Davide Campari - Milano S.p.A.

Relazione semestrale al 30 giugno 2001

Half-Year Report as of 30 June 2001

CAMPARI

Davide Campari - Milano S.p.A.

Half-Year Report
as of 30 June 2001

This document contains the English translation of the Half-Year Report of Davide Campari-Milano S.p.A. as of 30 June 2001, including Information on Operations as well as Consolidated financial statements and accompanying notes, with the exception of the Parent Company's financial statements and complementary notes.

The translation is provided for your convenience only and for any information in respect of Davide Campari-Milano S.p.A. the original Italian Half Year Report, "Relazione Semestrale al 30 giugno 2001", should be exclusively relied upon.

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Davide Campari - Milano S.p.A.

Corporate Officers

Board of Directors (*)

Luca Garavoglia	*Chairman*
Marco P. Perelli-Cippo	*Managing Director and Chief Executive Officer*
Jörn Böttger	*Managing Director and Chief Operating Officer Italy*
Stefano Saccardi	*Managing Director and Officer Legal Affairs and Business Development*
Paolo Marchesini	*Director and Chief Financial Officer*
Vincenzo Visone	*Director and Chief Operating Officer International*
Vincenzo Caianiello	*Director and Member of the Appointments and Remuneration Committee (**)*
Cesare Ferrero	*Director and Member of the Audit Committee*
Gert Gaarnat	*Director*
Franzo Grande Stevens	*Director and Member of the Appointments and Remuneration Committe*
Nicholas J.Kramer	*Director*
Giovanni Rubboli	*Director, Member of the Audit Committee and Member of the Appointments and Remuneration Committee*
Marco Vitale	*Director and Member of the Audit Committee*
Machiel Anton Zondervan	*Director*

(*) Appointed by the Shareholders' Meeting of 2 May 2001.

(**) In office following the resignation of the Director and Member of the Appointments and Remuneration Committee Renato Ruggiero, by co-optation effective 23 June 2001; the term of appointment will expire at the time of the next Shareholders' Meeting.

By its resolution of 2 May 2001, the Shareholders' Meeting confirmed the vesting of Chairman Luca Garavoglia with all powers under the law and the Company Bylaws.

By its resolution of 7 May 2001, the Board of Directors vested the Managing Directors Marco P. Perelli-Cippo, Jörn Böttger and Stefano Saccardi with the following powers:

– Individual signature: powers of ordinary representation and management, within value or time limits set out for each category of deeds;
– With dual combined signature: powers of representation and management for given categories of deeds, within value or time limits deemed to exceed ordinary activities.

Board of Statutory Auditors (***)

Umberto Tracanella	*Chairman*
Marco Di Paco	*Member*
Antonio Ortolani	*Member*
Angeloguido Mainardi	*Alternate Member*
Giuseppe Pajardi	*Alternate Member*
Mario Tracanella	*Alternate Member*

(***) Appointed by the Shareholders' Meeting of 2 May 2001.

Independent Auditors (****)

Reconta Ernst & Young S.p.A..

(****) Appointed by the Shareholders' Meeting of 1 March 2001.

Significant Events

Initial Public Offering

Based on the authorisation issued by CONSOB on 20 June 2001 with note n. 1049199, trading of ordinary shares of Davide Campari-Milano S.p.A. ("Parent Company" or "Company") started 6 July 2001 on the *Mercato Telematico Azionario* (Automated Equity Market) organised and managed by Borsa Italiana S.p.A.
The Initial Public Offering was structured through a Global Offering of 12,705,000 ordinary shares for the public in Italy and for professional investors in Italy and institutional investors in foreign countries, including the United States of America in accordance with Rule 144A of the Securities Act of 1933. Within the Initial Public Offering, a portion of the shares was reserved for agents and wholesalers of the Parent Company and of its Italian subsidiaries, while another portion was reserved for their employees and directors.
To execute this project, in addition to the changes required to make the Parent Company's By-laws and procedures compliant with Corporate Governance rules, the Company also strengthened its administrative and accounting structures in order to comply with the additional financial communication obligations prescribed for listed companies.

Brazilian Acquisition

On 31 January 2001 the Campari Group ("Group") has completed the acquisition from the United Distillers and Vintners Group ("UDV") of the Brazilian company UDV Industria e Comercio Ltda. ("UDVIC"), owner, also through affiliated companies, of leading brands in the Brazilian and Uruguayan markets, such as *Dreher, Old Eight, Drury's, Liebfraumilch and Gregson's.*
Among the Brazilian assets acquired are, in addition to the brands mentioned above, two plants with considerable capacity for spirits production. Concurrently with the described acquisition, a contract was stipulated with UDV for the license to manufacture for the Brazilian market the following brands: *Smirnoff vodka, Bell's Scotch whisky, Gilbey's gin, Master's Choice and Berro De Agua.*
After the direct acquisition by Davide Campari-Milano S.p.A., a resolution was passed for the transfer of UDVIC, which in the meantime had changed its name to DCM Partecipaçoes Ltda., to Campari do Brasil Ltda. and for the subsequent merger of DCM Participaçoes Ltda. and Campari do Brasil Ltda. through the absorption of the former by the latter, thereby simplifying and rationalising the Group's structure in Brazil.

Sales Performance

In the first six months of 2001, Group's sales, net of discounts and excise duties, amounted to Euro 233.6 mio., with a 9.6% increase over Euro 213.1 mio. of the corresponding period of the previous fiscal year.
As the table below shows, the change in the consolidation perimeter had a very significant impact on total growth, accounting for an increase of 8.6% in net sales.
The change in the consolidation perimeter was mainly generated by the sales of products involved in the aforementioned Brazilian acquisition (8.4%), which, consolidated over a five-month period, amounted to Euro 17.9 mio.
An additional, albeit less significant, change in the consolidation perimeter stems from the March 2001 launch of distribution of Granini fruit juices for Italy: net sales of these products were Euro 0.5 mio.
The organic growth of the Group's net sales was 2.5%, while the net negative effect of exchange rate variations was 1.5%, attributable mostly to the Brazilian Real, whose exchange rate against the Euro dropped 12.2% from the first half of 2000.

	Euro mio.	% change on the 1st half of 2000
Net sales as of 30 June 2001	233.6	
Net sales as of 30 June 2000	213.1	
Total variation	20.5	9.6%
whereof:		
– Brazilian acquisition	17.9	8.4%
- Granini fruit juice distribution	0.5	0.2%
Total impact of new consolidation perimeter	*18.4*	*8.6%*
Organic growth of product portfolio existing as of 30 June 2000	5.3	2.5%
Effect of exchange rate variations	-3.2	-1.5%

The table below shows the distribution of sales, net of discounts and excise duties, by geographical area.

(Euro mio.)	First Half 2001		First Half 2000		% Change
Italy	132.9	56.9%	133.7	62.7%	-0.6%
EU countries	51.1	21.9%	49.8	23.4%	2.5%
Americas	32.7	14.0%	13.4	6.3%	144.0%
Other European countries	9.4	4.0%	8.3	3.9%	12.6%
Rest of the world	7.5	3.2%	7.9	3.7%	-4.6%
Total	233.6	100.0%	213.1	100.0%	9.6%

The consolidation of sales pertaining to the recently acquired Brazilian brands considerably changed the geographic distribution of activities in favour of the Americas area, whose incidence on total net sales rose from 6.3% to 14.0%. The other areas consequently reduced their proportion of the total, with the only exception of Europe outside the EU, which, with a sales growth of 12.6% - mainly attributable to the good results of the Swiss subsidiary - kept its incidence over the Group's total sales unchanged.
Net sales of the Italy area significantly decreased their incidence over the total, dropping from 62.7% to 56.9%, due, in addition to the aforementioned "Brazil effect", also to a slight reduction in sales - 0.6% - caused primarily by two factors: one is market-related, *i.e.* the less than positive performance of some products in the soft drinks area, while the other one is a "technical-accounting" issue, *i.e.* the fact that net sales of wines in the first half of 2000 in the domestic market were inflated by significant sales of stocks of Cinzano sparkling wines to the local distributor.
The performance of the Group's net sales by business areas is summarised in the table below:

(Euro mio.)	First Half 2001		First Half 2000		% Change
Spirits	134.4	57.5%	114.2	53.6%	17.7%
Wines	25.5	10.9%	24.8	11.7%	2.8%
Soft drinks	70,9	30.4%	72.5	34.0%	-2.2%
Other	2.8	1.2%	1.6	0.7%	72.9%
Total	233.6	100.0%	213.1	100.0%	9.6%

Net sales performance by business area was also highly influenced by the Brazilian acquisition, and in particular by the fact that about 93% of the net sales stemming from it fall within the *spirits* segment.

