Ltd., holding company	Glen Grant Distillery, Rothes, Morayshire	GBP	24,949,000		100.00	DI.CI.E Holding B.V.
Kaloyiannis - Koutsikos Distilleries S.A., manufacturing and trading company	6 & E Street, A' Industrial Area, Volos	€	8,884,200		75.00	DI.CI.E Holding B.V.
Lamargue S.a.r.l., trading company	Domaine de la Margue, Saint Gilles	€	750,000		100.00	Société Civile du Domaine de Lamargue
Société Civile du Domaine de Lamargue, manufacturing and trading company	Domaine de la Margue, Saint Gilles	€	6,793,200		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.
Campari RUS OOO, trading company	2nd Yuzhnoportoviy proezd 14/22, Moscow	RUB	10,000,000		80.00	Vahrol B.V.

Name, activity	Head office	Share capital at 30 June 2012 Currency	Amount	Direct	% owned by Parent Company Indirect	Direct shareholder
Americas						
Camargen S.R.L, trading company [3]	Avenida Corrientes, 222 - 3rd floor, Buenos Aires	ARS	11.750.000		100,00	DI.CI.E. Holding B.V. (95%), Campari do Brasil Ltda. (5%)
Campari Argentina S.A., manufacturing and trading company	Av. Corrientes, 222 - 3rd floor, Buenos Aires	ARS	125,213,590		100.00	DI.CI.E. Holding B.V. (95%), Campari do Brasil Ltda. (5%)
Campari do Brasil Ltda., manufacturing and trading company	Alameda Rio Negro 585, Edificio Demini, Conjunto 62, Alphaville - Barueri - SP	BRC	239,778,071	100.00		
Campari Mexico S.A. de C.V., manufacturing and trading company	Av. Americas 1592 3er iso ol. Country Club, Guadalajara, Jalisco	MXN	294,945,500		100.00	DI.CI.E Holding B.V.
Gregson's S.A., trademark holder	Andes 1365, Piso 14, Montevideo	UYU	175,000		100.00	Campari do Brasil Ltda
Red Fire Mexico, S. de R.L. de C.V., trading company	Camino Real Atotonilco 1081, Arandas, Jalisco	MXN	1,254,250		100.00	DI.CI.E. Holding B.V. (99.80%), Campari Mexico S.A. de C.V. (0.2%)
Redfire, Inc., holding company	State of Delaware, City of Wilmington, County of New Castle (operational headquarters: One Beach Street, Suite 300, San Francisco)	US$	566,321,274 [2]	100.00		
Campari America (Skyy Spirits , LLC) , manufacturing and trading company	State of Delaware, City of Wilmington, County of New Castle (operational headquarters: One Beach Street, Suite 300, San Francisco)	US$	54,897,463		100.00	Redfire, Inc.
Other						
Campari (Beijing) Trading Co. Ltd., trading company	Xingfu Dasha Building, block B, room 511, n° 3 Dongsanhuan BeiLu, Chaoyang District, Beijing	RMB	65,300,430		100.00	DI.CI.E Holding B.V.
Campari Australia Pty Ltd., trading company	Level 10, Tower B, 207 Pacific Highway, St Leonards, Sydney	AU$	21,500,000		100.00	DI.CI.E Holding B.V.
Campari Japan Ltd., trading company	6-17-15, Jingumae Shibuya-ku, Tokyo	JPY	3,000,000		100.00	DI.CI.E Holding B.V.

Other investments Name, location, activity		Share capital at 30 June 2012 Currency	Amount	% owned by Parent Company Indirect	Direct shareholder	Valuation method
International Marques V.o.f., trading company	Nieuwe Gracht 11, Haarlem	€	210,000	33.33	DI.CI.E Holding B.V.	Equity

[1] **company in liquidation**
[2] **including capital contributions**
[3] **incorporation into Campari Argentina S.A. in progress**

Exchange rates used to convert financial statements in foreign currency

The exchange rates used for conversion transactions are shown below.

	30.06.12 Average rate	30.06.12 End-of-period rate	31.12.11 Average rate	31.12.11 End-of-period rate	30.06. 11 Average rate	30.06. 11 End-of-period rate
US dollar	1.2968	1.2590	1.3916	1.2939	1.4031	1.4453
Swiss franc	1.2047	1.2030	1.2339	1.2156	1.2704	1.2071
Brazilian real	2.4140	2.5788	2.3260	2.4159	2.2871	2.2601
Uruguayan peso	25.8790	27.2536	26.9431	25.9285	27.1225	26.6109
Chinese renminbi	8.1917	8.0011	8.9953	8.1588	9.1755	9.3416
British pound	0.8226	0.8068	0.8677	0.8353	0.8680	0.9026
Indian rupee	67.5778	70.1200	64.8662	68.7130	63.1315	64.5620
Japanese yen	103.3704	100.1300	111.0162	100.2000	115.0299	116.2500
Argentine peso	5.6927	5.6432	5.7425	5.5677	5.6786	5.9315
Mexican peso	17.1803	16.8755	17.2791	18.0512	16.6839	16.9765
Australian dollar	1.2559	1.2339	1.3482	1.2723	1.3580	1.3485
Ukrainian hryvnia	10.4060	10.1748	11.1038	10.3692	11.1756	11.5353

3. Changes in accounting standards

a. Accounting standards, amendments and interpretations applied since 1 January 2012

IFRS 7 – Financial Instruments: Disclosures

These changes, issued on 7 October 2010, apply to accounting periods beginning after 1 July 2011.

The amendments were issued with the aim of improving understanding of transactions involving the transfer of financial assets that are not derecognised because the risks are still borne by the company transferring the assets.

The amendment also specifies that additional information must be provided even when the financial assets transferred are derecognised but the entity is still exposed to risks or 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.

b. Accounting standards, amendments and interpretations applicable from 2012 that are not relevant for the Group

The amendments and interpretations issued by the IASB applicable from 1 January 2012 were not yet adopted by the European Union as at the date of these half-year financial statements.