The distribution of the sales relating to the acquired Brazilian brands is as follows:

First half 2001	Euro mio.	% of total
Dreher	10.7	60.0%
Old Eight, Drury's and Gold Cup	5.9	32.8%
Spirits	16.6	92.8%
Liebfraumilch	0,5	2.6%
Wines	0.5	2.6%
Other	0.8	4.6%
Total	17.9	100.0%

Spirits

The segment, which in the first half of 2001 recorded net sales of Euro 134.4 mio., accounting for 57.5% of the Group's total net sales, achieved an overall growth of 17.7%, 14.5% of which are attributable to the recently acquired Brazilian brands and the remaining 3.2% to the organic growth of brands already in the portfolio.

Net Sales Performance of Group Brands
Net sales of *Campari,* not wholly satisfactory overall, showed a slight drop - 1.8% in value - during the six-month period relative to the corresponding period of the previous year.
Negative elements were represented, in particular, by the continuing difficulties experienced in the German market and the impact of the Brazilian Real's devaluation, leading to a drop in the value of sales in the Brazilian market which more than offset the positive effect deriving from the increased sales relative to the corresponding period of the previous fiscal year. Sales performance on the Italian and Swiss markets was excellent.
CampariSoda achieved satisfactory growth of 3.6% in value and 3% in volume. Good sales performance in the main market (Italy) was accompanied by an equally satisfactory result in smaller markets such as Switzerland, Austria, and Germany.
Net sales of *Cynar,* even excluding the positive effects deriving from the new distribution agreements with the licensee for the Swiss market and the consequent partial consolidation of sales in that market, showed good results both as a whole and in the Italian market, grown by 3.8% in volume and 1.4% in value .
Ouzo 12, on the contrary, recorded a 6.4% drop in sales, as a result of the difficulties encountered on the Greek market, where a significant price repositioning was carried out, and, albeit to a lesser extent, on the German market as well.
Biancosarti achieved positive half-year semester results, with a 3.9% increase.

Net Sales Performance of Third Party Brands
During the half-year, *Jägermeister* sales confirmed their extremely positive phase, with overall growth of 9% by volume and 5.5% by value.
Skyy maintained an extremely interesting growth rate of 57.2% in volume and 53.6% in value, confirming the brand's success not only in its domestic market, where it has greatly exceeded the one million cases volume, but also in international markets, which are starting to benefit from the recognition and image created in the US market.

Wines

Net sales for the first half of 2001 amounted to Euro 25.5 mio., with a growth of 2.8%. If the sales data for the corresponding period of the previous fiscal year were adjusted for the distorting effects connected to the aforementioned sales of inventories of *Cinzan*o finished products, the growth of wines in the period would still have been 9.5%.
Sales of *Liebfraumilch,* the new wine brand acquired by the Group in Brazil, accounted for 2.0% of the segment's total growth, whereas the organic growth of existing brands was 7.5%, net of the aforementioned distorting effects.

Net Sales Performance of Group Brands

Net sales of *Cinzano* vermouth grew by 2.8%, and during the second half of the year the marketing investments planned in major markets and the start of the brand's distribution on the Italian market are expected to lead to a sales acceleration.
Net sales of *Cinzano* sparkling wines, not considering the distorting effects connected to the above mentioned stock sale, grew by 12.9% overall. Of particular note is the good result in the main market, the German one, where growth reached 24.6%.

Net Sales Performance of Third Party Brands

Sales of the other sparkling wines, Riccadonna and Henkell Trocken, showed a good performance, growing by 6.8%.

Soft drinks

The segment achieved net sales of Euro 70.9 mio., with an overall contraction of 2.2%.
Sales of soft drinks proper (carbonated drinks, mineral water and iced tea) suffered heavily from the adverse climatic conditions of the second quarter, while Crodino, an alcohol-free aperitif less subject to climatic factors, was less influenced by the inclement weather and posted a positive performance.

Net Sales Performance of Group Brands

Crodino net sales grew by 1.7%. A positive note is the result achieved in foreign markets like Holland and Switzerland, grown by 3% and 24.8% respectively.
The net sales of all other soft drinks showed an overall reduction of 4.7%. In particular, the *Lemonsoda, Oransoda* and *Pelmosoda* line's drop was 7.7% and *Lipton Ice Tea* declined 0.9%; by contrast, *Crodo mineral water* grew by 0.9% and the other drinks, *i.e.* soft drinks under the Crodo brand and private labels, recorded a total reduction of 29.8%.

Net Sales Performance of Third Party Brands

As stated above, the Group, after obtaining distribution rights of Granini fruit juices for the Italian market, since March 2001 has also been active in the segment of non-carbonated fruit-based drinks, the most dynamic one within the soft drink market.
During the initial launch period, Granini net sales amounted to Euro 0.5 mio.

Other Sales

This segment comprises sales that do not relate to finished products.
In the first half of 2001 these sales, amounting to Euro 2.8 mio., related to:
– services (bottling for third parties) for Euro 1.3 mio.;
– sales of raw materials and semi-finished products to third parties, for Euro 1.5 mio.
The 72.9% growth stems mainly from bottling services provided to UDV in Brazil, according to the agreements stipulated at the time of the aforementioned acquisition.

Income

The table below summarises the consolidated income statement for the first half of 2001, reclassified according to internationally accepted accounting principles.
Values, expressed in Euro mio., are compared to those of the corresponding period of 2000; moreover, each line also shows the percentage of sales (net of discounts and excise duties), as well as the percent variation between the corresponding values recorded in the two compared periods.

Reclassified Income Statement	First Half 2001		First Half 2000		
(Euro mio.)	Value	%	Value	%	% Variation
Net sales	**233.6**	**100.0%**	**213.1**	**100.0%**	**9.6%**
Cost of goods sold	(97.9)	-41.9%	(86.8)	-40.7%	12.8%
Gross margin	**135.7**	**58.1%**	**126.3**	**59.3%**	**7.4%**
Advertising and promotions	(44.0)	-18.8%	(41.7)	-19.5%	5.6%
Distribution and sale expenses	(27.3)	-11.7%	(25.1)	-11.8%	8.5%
Trading margin	**64.4**	**27.6%**	**59.5**	**27.9%**	**8.2%**
General and administrative expenses	(14.8)	-6.4%	(13.3)	-6.2%	11.5%
Goodwill and trademark amortisation	(5.7)	-2.4%	(3.9)	-1.8%	46.0%
Operating income before non recurring costs	**43.9**	**18.8%**	**42.3**	**19.9%**	**3.7%**
Non recurring costs	(4.0)	-1.7%	(0.4)	-0.2%	
Earnings before interest and taxes (EBIT)	**39.9**	**17.1%**	**41.9**	**19.7%**	**-4.8%**
Net financial income (losses)	1.9	0.8%	1.1	0.5%	
Income (losses) on net exchange rates	(4.6)	-2.0%	(0.1)	-0.1%	
Other non operating income (losses)	(0.2)	-0.1%	3.2	1.5%	
Minority interest	0.0	0.0%	(0.0)	0.0%	
Income before taxes	**37.0**	**15.8%**	**46.1**	**21.6%**	**-19.6%**
Taxes	(14.3)	-6.1%	(13.3)	-6.2%	8.0%
Net income	**22.7**	**9.7%**	**32.8**	**15.4%**	**-30.8%**
Depreciation of tangible assets	(5.4)	-2.3%	(5.3)	-2.5%	2.0%
Amortisation of intangible assets	(6.8)	-2.9%	(4.7)	-2.2%	44.5%
EBITDA before non recurring costs	**56.1**	**24.0%**	**52.3**	**24.6%**	**7.2%**
EBITDA	**52.1**	**22.3%**	**51.9**	**24.3%**	**0.4%**

In the first half of 2001, the Group recorded an operating income before non-recurring costs of Euro 43.9 mio., 3.7% higher than Euro 42.3 mio. for the corresponding period of the previous year.
This result is in line with the Group's development targets, which was conservative in its assessment of the impact on income of the Brazilian assets acquired in late January, and hence consolidated for the first time.
Total growth of sales net of discounts and excise duties was 9.6%, with an 8.4% contribution of the acquired Brazilian brands, organic growth in line with expectations at 2.5%, and a 1.5% erosion deriving from negative exchange rate effects.
The cost of goods sold, at Euro 97.9 mio., grew more than proportionately relative to sales (12.8% over the corresponding period of 2000) and increased its incidence on net sales from 40.7% to 41.9%.
This variation, significant but expected, can be directly ascribed to the effects deriving from the consolidation of the acquired Brazilian assets. The incidence of the cost of goods sold for the Brazilian brands recently added to the Group's portfolio, i.e. of the production costs of the Sorocaba and Jabotao plants, was considerably greater than the incidence of the Group's own cost of goods sold, which in fact slightly decreased during the first half of 2001 relative to the corresponding period of 2000.
In this regard it should be recalled that the industrial part of the restructuring plan initiated by the subsidiary Campari do Brasil Ltda., aimed at integrating the acquired assets, is still ongoing. The plan, which calls for the closure of the Barueri plant, is to be completed early next year.
Advertising and promotional expenses, along with sales and distribution expenses, grew in absolute value from the previous year, respectively by 5.6% and 8.5%, thus proportionately less than net sales growth.

Again with reference to the acquisition of the Brazilian assets, it should be recalled that the integration of the new business in the sales structure of the subsidiary Campari do Brasil Ltda. was completed in a short time, with a significant enhancement of the indirect agent network and the achievement of important synergies in terms of fixed costs.
The trading margin - a reliable profitability indicator for the Group, analysable by business segment and by product - amounted to Euro 64.4 mio. for the first half of 2001, up 8.2% from the corresponding period of the previous year.
This growth is made up of a 5.3% increase deriving from the acquired Brazilian assets, and a 2.9% increase from organic growth.
General and administrative expenses, even net of non-recurring costs posted separately, nonetheless grew significantly (up 11.5% from the first half of 2000) because of the considerable change in consolidation perimeter.
The administrative structure acquired and integrated with that of the subsidiary Campari do Brasil Ltda. is numerically large, and the department's operating requirements do not allow, in the immediate future, to anticipate relevant savings, in particular due to the complexity deriving from:

– the initial management of two different accounting systems;
– the launch, planned for early 2002, of the SAP implementation project (the Group's own experience suggests that it is best not to underestimate the heavy allocation of human and financial resources required for the implementation and start-up of this system);
– the administrative need to handle a number of clients eight times greater than the previous one, and the critical role consequently attributed to the credit management area;
– the handling of disputes with the Seller arising from the various claims that nearly always emerge following acquisitions like the one in question.

Goodwill and trademark amortisation rose from Euro 3.9 mio. in the first half of 2000 to Euro 5.7 mio. in 2001: the increase derives almost entirely from the goodwill amortisation relating to the Brazilian acquisition, amounting to Euro 1.6 mio.
In this regard, it should be noted that the new accounting principles 142 and 143 issued by FASB (Financial Accounting Standards Board) in July 2001, modifying the previous rules covering goodwill and trademarks and allowing, de facto, not to amortise them, make it difficult to compare the Group's financial statements to those of companies which adopt US GAAP (Generally Accepted Accounting Principles).
Operating income before goodwill and trademark amortisation and non-recurring costs grew by 7.3%, from Euro 46.2 mio. in the first half of 2000 to Euro 49.6 mio. in the first half of 2001.
Operating income net of non-recurring costs (EBIT) was Euro 39.9mio. in the first half of the current year (17.1% of net sales), slightly lower (4.8%) than the first half of the previous year, due to the impact of the non-recurring costs listed below:

– Euro 2.3 mio. of costs incurred and to be incurred for the listing operation, fully allocated on the first half of 2001;
– Euro 1.3 mio. of restructuring charges, mostly incurred to rationalise the sale network for the on trade channel of the Italian market;
– Euro 0.4 mio. in charges connected to the M&A activity.

In the first half of 2000, total non-recurring costs amounted to Euro 0.4 mio. and were mostly associated with restructuring charges for the subsidiary Campari-Crodo S.p.A.
In the first half of 2001, operating income before amortisation and non-recurring costs (EBITDA before non-recurring costs), up 7.2% from the corresponding period of the previous year, was 56.1 million Euro, 24.0% of net sales.
This profitability indicator, computed net of non-recurring costs (EBITDA), was equal to Euro 52.1 mio., slightly higher than the first half of 2000 (0.4%) and representing 22.3% of net sales.
In regard to the two profitability indicators discussed above, EBIT and EBITDA, and to the different possible computation methods, it should be stressed that the Group deemed it appropriate to conform to the method most commonly adopted by the financial community, *i.e.* without highlighting positive or negative income components not deriving from operations.

For the sake of consistency, the values of EBIT and EBITDA as of 31 December 2000 and 31 March 2001, reclassified in accordance with those of 30 June 2001 shown above, are provided below:

	Fiscal Year 2000	Quarter 31 March 2001	Half-Year 30 June 2001
EBIT = Operating income (Earnings Before Interest and Taxes)			
Euro mio.	85.3	15.7	39.9
% on net sales	19.7%	17.1%	17.1%
EBITDA = Operating income + depreciation (Earnings Before Interest, Taxes, Depreciation and Amortisation)			
Euro mio.	104.7	22.0	52.1
% on net sales	24.1%	23.8%	22.3%

Earnings before taxes were Euro 37 mio. in the first half of 2001, against a corresponding value of Euro 46.1 mio. for the first half of 2000.

The 19.6% drop, corresponding in absolute terms to Euro 9.1 mio., is mainly due to the following factors:

– in terms of EBIT, the difference is -Euro 2.0 mio., as analysed above;
– the "Income (losses) on exchange rates" entry, which in the income statement as of 30 June 2001 shows a negative net balance of Euro 4.6 mio, includes a Euro 3.8 mio. unrealised loss on the Euro / USD exchange rate stemming from loans (for a total of USD 61.1 mio.) associated with the acquisition of the Brazilian assets. It must be specified that such loss, calculated on the rate of 0.8484 Euro / USD of 30 June 2001, would be considerably reduced if calculated at the exchange rate as of the date of this report;
– The "Other non operating income (losses)" entry as of 30 June 2001 shows a negative balance of Euro 0.2 mio. which, compared with the positive balance of Euro 3.2 mio. as of 30 June 2000, generates a net negative effect of Euro 3.4 mio. on the income statement. Among the various cost components determining this difference, the following are especially significant:
  – lower capital gains on the sale of non-instrumental real estate assets for Euro 2.5 mio.;
  – negative effects resulting from changing the consolidation currency (from USD to Brazilian Real) of the financial statements of the subsidiary Campari do Brasil Ltda., for Euro 1.1 mio.

The increase in the tax rate, from 28.9% in June 2000 to the current 38.6%, is essentially due to the expiring of the Parent Company's fiscal losses carried forward, as well as to the different incidence of the earnings of the Group's foreign companies with different tax burdens.

Net income for the period was Euro 22.7 mio. (9,7% on net sales), down 30.8% from the first half of 2000, also as a result of the increased tax rate discussed above.