They have not therefore been applied by the Group but are reported below under “Accounting standards, amendments and interpretations not yet applicable and that have not been adopted by the Group in advance of their effective dates”.

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

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

The amendment, which was issued on 20 December 2010 and was not yet adopted at the date of these half-year financial statements, applies to accounting periods beginning after 1 July 2011.

The amendment removed the reference to 1 January 2004 contained in the previous version, defined as the date of transition to IFRS, and sets out guidelines on the presentation of financial statements in accordance with IFRS following a period of hyperinflation.

Furthermore, on 13 March 2012, the IASB issued another amendment to IFRS 1 concerning government loans, applicable from 1 January 2013 and not yet adopted by the European Union at the date of these condensed half-year financial statements.

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 7 – Financial Instruments: Disclosures

In December 2011, IASB issued two amendments to IFRS 7, not yet adopted at the date of these half-year financial statements. The first one, IFRS 7 - Financial Instruments: Disclosures - Transition disclosures*,* which will apply from 1 January 2015, follows on from the amendment, also issued in December, to IFRS 9 - Financial Instruments, and establishes the information to be provided on financial instruments at the time that IFRS 9 is first applied. The second amendment, IFRS 7 - Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities, which will apply from 1 January 2013, requires information to be disclosed that will enable readers of the financial accounts to evaluate the effects or potential effects on the Group’s financial position of offsetting the financial assets and liabilities of the company and its affiliates.

These amendments relate purely to the presentation of the financial statements and will not therefore have any effect on the Group's financial position or profitability.

IFRS 9 - Financial Instruments

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

On 12 May 2011, the IASB issued the following new accounting standards, not yet adopted by the European Union at the date of these half-year financial statements, which will take effect on 1 January 2013, although early implementation is permitted.

IFRS 10 – Consolidated Financial Statements

The new standard identifies the concept of control as the determining factor for including a company in the consolidated financial statements of the Parent Company.
The standard also provides guidelines for determining control in cases in which this is difficult to assess.
IFRS 10 will replace SIC 12 and part of IAS 27, from which any reference to the consolidated financial statements has been removed.

IFRS 11 – Joint Arrangements

The standard provides a more realistic reflection on the definition of joint arrangements, focusing on the rights and obligations contained in the contract, rather than on its legal form. Therefore, each party in the joint arrangement will account for its rights and obligations arising from its involvement.
The method of proportional consolidation of joint ventures is no longer allowed.
IFRS 11 will replace SIC 13 and IAS 31.

IFRS 12 – Disclosure of Interests in Other Entities

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

IFRS 13 – Fair Value Measurement

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

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

On 16 June 2011, the IASB issued the amendment to IAS 1 – Presentation of Items of Comprehensive Income and the amended version of IAS 19 – Employee Benefits, which will apply to financial statements for reporting periods beginning after 1 July 2012 and 1 January 2013 respectively. Both of these amendments were adopted by the European Union on 5 June 2012 and published on 6 June 2012.

IAS 1 – Presentation of Items of Comprehensive Income

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

IAS 19 – Employee Benefits

The amendments to IAS 19 have introduced a significant number of 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 Group is assessing the impact of the changes introduced by the amendments to IAS 19.

IAS 12 – Income Taxes

The amendment, which was issued on 20 December 2010 and was not yet adopted at the date of these half-year financial statements, will apply to accounting periods beginning after 1 January 2012.
Early implementation is permitted.
The amendment clarifies the criteria for calculating deferred tax assets or liabilities relating to investment property measured at fair value. It also introduces the presumption that deferred tax assets or liabilities calculated on an investment property measured at fair value must be determined based on the recoverable amount that may be obtained through sale. The amendment also requires that deferred tax assets or liabilities relating to a non-depreciable asset measured using the revaluation model set out in IAS 16 should be calculated taking into account the manner in which the carrying value of that asset will be recovered.
As a result, the interpretation SIC 21 – Income Taxes – Recovery of Revalued Non-Depreciable Assets will no longer apply.
The Group does not expect the application of this amendment to have any significant impact on the financial statements.

IAS 32 – Financial Instruments: Presentation

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

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

The IFRIC clarifies when and how to account for stripping costs. This standard, which has not yet been adopted by the European Union, will not be applicable to the Group.

On 17 May 2012, the IAS issued the following changes in the Annual Improvements to IFRSs 2009-2011 Cycle, applicable from 1 January 2013 and not yet approved as at the date of these condensed half-year financial statements:

- IFRS 1 – First-time Adoption of International Financial Reporting Standards: the IASB issued two amendments to this accounting standard. The first, relating to the repeated application of first-time IFRS adoption, establishes that: if a company has previously applied IFRS without, however, making an explicit and unreserved statement of compliance with IFRS, it may choose whether to apply IFRS 1 or whether to apply all IFRS retrospectively as if it had never stopped applying them, in accordance with IAS 8. The second, relating to the recognition of borrowing costs, establishes that: on first-time adoption of IFRS, a company may decide whether to apply IAS 23 from the date of transition to IFRS or from a previous date. The company will not therefore have to recalculate the value of borrowing costs capitalised according to previously applied accounting standards as they were included under the cost of qualifying assets on the date of application of IAS 23, while it will have to capitalise all borrowing costs incurred on qualifying assets from the date that IAS 23 is first adopted.

- IAS 1 – Presentation of Financial Statements: the amendment defines the minimum comparative information to be presented in a financial statement: two statements of financial position, two income statements and statements of comprehensive income, two cash flow statements and two statements of changes in shareholders' equity, accompanied by related notes. Moreover, a company may present additional comparative information to the minimum required, provided that it is prepared in accordance with IFRS. Additional information may consist of one or several statements that form part of the financial statements, but does not need to form a complete set of financial statements.
- 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 32 - Financial instruments: Presentation: the amendment specifies that taxes arising from distributions to holders of equity instruments and the costs incurred in relation to capital transactions must be accounted for in accordance with IAS 12 – Income Taxes.
- 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.

4. Seasonal factors

Sales of some Campari 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 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, helps to reduce substantially any risks relating to seasonal factors.

5. Default risk: *negative pledges and debt covenants*

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

6. Acquisitions

No business combinations took place in the first half of the year.

7. Operating segments

The Group's reporting is based mainly on brands and groups of brands in its four business areas:

- spirits: alcohol-based beverages with alcohol content either below or above 15% by volume. Drinks above 15% are defined by law as "spirits";
- wines: both sparkling and still wines including aromatised wines such as vermouth;
- soft drinks: non-alcoholic beverages;
- other: semi-finished products sold to third parties, bottling activities for third parties and sales of finished products that do not fall into any of the three business areas above.

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

Fixed structural costs and taxes (which are managed at the level of each legal entity) and financial management (managed centrally by the Group) are therefore not allocated to the business areas.

No sales are recorded between business areas.

H1 2012	*Spirits* € million	*Wines* € million	*Soft drinks* € million	Other sales € million	Total allocated € million	Non-allocated items and adjustments € million	Consolidated € million
Net sales to third parties	488.3	68.6	55.3	6.1	618.3		618.3
Segment contribution margin	221.1	16.8	20.7	1.3	259.9		259.9
Overheads						(116.1)	(116.1)
Operating result							**143.8**
Net financial income (charges)						(21.0)	(21.0)
Taxes						(44.5)	(44.5)
Put option income (charges)						(0.1)	(0.1)
Profit for the period							**78.2**

H1 2011	*Spirits* € million	*Wines* € million	*Soft drinks* € million	Other sales € million	Total allocated € million	Non-allocated items and adjustments € million	Consolidated € million
Net sales to third parties	460.3	68.6	54.3	5.8	589.1	-	589.1
Segment contribution margin	201.8	17.3	20.4	1.2	240.7	-	240.7
Overheads						(103.8)	(103.8)
Operating result							**136.9**
Net financial income (charges)						(21.5)	(21.5)
Affiliates' portion of profit	0.1				0.1	-	0.1
Taxes						(39.9)	(39.9)
Profit for the period							**75.5**

8. Net sales

A breakdown of net sales is shown in the table below.

	H1 2012 € million	H1 2011 € million
Sale of goods	617.0	588.3
Provision of services	1.3	0.8
Total net sales	**618.3**	**589.1**

The provision of services relates to bottling the products of third parties.

For a more in-depth analysis of net sales, see the section entitled "Sales performance" in the interim report on operations.

9. Cost of goods sold

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

	H1 2012 € million	H1 2011 € million
Materials and manufacturing costs	223.4	216.9
Distribution costs	31.7	25.7
Total cost of goods sold	**255.1**	**242.6**

	H1 2012 € million	H1 2011 € million
Raw materials and finished goods acquired from third parties	174.2	174.0
Inventory write-downs	0.1	(1.0)
Personnel costs	21.8	20.6
Depreciation	11.2	11.1
of which pending on final stocks of liquids undergoing the ageing process	*(3.5)*	*(2.3)*
Utilities	5.4	4.2
External production and maintenance costs	7.1	6.3
Variable transport costs	23.2	20.0
Other costs	12.1	7.4
Total cost of goods sold	**255.1**	**242.6**

The trend in the cost of goods sold is commented upon in the interim report on operations, where the change in these costs as a percentage of net sales is analysed.
Depreciation pending for final stocks of liquids undergoing the ageing process refers to pending depreciation of fixed assets at Campari America, on the value of the liquid produced and sent for ageing; on average, the product is aged for a period of between five and seven years.

10. Overheads

A breakdown of overheads is shown by function and by nature in the two tables below.

	H1 2012 € million	H1 2011 € million
Sales costs	53.2	48.0
General and administrative expenses	63.0	55.8
Total overheads	**116.2**	**103.8**

	H1 2012 € million	H1 2011 € million
Agents and other variable sales costs	9.0	8.8
Depreciation	4.3	4.0
Personnel costs	58.0	52.9
Travel, transfers, training and meetings	10.3	9.9
Utilities	0.8	0.7
Services, maintenance and insurance	15.9	14.7
Operating leases and rental expenses	4.1	3.7
Other	10.2	7.0
Non-recurring (income) and charges	3.6	2.1
Total overheads	**116.2**	**103.8**

The increase in overheads was due mainly to the launch of direct distribution in Russia, which led to a significant strengthening of Vasco (CIS) OOO, a company acquired in March 2011 and subsequently renamed Campari RUS OOO.
Note too that the item was negatively impacted by the exchange rate effect (€ 2.0 million) and higher non-recurring charges (€ 1.5 million), broken down in detail in Note 11 below.

11. Non-recurring income and charges

A breakdown of this item is shown in the table below.

	H1 2012 € million	H1 2011 € million
Capital gains on the sale of buildings	0.1	-
Gains on sales of fixed assets	-	0.6
Other non-recurring income	0.1	0.3
Total non-recurring income	**0.2**	**0.9**
Penalties	(1.0)	(1.5)
Capital losses on sale of fixed assets	-	(0.3)
Personnel restructuring costs	(2.2)	(1.2)
Other non-recurring charges	(0.6)	-
Total non-recurring charges	**(3.8)**	**(3.0)**
Total (net)	**(3.6)**	**(2.1)**

The € 1.0 million in penalties relate mainly to tax settlements.
The personnel restructuring costs of € 2.2 million were incurred largely by Campari do Brasil Ltda.