Profitability by Business Segment

The Group's trading margin, which in the first half of 2001 was Euro 64.4 mio. - up 8.2% from the corresponding period of the previous year - is distributed as follows, by business segment:

Trading Margin	First Half 2001		First Half 2000		
	Euro mio.	% of Total	Euro mio.	% of Total	% Change
Spirits	46.1	71.6%	41.6	69.9%	10.8%
Wines	4.5	7.1%	4.5	7.6%	0.8%
Soft drinks	13.4	20.7%	13.3	22.3%	0.4%
Other	0.4	0.6%	0.1	0.2%	291.3%
Total trading margin	64.4	100.0%	59.5	100.0%	8.2%

Partly as a result of the considerable contribution of the Brazilian acquisition, spirits saw their trading margin increase by 10.8%, strengthening their role as the Group's core business and attaining a share of 71.6% of the total trading margin.

Wines and soft drinks, which in terms of absolute value confirmed profitability levels in line with those of the corresponding period of the year 2000, consequently reduced their share of the total trading margin, dropping respectively from 7.6% to 7.1% and from 22.3% to 20.7%.
Lastly, the "Other" sales entry, while contributing only marginally to total profitability, did increase its contribution to the Group's income, rising from Euro 0.1 mio. to Euro 0.4 mio.

Spirits Profitability

	First half 2001		First half 2000		
	Euro mio.	% share of segment sales	Euro mio	% share of segment sales	% variation
Net sales	134.4	100.0%	114.2	100.0%	17.7%
Gross margin	92.4	68.7%	82.5	72.2%	12.0%
Trading margin	46.1	34.3%	41.6	36.5%	10.8%

Spirits' gross margin grew 12.0%, from Euro 82.5 mio. in the first half of 2000 to Euro 92.4 mio. in 2001: as expected, their share of net sales was slightly lower (from 72.2% in 2000 to 68.7% in 2001). Both these changes, as analysed in the comment to the Group's income statement, are closely correlated to the effects deriving from the first consolidation of the new spirit brands acquired in Brazil, which on one hand significantly contributed to the growth of sales, in absolute value terms, and of the Group's profitability levels (9.2% out of the 12.0% growth of gross margin depends on them); on the other hand, since their cost structure is heavier than the spirits' organic one, they caused a slight dilution of profitability in relation to net sales, which nonetheless remained at very high levels.
First half-year trading margin also exhibits a more than satisfactory two-digit growth from the corresponding period (10.8%), with a slight reduction of its percent share of sales (from 36.5% to 34.3%).
Advertising and promotional investments, which impact significantly on the trading margin, grew by 15.0% overall from the previous six-month period, with 7.0% attributable to the new "Brazilian" consolidation and 8.0% to higher expenses in support of the existing product portfolio.
It should be recalled that the organic growth of the Group's net sales in this segment was 3.2% (and 2.5% by volume), and sales growth in a mature market, such as the spirits market, cannot be obtained without significant and constant advertising and promotional investments, aimed first at the consumer and secondly at the trade.

Wines Profitability

	First half 2001		First half 2000		
	Euro mio.	% share of segment sales	Euro mio	% share of segment sales	% variation
Net sales	25.5	100.0%	24.8	100.0%	2.8%
Gross margin	11.5	45.0%	11.0	44.4%	4.2%
Trading margin	4.5	17.8%	4.5	18.2%	0.8%

It must be stressed that the first half of the year has relatively little significance for the wines segment, as sales of the Group's products have a marked increase in the second part of the year: in the first half of 2000, wines reached net sales of Euro 24.8 mio., corresponding to 35% of the segment's total net sales for the year 2000, which amounted to Euro 70.7 mio.
During the first half of 2001, wines achieved a trading margin of Euro 4.5 mio., in line with that of the corresponding period of 2000 (+ 0.8%), with an incidence of 17.8% on net sales.

The most relevant facts of the period, which anyway had only a marginal impact on profitability, were:
– the Brazilian acquisition, with the addition of the *Liebfraumilch* wine to the Group's product portfolio, impacted segment growth by 2.0% in terms of net sales (out of a + 2.8% total) and 0.4% in terms of trading margin (out of + 0.8%);
– the May 2001 start, by the subsidiary Campari S.p.A., of distribution of Cinzano products in the Italian market: previously, they had been handled by third parties.

At the moment, any conclusions on the impact of this important change to distribution in the national market seem premature, for the following reasons:
– the event is too recent, as less than two months have elapsed since it occurred;
– the current low seasonal level of sales;
– the lack of reference terms: it is impossible to compare *Cinzano* sales in Italy in the first half of 2000 with the results recorded in 2001, because they were distorted by inventories sale phenomena.

Soft Drinks Profitability

	First half 2001		First half 2000		
	Euro mio.	% share of segment sales	Euro mio	% share of segment sales	% variation
Net sales	70.9	100.0%	72.5	100.0%	-2.2%
Gross margin	31.4	44.3%	32.7	45.1%	-4.0%
Trading margin	13.4	18.8%	13.3	18.3%	0.4%

The drop in sales of the soft drinks segment relative to the first half of 2000 (2.2%) actually results from a satisfactory growth of Crodino, whose net sales rose 1.7%, and a 4.7% decrease in the sales of properly defined *soft drinks.*

The negative change in gross margin is slightly higher than that of net sales (4.0%), in spite of the favourable mix effect connected with the good results achieved by *Crodino,* as a result of:
– significant increases in the cost of some raw materials (in particular, PET and glass blanks) with a very high incidence on the variable unit cost of the products in question;
– reduced contribution to offsetting fixed industrial costs by properly defined *soft drinks,* characterised by quantitatively considerable sales volumes.

The segment's trading margin for the first half of the year was Euro 13.4 mio. with a slight positive variation (0.4%) relative to the Euro 13.3 mio. of the corresponding period of the year 2000.
The achievement of this level of profitability was also aided by the containment of the advertising and promotional costs of properly defined *soft drinks,* whose incidence on net sales was about 2% lower than the first half of 2000.

Other Sales Profitability

	First half 2001		First half 2000		
	Euro mio.	% share of segment sales	Euro mio	% share of segment sales	% variation
Net sales	2.7	100.0%	1.6	100.0%	72.7%
Gross margin	0.4	14.8%	0.1	6.5%	291.3%
Trading margin	0.4	14.8%	0.1	6.5%	291.3%

The growth in this business area's net sales and profitability, though on very low absolute values, can be ascribed to the consolidation of the Brazilian acquisition. In particular, the proceeds derive from the bottling of important brands owned by the seller.

The Parent Company

The first half of 2001 ended with net earnings of Euro 15.6 mio, net of amortisation and depreciation amounting to Euro 1.6 mio., and income taxes of Euro 0.6 mio.
Revenues from sales, substantially to Groups companies, amounted to a total of Euro 42.3 mio. and showed a slight drop from the previous half-year period.
The costs of production, totalling Euro 50.2 mio., rose from the first half of 2000, substantially because of the higher costs of advertising and charges associated with the listing.
Total financial income and expenses, amounting to Euro 14.1 mio., are mostly due to dividends received from subsidiaries (Euro 20 mio.), are partly reduced by the negative result of pure financial management (Euro 5.8 mio.), and were strongly influenced by the posting of the unrealised exchange rate loss (Euro 4.5 mio.) resulting from the conversion, into the consolidation currency, of the USD liability connected with the acquisition of the Brazilian interest. To reduce any financial impact connected with the aforesaid exposure in USD, a partial exchange rate hedging transaction was initiated. However, it should be noted that the negative exchange rate effects discussed above, originating from a particularly penalising Euro / USD exchange rate as of 30 June 2001 (0.8480), have since been significantly reduced by the Euro's gradual appreciation against the USD.
The total amount of extraordinary entries, at Euro 0.6 mio., is lower than the previous year; this drop is substantially caused by fewer dismissals of non-instrumental fixed assets and the consequent lower capital gains.

Research and Development Activity

The Group's research and development activity concerned exclusively ordinary production and commercial activities; accordingly, the related costs have been fully recognised in the income statement for the period.