12. Financial income and charges

The breakdown of net financial income and charges is as follows:

	H1 2012 € million	H1 2011 € million
Bank and term deposit interest	2.3	2.5
Other income	-	0.3
Total financial income	**2.3**	**2.8**
Net interest payable on bonds and private placements	(19,1)	(21.4)
Interest payable on leases	-	(0.1)
Interest payable to banks	(2.5)	(0.5)
Total interest payable	**(21.6)**	**(22.1)**
Effects of discounting payables for put options	-	(0.1)
Bank charges	(0.6)	(0.5)
Other charges and exchange rate differences	(0.9)	(1.6)
Total financial charges	**(1.5)**	**(2.2)**
Financial charges relating to tax inspections	(0.1)	-
Non-recurring financial charges	**(0.1)**	**-**
Net financial income (charges)	**(21.0)**	**(21.5)**

The € 21.0 million in net financial charges for the first half represents a decrease of € 0.5 million on the same period of the previous year, owing mainly to a reduction of € 2.5 million in bank interest income, offset by a decrease in interest payable on bonds of € 2.3 million and a reduction in other charges and exchange rate differences of € 0.5 million.

13. Put option charges

Put option charges at 30 June 2012 are due to an update of the estimate of earn-outs relating to the acquisitions of Campari Mexico S.A. de C.V. (formerly Destiladora San Nicolas S.A. de C.V.) and Campari Argentina S.A. (formerly Sabia S.A.).

14. Taxes

A breakdown of current and deferred tax is shown in the table below.

	H1 2012 € million	H1 2011 € million
- tax for the period	(34.5)	(27.4)
- taxes relating to previous financial years	(3.1)	(1.2)
Income tax – current	(37.5)	(28.6)
Income tax – deferred: newly reported and cancelled temporary differences	(7.0)	(11.3)
Income tax reported in the income statement	**(44.5)**	**(39.9)**

Deferred taxes include an amount of €11.1 million in 2012 (€10.0 million in 2011) reported for the purposes of cancelling out the effect of the tax-deductibility of amortisation on goodwill and brands permitted under local legislation.
Furthermore, taxes relating to previous financial years include €2.5 million relating to the settlement of Parent Company tax disputes.

15. Net tangible fixed assets

Changes in this item in the reporting period are shown in the table below.

	Land and buildings € million	Plant and machinery € million	Other € million	Total € 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 31.12.11	**163.7**	**113.0**	**43.9**	**320.6**
Additions	4.3	4.0	7.9	16.2
Disposals	-	(0.1)	(1.5)	(1.5)
Depreciation	(3.6)	(8.4)	(4.3)	(16.3)
Reclassifications	(0.1)	(0.2)	0.3	(0.0)
Exchange rate differences and other changes	(0.1)	(0.3)	0.9	0.5
Balance at 30.06.12	**164.1**	**108.1**	**47.2**	**319.5**
Carrying value at end of period	228.8	279.3	96.5	604.5
Accumulated amortisation at end of period	(64.6)	(171.2)	(49.3)	(285.1)

Among investments totalling € 4.3 million for the period, the land and buildings item includes € 1.7 million made by Campari America relating to the launch of the investment programme for the construction of a new bottling plant at the Lawrenceburg site in Kentucky (USA), intended to create new bottling capacity for the Group's brands in the US, including the SKYY and Wild Turkey ranges.
The investment, announced in February 2012, is worth approximately US$ 41 million, net of a US$ 2.4 million financial incentive from the Kentucky authorities to support new job creation.
The new bottling plant, the investment for which will be spread over three years, is scheduled to open in autumn 2013.
The project to handle the bottling of GlenGrant scotch whisky in house includes the construction of a new line that should be operational in the second half of 2013, and a total investment of GBP 4.9 million.
At 30 June 2012, capitalised investment on this project was € 0.9 million, of which € 0.1 million was classified under buildings and € 0.8 million under plant and machinery.
Furthermore, investment in land and buildings includes € 0.5 million for office restructuring work for subsidiary Campari RUS OOO and other structural investments by the Parent Company and its subsidiaries.

Capital expenditure on plant and machinery, amounting to €4.0 million, primarily included: the Parent Company's investments in production units, amounting to € 1.7 million; investments of € 0.5 million made by Campari do Brasil Ltda. in the Suape and Socoraba plants; investments of € 0.3 million made by Sella&Mosca S.p.A. in Alghero; investments of € 0.2 million made by Campari Argentina S.A.; investments of € 0.3 million made by Campari Mexico

S.A. de C.V. in distillation; and investments of € 0.8 million made by Glen Grant Ltd for the bottling line mentioned above.

Investments in other *tangible assets*, totalling € 7.9 million, mainly concerned the purchase of barrels to age whisky (€ 6.6 million), of which € 5.8 million relates to Campari America and € 0.8 million to Glen Grant Ltd.
Disposals, amounting to € 1.5 million, are attributable to the sale of *barriques* (wooden barrels) by Campari America for approximately € 1.4 million.

16. Biological assets

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

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

Changes in this item in the reporting period are shown in the table below.

	Assets valued at fair value € million	Assets valued at cost € million	Total € million
Opening value	2.8	23.0	25.8
Accumulated amortisation at start of period	-	(8.4)	(8.4)
Balance at 31.12.11	**2.8**	**14.6**	**17.4**
Additions	-	0.2	0.2
Fair value valuation charges	-	-	-
Depreciation	-	(0.5)	(0.5)
Balance at 30.06.12	**2.8**	**14.3**	**17.1**
Closing value	2.8	23.1	25.9
Accumulated amortisation at end of period	-	(8.8)	(8.8)

Investments in the period all relate to Sella & Mosca S.p.A., and concerned vineyards in Sardinia and Tuscany.

17. Investment property

At 30 June 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.
The carrying value of investment property is close to fair value.

18. Goodwill and brands

Changes in this item in the reporting period 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 31.12.11	**959.7**	**488.9**	**1,448.6**
Exchange rate differences	10.4	6.8	17.3
Balance at 30.06.12	**970.2**	**495.7**	**1,465.9**
Carrying value at end of period	975.2	495.7	1,470.9
Closing impairment	(5.0)	-	(5.0)

Exchange rate differences, of € 16.6 million, were due to the adjustment of goodwill for Campari America, Campari do Brasil Ltda., Campari Argentina S.A., Campari Mexico S.A de C.V and CJSC Odessa Sparkling Wine Company, as well as the brands X-Rated Fusion Liqueur, Cabo Wabo and Wild Turkey to year-end exchange rates.
Note that the purchase of brands shown in the statement of cash flows for the first half of 2012 refers to the payment of earn-outs on the acquisitions, already booked on the brand acquisition date.

The allocation of goodwill and trademarks to individual units is reported in the table below.

	Balance at 30.06.12			Balance at 31.12.11		
	Goodwill	Brands	Total	Goodwill	Brands	Total
	€ million	€ million	€ million	€ million	€ million	€ million
Spirits						
Ouzo 12	10.0	8.3	18.3	10.0	8.3	18.3
Brazilian brands	70.1	-	70.1	74.9	-	74.9
Campari America, of which:	575.4	201.6	777.0	559.9	196.1	756.0
SKYY Spirits LLC	*382.3*	-	*382.3*	*372.0*	-	*372.0*
Cabo Wabo	*28.7*	*56.5*	*85.2*	*27.9*	*55.0*	*82.9*
Wild Turkey	*164.4*	*145.0*	*309.4*	*160.0*	*141.1*	*301.1*
Barbero - Riccadonna-Mondoro, of which:	137.9	12.3	150.2	137.9	12.3	150.2
Barbero	*137.9*	-	*137.9*	*137.9*	-	*137.9*
Riccadonna	-	*11.3*	*11.3*	-	*11.3*	*11.3*
Mondoro	-	*1.0*	*1.0*	-	*1.0*	*1.0*
GlenGrant and Old Smuggler	-	104.3	104.3	-	104.3	104.3
X-Rated Fusion Liqueur	-	40.4	40.4	-	39.4	39.4
Campari Mexico S.A. de C.V.	8.2	7.0	15.2	7.7	6.5	14.2
Campari Argentina S.A.	4.1	0.1	4.2	4.2	0.1	4.3
C&C brands	25.1	116.6	141.8	25.1	116.6	141.8
Campari Benelux	0.3	-	0.3	0.3	-	0.3
Cazalis Leger and Reserva San Juan	-	1.1	1.1	-	1.1	1.1
Sagatiba	15.3	1.2	16.5	16.4	1.3	17.6
Campari RUS OOO	3.6	-	3.6	3.6	-	3.6
Total	850.0	492.9	1.343.0	839.8	486.1	1.325.9
Wines						
Cinzano	51.5	0.8	52.2	51.5	0.8	52.2
Sella&Mosca-Zedda Piras-Lamargue	55.3	0.0	55.3	55.3	0.0	55.3
Odessa	8.8	-	8.8	8.6	-	8.6
Total	115.5	0.8	116.3	115.4	0.8	116.1
Soft drinks						
Former Bols brands	4.6	2.0	6.6	4.6	2.0	6.6
Total	4.6	2.0	6.6	4.6	2.0	6.6
Total	970.2	495.7	1.465.9	959.7	488.9	1.448.6

19. Intangible assets with a finite life

Changes during the period are shown in the table below.

	Software	Other	Total
	€ million	€ million	€ 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 31.12.11	**9.1**	**12.0**	**21.0**
Additions	2.2	-	2.2
Amortisation for the period	(1.7)	(0.6)	(2.3)
Exchange rate differences and other changes	0.1	(0.1)	-
Balance at 30.06.12	**9.8**	**11.2**	**21.0**
Carrying value at end of period	33.9	13.5	47.5
Accumulated amortisation at end of period	(24.2)	(2.3)	(26.5)

Additions made during the half-year period relate mainly to the implementation of new modules and upgrades of the SAP IT system by the Parent Company (€ 0.8 million) and its Italian subsidiaries (the remainder).

20. Other non-current assets

This item breaks down as follows.

	30.06.12 € million	31.12.11 € million
Derivatives on Parent Company bond (Eurobond)	16.0	13.2
Non-current financial assets	16.0	13.2
Equity investments in other companies	0.2	0.2
Security deposits	0.7	0.8
Receivables from employee benefit funds	0.6	0.6
Other non-current tax receivables	2.2	2.4
Other non-current non-financial assets	3.7	4.0
Total	**19.7**	**17.1**

At 30 June 2012, the item includes the positive value of the derivative issued by the Parent Company on the 2009 bond (Eurobond), which involves the payment of a variable interest rate (6-month Euribor + 210 basis points) on an underlying amount of € 200 million.

Other non-current tax receivables refer to receivables from tax authorities attributable to the Parent Company (€ 0.5 million) and Campari do Brasil Ltda.

21. Inventories

This item breaks down as follows.

	30.06.12 € million	31.12.11 € million
Raw materials, supplies and consumables	32.0	28.5
Work in progress and liquid undergoing the ageing process	223,0	204.5
Finished products and goods for resale	124.6	98.3
Total	**379.6**	**331.3**

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

	€ million
Balance at 31.12.11	**4.5**
Accruals	1.2
Utilisations	(1.1)
Exchange rate differences and other changes	0.2
Balance at 30.06.12	**4.8**

22. Short-term financial receivables

	30.06.12 € million	31.12.11 € million
Securities and term deposits	0.3	0.2
Net accrued swap interest income/expense on bonds	7,1	1,1
Valuation at fair value of forward contracts	0.4	0.4
Other short-term financial receivables	**7.4**	**1.5**
Short-term financial receivables	**7.7**	**1.8**

23. Cash and cash equivalents

	30.06.12 € million	31.12.11 € million
Bank current accounts and cash	324.6	323.5
Term deposits maturing within 3 months	55.7	90.6
Cash and cash equivalents	*380.2*	*414.2*

Reconciliation with net debt

The table below shows the reconciliation between cash and net debt.