Relationships with Subsidiary Companies, Parent Companies and Their Own Subsidiaries

Relationships between the Group's companies are mainly of a commercial and financial nature and are regulated at market prices. The Parent Company performs co-ordination activities, by means of the following relationships:
– management of interests;
– management of financial flows through the centralised treasury;
– performance of general and administrative services;
– commercial relationships.
For a more effective and organic integration of the organisational structure, aimed at achieving important synergies, the Parent Company provides its subsidiaries with a series of legal, administrative and financial co-ordination services, and co-ordinates human resources, information systems management, marketing and accounting services as well.
By contrast, there is no relationship with parent companies or with their subsidiaries.
However, for more details about relationships with the Group's companies, see also the Parent Company's accompanying notes, with particular reference to the comments to the asset and liability entries referring to these companies.
No transactions having atypical nature with respect to the company's normal activity have been initiated.
The table below shows the relevant balances for goods transferred and services rendered by the Parent Company to the subsidiary companies:

Davide Campari-Milano S.p.A.	Euro mio.
Campari-Crodo S.p.A	2.6
Campari S.p.A.	28.1
Francesco Cinzano & C.ia S.p.A.	0.2
Cinzano Investimenti e Partecipazioni S.p.A.	-0.4
Società Acque Minerali Ossolane S.p.A.	0.03
Campari France S.A.	-6.4
Campari International S.A.M.	16.7

Euro Project

In May 2001, the conversion of the Group's Italian companies managerial and accounting systems to the single European currency was successfully completed.

Ownership and Acquisition of Own Shares and of the Parent Company's Shares

The Group's companies do not own and did not own during the six-month period, directly or indirectly, any of their own shares or any shares of parent companies.

Corporate Governance

On 1 March 2001, the Parent Company adopted new By-laws in compliance with the Corporate Governance self-regulatory code whose adoption is recommended by Borsa Italiana S.p.A. for listed companies. In particular, the By-laws set out:

- under article 20, the obligation for Managing Directors or for the Chairman of the Executive Committee, to report at least on a quarterly basis to the Board of Directors and to the Board of Statutory Auditors on the activity carried out in the performance of their duties, on significant transactions performed by the Company or by the Group's companies or on transactions involving conflict of interest;
- under article 21, the appointment of one or more individuals tasked with overseeing internal procedures (administrative and operative) adopted in order to guarantee a sound and efficient management, and the obligation, for such individuals, to report on their actions to those who appointed them, as well as to the Audit Committee, if established;
- under article 22, the Board of Director's right to appoint an internal Audit Committee ("Audit Committee") with consultative and proposal-making functions, composed mainly of members of the Board of Directors without contractual and/or shareholding relationships with the Group whereof the Company is a part;
- under article 23, the Board of Director's right to appoint an Appointments and Remuneration Committee ("Appointments and Remuneration Committee") with consultative and proposal-making functions, composed mainly of members of the Board of Directors without contractual and/or shareholding relationships with the Group whereof the Company is a part;
- under article, the appointment of the Board of Statutory Auditors by means of voting list in order to guarantee minority representation.

The committees provided by the new By-laws have been established and are fully composed of independent directors. The person responsible for internal oversight has also been appointed.

Events after the End of the Half Year

On 13 July 2001, the Parent Company acquired, at placement price and within the tranche of the Public Offer aimed at Italian and foreign institutional investors, n. 1,000,000 own shares destined to service the stock option plan previously resolved in favour of the Group's management. The purchase took place after authorisation of the Shareholders' Meeting of 2 May 2001 and in accordance with the Board of Directors' resolution of 7 May 2001.

Extraordinary Shareholders' Meetings held 8 May 2001 resolved the merger of Cinzano Investimenti e Partecipazioni S.p.A. and Campari-Crodo S.p.A. in order to further rationalise and simplify the Group's structure, improving managerial and operating efficiency.

Forecast

We believe the second half of 2001 may be positively influenced by the following major facts:
– the soft drinks business area will benefit from the good sales performance recorded in July and particularly in August;

– the spirits segment will benefit from the positive effects deriving from the full consolidation of the acquired Brazilian assets, whose results, already more than satisfactory during the previous half-year, may further improve thanks to the synergies generated by the completed restructuring of the sales network;
– the wines sectors, in the Italian market, will benefit from the positive effects deriving from the distribution changes for the whole six-month period, which is the more seasonal one;
– The incidence of non-recurring costs on income should substantially decrease with respect to the first half.

Consequently, a certain optimism in the outlook for the year-end results is justified.

Preparation Criteria

This Half-Year Report was prepared pursuant to article 2428, paragraph 3 of the Italian Civil Code and in accordance with relevant CONSOB provisions, in particular CONSOB Resolution n. 11971 of 14 May 1999, subsequently complemented by Resolution n. 12475 of 6 April 2000.
In particular, pursuant to article 81, paragraph 2 of the aforesaid CONSOB Resolution n. 11971, the notes pertaining to the Parent Company's accounting data were also prepared to provide the public with more complete and correct information.
Also in accordance with the provisions of article 81 of the same CONSOB Resolution, the content of the balance sheet is only limited to the entries preceded by Roman numerals and the content of the income statement to the entries preceded by Arabic numerals (article 81, paragraph 4); moreover, income for the period is shown net of taxes (article 81, paragraph 7).
The accounting statements and detailed tables included in the explanatory notes are expressed in thousands of Euro, while comments are expressed in millions of Euro at the consolidated level and in Euro for the parent company.
Each individual entry in the balance sheet and in the income statement is compared to the corresponding value of the first half of 2000 and with the financial statements as of 31 December 2000.
Accounting principles and evaluation criteria, guided by prudence and competence, do not differ from those adopted in preparing the financial statements as of 31 December 2000 (please see), and of the situation for the first half of 2000, prepared solely for purposes of comparison to this Half-Year Report.
The comment sections show the variations occurred with respect to the financial statements as of 31 December 2000 in terms of balance sheet entries and the situation of the first half of 2000 in regard to the income statement.

Consolidation Area

The consolidation area as of 30 June 2001 includes the Parent Company and all Italian and foreign companies whereof the Parent Company controls, directly or indirectly, the majority of voting rights in ordinary Shareholders' Meetings.
The following changes were made to the consolidation area since 31 December 2000:
- as a result of the Brazilian acquisition completed on 31 January 2001, the Brazilian company DCM Participaçoes Ltda. (formerly "UDVIC") entered the consolidation perimeter along with its subsidiaries DCM Industria, Commercio e Serviços Ltda. (formerly "UDV do Brasil Ltda."), Dreher S.A., Kenston Sales and Services Inc. S.A., and Gregson's S.A. (formerly "Gilbey's S.A."). On 30 April 2001, the companies DCM Participaçoes Ltda. e DCM Industria, Comercio and Serviços Ltda. were transferred to the subsidiary Campari do Brasil Ltda and merged therewith;
- In March 2001, the subsidiary Campari-Crodo S.p.A. reacquired the 6% share of the share capital of Cinzano Investimenti e Partecipazioni S.p.A. owned by F.lli Gancia & C. S.p.A;
- Campari Management S.A.M. ceased operations and its winding up started on 1 April 2001, thereby leaving the consolidation perimeter;
- Zytronna Lda. was transferred to third parties, thus leaving the consolidation perimeter.

Criteria and Exchange Rates Applied in the Financial Statements Conversion

The exchange rates applied for the conversion into Euro of financial statements expressed in foreign currencies outside the Euro zone are as follows:

	Period ending					
	30 June 2001		30 June 2000		31 December 2000	
	Average rate	Final rate	Average rate	Final rate	Average rate	Final rate
USD	0.8981	0.8480	0.9610	0.9580	0.9238	0.9305
Swiss Franc	1.5308	1.5228	1.5862	1.5594	1.5582	1.5232
Greek Drachma	340.75	340.75	337.1544	334.672	336.8137	340.75
Brazilian Real	1.9274	1.9478	1.7181	1.7300	1.6889	1.8201
Uruguayan Peso	11.7356	11.4013	–	–	–	–

Davide Campari - Milano S.p.A.