	30.06.12 € million	31.12.11 € million
Cash and cash equivalents	380.2	414.2
Liquidity (A)	380.2	414.2
Securities	0.3	0.2
Other short-term financial receivables	7.4	1.5
Short-term financial receivables (B)	7.7	1.8
Short-term bank debt	(124.0)	(144.9)
Current portion of property lease payables	(0.0)	(3.0)
Current portion of private placement and bonds	(86.1)	(83.7)
Other short-term financial payables	(21.9)	(12.5)
Current portion of payables for put options and earn-outs	(3.6)	(3.9)
Short-term financial debt (C)	(235.6)	(248.1)
Short-term net cash (debt) position (A+B+C)	152.3	167.9
Medium/long-term bank debt	(0.0)	(0.1)
Current portion of property lease payables	(1.4)	(1.4)
Non-current portion of private placement and bonds	(819.3)	(811.7)
Other medium/long-term financial payables	(0.4)	(0.5)
Non-current portion of payables for put options and earn-outs	(2.8)	(3.8)
Medium/long-term financial debt (D)	(823.9)	(817.6)
Net debt (A+B+C+D) (*)	(671.6)	(649.8)
Reconciliation with Group net debt, as shown in the Directors' report:		
Assets for derivatives on bonds, non-current portion	16.0	13.2
Group net debt	(655.7)	(636.6)

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

24. 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 book value and fair value less selling costs, were worth € 1.1 million at 30 June 2012.
At this date, the following were included under this item: the portion of the Termoli site not yet sold for € 1.0 million and some assets of Campari do Brasil Ltda. for € 0.1 million. For both, negotiations are under way with potential buyers, and a disposal plan is being defined.
There have been delays in finalising negotiations leading to the sale and transfer of the property, due to unfavourable market conditions and other issues, which do not however necessitate any impairment of their value.

During the first half, an agreement with Rome City Council was finalised for the sale of the Ponte Galeria plot in Rome, which was sold for € 1.2 million, corresponding to the compensation guaranteed by the municipal authorities for the expropriation of the land.

25. Shareholders' equity

Share capital

At 30 June 2012, the share capital 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

In the first six months of the year, the Group purchased 1,300,000 shares for a total price of € 6.7 million, which equates to an average price of € 5.2, and sold 1,338,797 shares through the exercise of stock options.

The table below shows a reconciliation between the number of outstanding shares at 31 December 2010, 31 December 2011 and 30 June 2012.

	No. of shares			Nominal value		
	30.06.12	31.12.11	31.12.10	30.06.12	31 .12.11	31 .12.10
				€	€	€
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	(1,300,000)	(9,540,000)	(2,320,000)	(130,000)	(954,000)	(232,000)
Disposals	1,338,797	8,470,615	4,951,060	133,880	847,062	495,106
Outstanding shares at the end of the period	577,492,232	577,453,435	578,522,820	57,749,223	57,745,344	57,852,282
Total own shares held	3,307,768	3,346,565	2,277,180	330,777	334,657	227,718
Own shares as a % of share capital	0.6%	0.6%	0.4%			

Dividends paid and proposed

Dividends to the value of € 40.5 million relating to 2011 were approved by the shareholders' meeting of the Parent Company on 27 April 2012 and paid in May 2012.

	Total amount		Dividend per share	
	30.06.12	31.12.11	30.06.12	31.12.11
	€ 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		40.5		0.07

Other reserves

The table below shows a breakdown of, and changes to, the shareholders' equity reserves for stock options, cash flow hedging and currency translation.

	Stock options	Cash flow hedge	Conversion of accounts in foreign currencies	Total
	€ million	€ million	€ million	€ million
Balance at 31.12.11	15.8	(1.5)	23.1	37.4
Cost of stock options for the period	2.7			2.7
Stock options exercised	(1.2)			(1.2)
Losses (profits) reclassified in the income statement		0.5		0.5
Cash flow hedge reserve allocated to shareholders' equity		(1.8)		(1.8)
Tax effect allocated to shareholders' equity		0.4		0.4
Translation difference			14.0	14.0
Balance at 30.06.12	17.4	(2.3)	37.1	52.0

26. Bonds and other non-current liabilities

The table below shows a breakdown of the Group's bonds and other non-current liabilities.

Non-current liabilities	30.06.12 € million	31.12.11 € million
Parent Company bond (US$) issued in 2003	243.6	235.5
Parent Company bond (Eurobond) issued in 2009	364.0	360.8
Private placement issued in 2009	196.1	191.4
Total bonds and private placements	803.7	787.8
Payables and loans due to banks	-	0.1
Property leases	1.4	1.4
Derivatives on Parent Company bond (US$)	15.6	23.9
Payables for put options and earn-outs	2.8	3.8
Other debt	0.4	0.5
Non-current financial liabilities	20.2	29.8
Other non-financial liabilities	1.9	7.3
Other non-current liabilities	22.1	37.1

Bonds

The "bonds" item includes two bonds issued by the Parent Company in 2003 and 2009, with nominal values of US$ 300 million and € 350 million respectively.

The changes in the item since 31 December 2011 refer to the change in the bond linked to the fair value adjustments of hedging derivatives.

The Group has put in place various hedging instruments, which qualify as fair value or cash flow hedges, which are analysed below.

As regards the fair value hedges on the bond issued in 2003, a cross currency swap has been used to neutralise the risks related to fluctuations in the US dollar and interest rate movements, and a US dollar-based fixed interest rate has been converted into a variable euro rate (6-month Euribor + 60 basis points).

The valuation of the hedging instrument shows a positive change of € 10.1 million, while the effects on the bond show a negative change of € 7.9 million. The impact on the income statement was therefore positive to the tune of € 2 million, gross of tax affects.

In addition, an interest rate swap has been put in place on the bond issued in 2009, involving the payment of a variable rate (6-month Euribor + 210 basis points) on an underlying of € 200 million. The fair value of the hedging instrument at 30 June 2012 is a positive € 16.0 million, classified under non-current financial assets (see note 20). The positive change in the hedging instrument (€ 2.8 million) was offset by the negative change in the underlying debt (€ 3.0 million), generating a non-material net impact of € 0.2 million.

As regards the cash flow hedge on the 2003 bond, various interest rate swaps were put in place involving the payment of an average fixed rate of 4.25% on total underlyings of US$ 200 million. Since these hedging transactions met the requirements for effectiveness, the increase in liabilities for the fair value of hedging instruments has been recognised in other comprehensive income, together with the related tax effect of € 0.5 million. During the period, on the same hedging relationship, an adjustment of the separate equity component was made, and a cost of € 0.3 million was recorded on the income statement, together with a tax effect of € 0.1 million.

Private placements

The item "private placement" includes a bond issue placed by Redfire, Inc. on the US market in 2009.

The only change in the debt arose from the translation of bonds denominated in US dollars.

Payables for put options and earn-outs

The payables for put options and earn-outs at 30 June 2012 related to the long-term outlay for the Sagatiba Brasil S.A. earn-out, payable in the eight years from the closing date in 2011.

The change in the payables versus the end of the previous year corresponds to the short-term reclassification of the Cabo Wabo earn-out and the Campari RUS OOO put option.

Other non-financial liabilities

Other non-financial liabilities at 30 June 2012 include the long-term payables (2013 and 2014) arising from a settlement in instalments by the Parent Company, under an agreement with the tax authorities signed on 25 May 2011, for the 2005 and 2006 tax years. The change versus 31 December 2011 was due to the reclassification under current tax payables of the amount to be paid over the next 12 months.

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

Current financial liabilities	30.06.12 € million	31.12.11 € million
Payables and loans due to banks	124.0	144.9
Short-term portion of private placement (issued in 2002)	86.1	83.7
Accrued interest on bonds	21.5	11.9
Property leases	0.0	3.0
Financial liabilities on hedging contracts	0.3	0.4
Payables for put options and earn-outs	3.6	3.9
Other debt	0.2	0.2
Total other financial payables	111.6	103.2

Private placement (issued in 2002)

The short-term portion of the payable represents the final maturing portion of the private placement issued in 2002 (US$ 108.3 million). Note that this issue was fully repaid by Redfire Inc. on 11 July 2012, after the date of this report.

Accrued interest on bonds

The change in accrued interest on bonds is due mainly to the timeline for payment of the coupon of the Eurobond issued by the Parent Company in 2009.

Payables for put options and earn-outs

The current portion of these payables relates to the earn-out payments for Cabo Wabo, Campari Mexico S.A. de C.V., Sagatiba and the Campari RUS OOO put option. The change versus 31 December 2011 is due to the payment of the earn-outs of Campari Argentina S.A., Cabo Wabo and Sagatiba.

28. Reserve for risks and charges

	Tax provision € million	Restructuring provisions € million	Agent severance fund € million	Other € million	Total € million
Balance at 31.12.11	**1.7**	**0.0**	**1.3**	**4.1**	**7.1**
Accruals	(0.4)	0.0	0.1	1.4	1.1
Utilisations	-	-	-	(0.4)	(0.4)
Exchange rate differences and other changes	0.4	0.1	-	(0.9)	(0.4)
Balance at 30.06.12	**1.7**	**0.2**	**1.4**	**4.2**	**7.3**

The tax reserve of € 1.7 million is attributable to the Parent Company (€ 1.2 million), to Campari Do Brasil Ltda (€ 0.4 million) and to Campari RUS OOO (€ 0.1 million).

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

At 31 December 2012, other funds include: € 2.4 million for the recognition by Campari do Brasil Ltda., Campari International SAM and CJSC Odessa Sparkling Wine Company of liabilities for miscellaneous legal proceedings; € 0.1

million for the estimated closing costs for International Marques, owned by DI.CI.E. Holding B.V.; and the estimated costs that the Group will incur in future years in relation to miscellaneous obligations.

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 at the date of this half-year 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 is 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 accounts for the half-year ending 30 June 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.

29. Payables to tax authorities

Payables to tax authorities are down by € 10.7 million compared with the end of the previous year to € 23.9 million, due to the combined effect of the payment of taxes for the previous year and the provision for estimated taxes for the first half of the year.
Specifically, Group companies paid taxes and related advances of € 53.1 million in the first half.

30. Stock options

In the first half of 2012, the shareholders' meeting of 27 April approved a new stock option plan. 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.
The number of options granted was 13,036,580, for the purchase of the same number of shares, with an average allocation price of € 5.25, equivalent to the weighted average market price in the month preceding the day on which the options were 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 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, of between € 1.50 and € 1.70.

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)	5-9	7
Exercise price (€)	5.25	5.43

The criterion for fair value measurement is the same as that described in the consolidated financial statements for the year ending 31 December 2011.

The table below shows the changes in options during the period:

	30.06.12		31.12.11	
	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	13,246,103	5.25	699,452	5.43
(Options cancelled during the period)	(1,141,225)	5.37	(1,167,155)	3.38
(Options exercised during the period) (*)	(1,338,797)	3.74	(8,470,615)	3.41
Options outstanding at the end of the period	47,031,034	3.95	36,264,953	3.49
of which those that can be exercised at the end of the period	2,940,464	3.82	3,511,262	3.83

(*) average market price on exercise date: (€ 5.40)

31. 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 the three-year period 2010-2012.
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 30 June 2012, the overall position of the Italian subsidiaries of Davide Campari-Milano S.p.A. and of the Parent Company in respect of Alicros S.p.A., following tax consolidation, is a net payable of € 7 million.
The table below shows the net debit balance.