Consolidated Accounting Statements and Explanatory and Complementary Notes for the Campari Group
Consolidated Balance Sheet
(Thousands of Euro)

Balance Sheet - Assets	**30 June 2001**	**30 June 2000**	**31 December 2000**
A Amounts due from Shareholders			
B Fixed Assets			
I Intangible fixed assets	177,986	103,734	100,313
II Tangible fixed assets	92,268	88,694	88,081
III Financial fixed assets	23,637	23,957	22,158
	293,891	**216,385**	**210,552**
C Current assets			
I Inventories	67,977	56,200	49,734
II Receivables	142,610	146,419	168,821
III Financial assets not held as fixed assets	41,295	2,684	1,898
IV Liquid funds	137,731	161,344	167,732
	389,613	**366,647**	**388,185**
D Accrued income and prepaid expenses	**3,449**	**3,580**	**711**
Total Assets	**686,953**	**586,612**	**599,448**

Balance Sheet - Liabilities and Shareholders' Equity			
A Shareholders' Equity			
I Share capital	29,040	29,040	29,040
IV Legal reserve	5,808	1,500	1,500
VII Other reserves	179,966	147,324	148,066
VIII Income (losses) carried forward	154,361	167,269	167,269
IX Income (loss) for the period	22,672	32,771	52,831
Total Group Share of Shareholders' equity	**391,847**	**377,904**	**398,706**
Minority interest:			
Share capital and reserves	2,309	5,032	5,048
Income (loss) for the period	(18)	7	(65)
Total Minority interest share of Shareholders' equity	**2,291**	**5,039**	**4,983**
Total Shareholders' equity	**394,138**	**382,943**	**403,689**
B Reserves for risks and charges	**31,428**	**10,230**	**28,997**
C Employees' leaving indemnity - Italy	**11,073**	**12,093**	**12,481**
D Payables	**246,982**	**178,824**	**152,822**
E Accrued expenses and deferred income	**3,332**	**2,522**	**1,459**
Total liabilities and Shareholders' equity	**686,953**	**586,612**	**599,448**
Memorandum accounts			
1 Guarantees to third parties	23,575	23,575	23,575
2 Commitments to third parties	7,795	7,746	40,971
3 Risks to third parties	1,027	1,027	1,027
Total Memorandum accounts	**32,397**	**32,348**	**65,573**

Consolidated Income Statement
(Thousands of Euro)

		30 June 2001	30 June 2000	31 December 2000
A	**Value of production**			
	1 Revenues from sales of goods and services	268,651	248,953	508,129
	2 Variation in work in progress, semi -finished and finished products inventories	6,098	6,735	1,706
	5 Other income and revenues (of which operating grants = 0)	11,567	6,795	14,483
	Total value of production	**286,316**	**262,483**	**524,318**
B	**Production Costs**			
	6 Raw, ancillary and consumable materials and goods for resale	96,154	88,120	171,239
	7 Services	80,161	68,683	133,051
	8 Rental and lease charges	1,397	1,136	2,572
	9 Personnel	24,558	21,032	43,611
	10 Amortisation, depreciation and write-downs	12,166	9,973	19,585
	11 Variation in raw, ancillary and consumable materials and goods for resale	(2,578)	(2,537)	(1,100)
	12 Provisions for risks	313	1,512	20,462
	13 Other provisions	85	149	254
	14 Other operating expenses	35,411	33,759	69,181
	Total cost of production	**247,667**	**221,827**	**458,855**
	Difference value and cost of production	**38,649**	**40,656**	**65,463**
C	**Financial income and expenses**			
	15 Income from equity investments	52	2	3
	16 Other financial income	6,266	3,627	12,659
	17 Interest and other financial charges	(9,042)	(2,970)	(7,269)
	Total net financial income and expenses	**(2,724)**	**659**	**5,393**
D	**Adjustments to the value of financial assets**			
	18 Revaluations	1,391	981	2,533
	19 Write-downs	–	–	(787)
	Total adjustments to the value of financial assets	**1,391**	**981**	**1,746**
E	**Extraordinary income and expenses**			
	20 Income	1,853	4,293	9,770
	21 Expenses	(2,401)	(530)	(3,654)
	Total extraordinary items	**(548)**	**3,763**	**6,116**
	Income (loss) before taxes	**36,768**	**46,059**	**78,718**
	22 Total income taxes for the period	14,114	13,281	25,952
	23 et income for the period	**22,654**	**32,778**	**52,766**
	Loss minority interest	(18)	7	(65)
	Group Share of Net income	**22,672**	**32,771**	**52,831**

Comments to the Main Entries of the Consolidated Balance Sheet (Thousands of Euro)

Assets

Fixed Assets

Intangible fixed assets

	30 June 2001	30 June 2000	31 December 2000
Start up and expansion costs	136	357	107
Industrial patents and intellectual property rights	2,714	429	492
Concessions, license rights, trademarks and similar rights	13,886	14,304	13,439
Consolidation difference	157,989	86,794	83,377
Intangible assets in progress and advances to suppliers of intangible fixed assets	108	459	1,498
Other intangible fixed assets	3,153	1,391	1,400
Total	177,986	103,734	100,313

The following variations occurred during the semester:

	Start up and expansion costs	Industrial patents and intellectual property rights	Concessions, license rights, trademarks and similar rights	Consolidation difference	Intangible assets in progress and advances to suppliers of intangible fixed assets	Other intangible fixed assets	Total
Initial book value	1,247	1,090	21,788	107,190	1,498	5,081	137,894
Initial Accum. Amort.	(1,140)	(598)	(8,349)	(23,813)	–	(3,681)	(37,581)
Initial balance	107	492	13,439	83,377	1,498	1,400	100,313
Perimeter variation	–	2,183	1,043	79,668	–	–	82,894
Investments	–	458	1	–	(1,391)	2,369	1,437
Dismissals	(4)	–	(8)	–	–	–	(12)
Amortisation	(48)	(418)	(608)	(5,056)	–	(638)	(6,768)
Translation adjustments and other movements	81	(1)	19	–	1	22	122
Final balance	136	2,714	13.886	157,989	108	3,153	177,986
Final book value	1,389	5,070	22,844	186,858	108	7,460	223,729
Final Accum. Amort.	(1,253)	(2,356)	(8,958)	(28,869)	0	(4,307)	(45,743)

The increase in the entry "Industrial patents and intellectual property rights" derives mainly from the perimeter variation resulting from the Brazilian acquisition occurred early in 2001 and refers to software licences of the acquired companies. The variations in the entries "Concessions, license rights, trademarks and similar rights" and "Consolidation difference" comprise the following:

	30 June 2001		31 December 2000	
	Concessions, license rights, trademarks and similar rights	consolidation difference	Concessions, license rights, trademarks and similar rights	consolidation difference
Former Bols products	3,057	11,989	3,274	13,465
Ouzo 12	8,671	10,423	8,918	10,721
Cinzano	900	59,986	926	59,192
Brazilian acquisition	1,060	75,591	–	–
Others	199	–	320	–
	13,886	157,989	13,439	83,377

The increase in the entry "Concessions, license rights, trademarks and similar rights" is essentially due to trademarks owned by one of the acquired Brazilian companies.

The entry "Consolidation difference" deriving from the Brazilian acquisition shows the part of acquisition cost exceeding the book value of the acquired assets, after subtracting the book value of assumed liabilities of Euro 77.199 mio. This difference was attributed, preliminarily, to goodwill, to be depreciated over 20 years awaiting the definition of the current values of assets and liabilities and a better allocation thereof to the tangible and intangible assets of the acquired companies.
The increase in the consolidation difference for Cinzano is due to the re-acquisition of 6% of the share capital of the subsidiary Cinzano Investimenti e Partecipazioni S.p.A. by the subsidiary Campari-Crodo S.p.A., which took place in March 2001 and generated a goodwill of Euro 2.469 mio.
The Euro 2.369 mio. increase in the "Other intangible fixed assets" refers mainly to the Parent Company and includes costs for upgrading the programs of the SAP/R3 integrated system, amounting to Euro 1.957 mio., and the costs of the CRM project, amounting to Euro 0.32 mio.
Intangible fixed assets also include Euro 0.073 mio. for currency revaluations in compliance with Laws 576/75 and 413/91.

Tangible fixed assets

	30 June 2001	30 June 2000	31 December 2000
Land and buildings	52,414	54,255	53,552
Plant and machinery	28,433	25,898	25,277
Industrial and commercial equipment	5,841	5,204	5,024
Other tangible fixed assets	4,927	2,972	3,999
Fixed assets under construction and advances to suppliers of tangible fixed assets	653	365	229
Total	92,268	88,694	88,081

Relevant changes occurred during the six-month period are as follows:

	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other tangible fixed assets	Fixed assets under construction and advances to suppliers of tangible fixed assets	Total
Initial book value	88,014	93,467	34,488	14,888	229	231,086
Initial accumulated depreciation	(34,462)	(68,190)	(29,464)	(10,889)	–	(143,005)
Initial balance	53,552	25,277	5,024	3,999	229	88,081
Perimeter variation	3,549	5,099	–	928	345	9,921
Investments	95	1,248	1,632	1,003	78	4,056
Dismissals	(499)	(8)	(50)	(64)	–	(621)
Depreciation	(1,223)	(2,668)	(793)	(714)	–	(5,398)
Exchange differences and other movements	(3.060)	(515)	28	(225)	1	(3,771)
Final balance	52,414	28,433	5,841	4,927	653	92,268
Final book value	90,570	110,080	36,082	17,858	653	255,243
Final accumulated depreciation	(38,156)	(81,647)	(30,241)	(12,931)	–	(162,975)

The Euro 9.921 mio. increase in tangible fixed assets resulting from the variation of the consolidation perimeter is wholly due to the Brazilian acquisition and pertains to the plants in Sorocaba, for Euro 9.432 mio., and Jaboatao, for Euro 0.488 mio.
Exchange differences and other movements in the period, entailing a Euro 3.771 mio. reduction in the balance of tangible fixed assets, are due for Euro 3.021 mio. to the shift from USD to Brazilian Real as accounting currency by the subsidiary Campari do Brasil Ltda. USD had been adopted in the past to avoid the impact of the country's high inflation rate, allowing to maintain historical exchange rates. At the consolidated level, the exchange rate difference originated on the company's local shareholders' equity was carried forward in the income statement during the operating period. During the six-month period, extraordinary charges of Euro 1.119 mio. were posted in view of these

differences.

The period's main investments in plant and machinery refer to the Parent Company for Euro 0.261 mio. and to Campari-Crodo S.p.A. for Euro 0.616 mio. As regards the Parent Company, the most important investment, amounting to Euro 0.139 mio., pertains to potable water treatment plants and the softening system for the cafeteria. In regard to Campari-Crodo S.p.A., they are investments made in the plants at Crodo (Euro 0.224 mio.), Sulmona (Euro 0.345mio.), and Termoli (Euro 0.047mio.).

The Euro 1.632 mio. increase in industrial and commercial equipment refers almost entirely to Campari S.p.A. and it relates to the purchase of reusable packages for Euro 1.518 mio.

The most significant acquisitions included in the "Other tangible fixed assets" entry regard electronic machines, and are mainly to be imputed to the Parent Company for Euro 0.406 mio. and Campari do Brasil Ltda. for Euro 0.303 mio.

Transfers of land and buildings refer to the sale of civil real estate units and of an instrumental building by the Parent Company for Euro 0.378 mio. and to the transfer of civil real estate units by Campari-Crodo S.p.A. for Euro 0.121 mio.

As of 30 June 2001, the land and buildings entry includes the amount of Euro 27.073 mio. pertaining to leased assets; the Euro 16.060 mio. residual debt as of the same date is posted in the entry "Payables due to banks".

Total revaluations pertaining to tangible fixed assets existing at the end of the half-year period amount to Euro 11.371 mio., net of depreciation.

Financial fixed assets

	30 June 2001	30 June 2000	31 December 2000
Equity investments			
subsidiary companies	493	–	–
associated companies	411	429	568
other companies	18,967	17,683	16,582
Receivables from other companies:			
due within 12 months	1,217	4,089	2,612
due after 12 months	2,095	1,302	1,939
Other securities maturing after 12 months	454	454	457
Total	23,637	23,957	22,158

The following changes took place during the six-month period:

	Equity investments in subsidiary companies	Equity investments in associated companies	Equity investments in other companies	Receivables from other companies due within 12 months	Receivables from other companies due after 12 months	Other securities
Balance as of 1 January 2001	–	568	16,582	2,612	1,939	457
Increases	493	–	80	–	156	–
Revaluations / write-downs	–	(227)	796	–	–	–
Decreases	–	–	(87)	(1,395)	–	(3)
Other changes	–	70	1,596	–	–	–
Balance as of 30 June 2001	493	411	18,967	1,217	2,095	454

Composition as of 30 June 2001	Equity investments in subsidiary companies	Equity investments in associated companies	Equity investments in other companies	Receivables from other companies due within 12 months	Receivables from other companies due after 12 months	Other securities
Campari Management S.A.M -100%	493					
MCS S.c.a.r.l. – Bruxelles -33.3%		198				
International Marques V.o.f.- Haarlem -33.3%		134				
Longhi & Associati S.r.l.-Milano -30%		79				
Skyy Spirits L.L.C. - Delaware (USA) - 9.3%			18,812			
Other equity investments < 10%			155			
Loans to Bersano Riccadonna S.p.A.				804		
Loan to S.I.A.M. Monticchio S.p.A.				413	374	
Advanced payment of taxes for staff leaving indemnity					931	
Idreg Piemonte S.p.A. bonds						454
Other items					790	
	493	411	18,967	1,217	2,095	454

The entry "Equity investments in subsidiary companies" as of 30 June 2001 refers to the investment in Campari Management S.A.M, placed in liquidation since 1 April 2001 and hence no longer in the consolidation perimeter and adjusted for shareholders' equity as of 30 June 2001.
The variation in equity investments in associated companies since 31 December 2000 is due to their alignment to the value of shareholders' equity of 30 June 2001.
The decreases in equity investments in other companies relate, in the amount of Euro 0.077 mio., to S.I.A.M. Monticchio S.p.A., sold in early 2001 and already aligned to the selling value as of 31 December 2000. The increase in the entry is due to the revaluation of the 9.3% stake in Skyy Spirits L.L.C. based on results as of 30 June 2001. The entry "Other changes", amounting to + Euro 1.596 mio., refers to the exchange rate difference generated by the value of the investment itself, expressed in USD.

Current assets

Inventories

	30 June 2001	30 June 2000	31 December 2000
Raw, ancillary and consumable materials	18,953	15,490	14,223
Work in progress and semi-finished products	21,835	19,686	20,033
Finished products and goods for resale	27,189	21,024	15,478
Total	67,977	56,200	49,734

In the financial statements of Italian companies and of some foreign companies, inventories were evaluated with the LIFO method. The greater value due to the adoption of the average cost method in the consolidated balance sheet is Euro 2.884 mio.
The inventory increase relative to 31 December 2000 is due, for Euro 9.803 mio., to the perimeter variation deriving from the Brazilian acquisition, of which Euro 2.388 mio. are raw materials, Euro 4.722 mio. are semi-finished products and Euro 2.693 mio. are finished products. The remaining increase is due to the seasonal stocks increases in all the Group's companies.

The above values are net of the inventory write-down reserve, amounting to Euro 0.604 mio. as of 30 June 2001 (Euro 0.292 mio. as of 31 December 2000); the increase is due to the reserves set for the acquisition of the Brazilian companies.