Moreover, Alicros S.p.A., Davide Campari-Milano S.p.A. and its Italian subsidiaries have joined the Group-wide VAT scheme, pursuant to article 73, paragraph 3 of Presidential Decree 633/72.
At 30 June 2012, the Parent Company and its Italian subsidiaries owed Alicros S.p.A. € 2 million.

The receivables and payables arising as a result of tax consolidation in respect of direct tax and VAT are non-interest bearing.

Dealings with affiliated companies 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.

30.06.12	Trade receivables	Receivables (payables) for tax consolidation	Receivables (payables) for Group VAT	Other receivables (payables)
	€ million	€ million	€ million	€ million
Alicros S.p.A.	-	(7.0)	(2.0)	-
Payables to directors	-	-	-	(0.9)
	-	**(7.0)**	**(2.0)**	**(0.9)**
Balance sheet percentage of related item	0%	19%	5%	-1%

31.12.11	Trade receivables	Receivables (payables) for tax consolidation	Receivables (payables) for Group VAT	Other receivables (payables)
	€ 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%	36%	5%	-2%

H1 2012	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.	-	-	0.1	-	-
International Marques V.O.F.	0.2	(0.1)	-	-	-
	0.2	**(0.1)**	**0.1**	**-**	**-**
Balance sheet percentage of related item	0%	0%		0%	

H1 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.	-	-	0.1	-	-
International Marques V.o.f.	1.8	(0.4)	-	-	0.1
	1.8	**(0.4)**	**0.1**	**-**	**0.1**
Balance sheet percentage of related item	0%	0%		0%	

32. Commitments and risks

For information regarding the Group’s commitments and risks, please see note 47 of the consolidated financial statements for the year ending 31 December 2011.
The main changes that occurred subsequent to the end of the period concern commitments taken on by the Group for the purchase of two bottling lines, the first at the Wild Turkey facility in the US and the second for GlenGrant in Scotland.
Group commitments of US$ 16.4 million were recorded on the first line, with a total project value of approximately US$ 41 million. Current commitments concern site preparation, building and some equipment.
For the second, which represents an investment of GBP 4.9 million, the Group has taken on commitments of GBP 4.1 million, which includes both buildings and plant. Please see note 15 – Tangible fixed assets, for the amount already capitalised as at the date of this report.
Furthermore, with Campari America set to move offices, the US subsidiary has signed an operating lease for US$ 15.3 million starting on 1 December 2012 for a duration of ten years.

33. Events taking place after the end of the period

For information on significant events taking place after the close of the half-year, please see the relevant section of the interim report on operations.

Sesto San Giovanni (MI), Monday, 3 August 2012

Chairman of the Board of Directors

Luca Garavoglia

Certification of the condensed half-year financial statements in accordance with article 81-*ter* of Consob Regulation 11971 of 14 May 1999 and subsequent revisions and amendments

1. We, the undersigned, Robert Kunze-Concewitz and Stefano Saccardi, as managing directors, and Paolo Marchesini, as managing director and the director responsible for preparing the accounting statements 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 condensed half-year financial statements, in the half-year period ending on 30 June 2012.

2. We furthermore certify that

2.1 the condensed half-year financial statements:

   a) were prepared in accordance with the applicable international accounting standards recognised in the European Union pursuant to Regulation (EC) 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 situation of the issuer and the group of companies included in the basis of consolidation.

2.2 the interim report on operations contains an accurate assessment of the significant events that occurred in the first six months of the year and their effects on the condensed half-year financial statements, together with a description of the main risks and uncertainties relating to the remaining six months of the year. The interim report on operations also contains an accurate assessment of information on significant transactions with related parties.

Sesto San Giovanni, 3 August 2012

Managing Director
Robert Kunze-Concewitz

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

Managing Director
Stefano Saccardi

AUDITORS' REPORT ON THE REVIEW OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012

To the Shareholders of
Davide Campari-Milano SpA

1. We have reviewed the condensed consolidated interim financial statements of Davide Campari-Milano SpA and its subsidiaries (Campari Group) as of and for the six-month period ended 30 June 2012, comprising the income statement, the statement of comprehensive income, the balance sheet, the cash flow statement, the statement of changes in shareholders' equity and the related notes. Davide Campari-Milano SpA Directors are responsible for the preparation of the condensed consolidated interim financial statements in accordance with the International Accounting Standard (IAS 34), applicable to interim financial reporting, as adopted by the European Union. Our responsibility is to issue this report based on our review.

2. Our work was conducted in accordance with the criteria for a review recommended by the National Commission for Companies and the Stock Exchange (CONSOB) with Resolution 10867 of 31 July 1997. The review consisted principally of inquiries of company personnel about the information reported in the condensed consolidated interim financial statements and about the consistency of the accounting principles utilised therein as well as the application of analytical review procedures on the amounts contained in the above mentioned condensed interim financial statements. The review excluded certain auditing procedures such as compliance testing and verification and validation tests of the assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with generally accepted auditing standards. Accordingly, unlike an audit on the annual consolidated financial statements, we do not express an audit opinion on the condensed consolidated interim financial statements.

   For the opinion on the consolidated financial statements of the prior year and the consolidated condensed interim financial statements of the prior year presented for comparative purposes, reference is made to our reports dated 26 March 2012 and dated 4 August 2011, respectively.

PricewaterhouseCoopers SpA

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3 Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements of the Campari Group as of and for the six-month period ended 30 June 2012 have not been prepared, in all material respects, in accordance with IAS 34, applicable to interim financial reporting, as adopted by the European Union.

Milan, 3 August 2012

PricewaterhouseCoopers SpA

Signed by

Fabio Facchini
(Partner)

(This report is an English translation of the original audit report, which was issued in Italian. This report has been prepared solely for the convenience of international readers)