Receivables

	30 June 2001	30 June 2000	31 December 2000
Due from customers – within 12 months	109,297	101,254	89,785
Due from customers - after 12 months	57	26	85
Due from associated companies - within 12 months	2,076	2,482	2,534
Due from parent companies – after 12 months	–	1,545	1,659
Other receivables due - within 12 months	30,100	38,801	74,556
Other receivables due - after 12 months	1,080	2,311	202
Total	142,610	146,419	168,821

The increase in receivables due from customers results from the Brazilian acquisition, and the consequent greater revenues generated.
Receivables due from customers, deriving from normal sales operations, are net of the provisions for bad debts of Euro 8.132 mio., resulting in part from positions of the companies taken over from the Wessanen Group in 1995 and not yet collected, and in part from receivables related to the Brazilian acquisition.
The provisions for bad debts changed as follows:

Balance as of 31 December 2000	4,078
Utilisation	(406)
Perimeter variation	2,883
Balance as of 30 June 2001	8,132

The perimeter variation refers to receivables deriving from the acquired Brazilian companies, already written down upon defining the acquisition price.
The balance of "Other receivables" comprises, as of 30 June 2001:

	30 June 2001	30 June 2000	31 December 2000
Fixed term bank deposits and commercial paper	-	9,768	47,010
Due from tax authorities	8,748	11,027	7,699
Deferred tax assets	8,183	5,467	6,707
Advances to suppliers	6,454	6,529	6,868
Receivables for sundry sales	5,865	5,866	2,005
Due from agents and distribution centres (net of the provisions for bad debts of Euro 4.026 mio.)	616	903	2.135
Others (net of the provisions for bad debts of 1.577 million Euro)	1,314	1,552	2,334
Total	31,180	41,112	74,758

"Fixed term bank deposits and commercial paper", which on 31 December 2000 relate to short-term investment of liquidity, matured at the start of the fiscal year.
Receivables due from tax authorities increase relative to 31 December 2000 by effect of the variation in the consolidation area resulting from the Brazilian acquisition and essentially refer to pre-paid taxes on risk reserves and provisions for bad debt.
The other receivables include a Euro 1.486 mio. bad debt, offset by a provision of equal amount, deriving from an uncollectable receivable of Dolphin Capital Corp. guaranteed by the Company.

Financial assets not held as fixed assets and liquid funds

	30 June 2001	30 June 2000	31 December 2000
Marketable securities	41,295	2,684	1,898
Liquid funds	137,731	161,344	167,732
Total	179,026	164,028	169,630

Marketable securities include mainly Euro 28.658 mio. in 3 - month fixed term deposits and Euro 11.752 mio. in 30 - day deposits held by Campari do Brasil Ltda., whereof Euro 10.552 mio. in local currency and the residual amount in USD. The liquid funds entry essentially comprises bank and post office deposit accounts including the positive balances of current accounts and short-term use of liquid funds.
Bank transactions are conducted at market interest rates, of which the following average rates were applied during the period:
– current account overdrafts rate: 7.875%;
– commercial paper rate: 4.9%;
– deposit rate: 3.4%.

The net financial position of Euro 74.713 mio. consists of:

	30 June 2001	30 June 2000	31 December 2000
Liquid funds	137,731	161,344	167,732
Payables to banks - within 12 months	(90,822)	(9,973)	(13,100)
Payables to banks - after 12 months	(13,491)	(16,060)	(15,353)
	33,418	135,311	139,279
Fixed term bank deposits and commercial paper (included in other receivables)	–	9,768	47,010
Marketable securities	41,295	2,684	1,898
Net financial position	74,713	147,763	188,187

Accrued income and prepaid expenses

	30 June 2001	30 June 2000	31 December 2000
Accrued income	623	170	362
Prepaid expenses	2,826	3,410	349
Total	3,449	3,580	711

These entries comprise mainly Euro 0.538 million interest income matured and Euro 1.807 mio. prepaid advertising and promotion expenses.

Liabilities and Shareholders' Equity

Shareholders' Equity

Movements in the consolidated shareholders' equity during the six-month period are as follows:

	Balance as of 31 December 2000	dividends	Transfers	Exchange rate differences and other movements	Income for the period	Balance as of 30 June 2001
Share capital	29,040	–	–	–	–	29,040
Legal reserve	1,500	–	4,308	–	–	5,808
Other reserves	304,405	(12,908)	35,935	–	–	327,432
Reserve for financial statement conversion into foreign currency	10,930	–	–	(4,035)	–	6,895
Income (loss) for the period	52,831	(12,588)	(40,243)	–	22,672	22,672
Total Group share of Shareholders' Equity	398,706	(25,496)	–	(4,035)	22,672	391,847
Minority share capital and reserves	5,048	–	(65)	(2,674)	–	2,309
Minority income (loss) for the period	(65)	–	65	–	(18)	(18)
Total Minority interest share of Shareholders' equity	4,983	–	–	(2,674)	(18)	2,291
Total Shareholders' equity	403,689	(25,496)	–	(6,709)	22,654	394,138

Net income for the previous year was distributed to shareholders as a dividend for Euro 25.496 mio.
As of 30 June 2001 the share capital comprises 29,040,000 ordinary shares with a nominal value of Euro 1 each. During the month of July, a portion of current reserves available was destined to the purchase of 1,000,000 own shares to service the stock option plan reserved to the Group's management.
Variations in the reserve for financial statement conversion into foreign currency are mainly due to the exchange rate differences on initial shareholders' equity of subsidiary companies, resulting mostly from oscillations in the values of the Brazilian Real and USD.
The variation in the minority interest share of shareholders' equity relates to the re-acquisition, by the subsidiary Campari-Crodo S.p.A., of 6% of the share capital of Cinzano Investimenti e Partecipazioni S.p.A. held by F.lli Gancia & C. S.p.A., which took place in March 2001. The residual portion of the minority interest share of shareholders' equity refers to 25% of the company O-Dodeca B.V.

Reserve For Risks and Charges

	30 June 2001	30 June 2000	31 December 2000
Leaving indemnities, pension funds and alike	1,924	1,786	1,817
Taxation	21,188	1,478	17,997
Deferred taxation	3,072	3,973	4,730
Other reserves	5,244	2,993	4,453
Total	31,428	10,230	28,997

Reserves for risks and charges are provided to cover likely liabilities of the Group's companies, the extent and timing of which could not be precisely determined at the closing date.
The leaving indemnities, pension funds and alike refer mainly to Euro 17.044 mio. in reserves set aside by the Parent Company, and Euro 1.092 mio. set aside by the subsidiary Campari-Crodo S.p.A.. In addition, an increase of Euro 3.215 mio. is reported relative to 31 December 2000 as a result of the consolidation perimeter variation deriving from the Brazilian acquisition.
In regard to tax proceedings relating to the Parent Company, on 19 December 2000 the Company was notified that the 2nd District Office of Direct Taxes of Milan *(II Ufficio Distrettuale delle Imposte Dirette di Milano)* had issued a tax assessment relative to the 1994 fiscal year in which the tax authorities calculated a taxable income (for IRPEG and ILOR taxes) higher than declared by the Company by Euro 24.901 mio., in addition to penalties for Euro 13.248 mio. The Company appealed against this assessment before the competent authorities.
Moreover, during last fiscal year, as reported in the explanatory note to the financial statements as of 31 December 2000 (to which the reader is referred), the Company received notification of claims by the 2nd District Office of Direct Taxes of Milan *(II Ufficio Distrettuale delle Imposte Dirette di Milano)* containing remarks of a fiscal nature which the Company believes to be without merit and against which, in the event they would give rise to future tax charges, it intends to appeal to the competent authorities. Therefore, it is Management's opinion that the resolution of the aforementioned disputes will not have significant effects on the Company's financial statements.
The deferred taxation account represents the balance of deferred taxes allocated with reference to tax-related entries in the financial statements of individual companies in the Group and of deferred and prepaid taxes relating to consolidation accounts. Changes to the balance since 31 December 2000 are as follows:

	30 June 2001			31 December 2000		
	deferred	prepaid	balance	deferred	prepaid	balance
Parent Company	1,125		1,125	1,497		1.497
Campari-Crodo S.p.A.	1,901		1,901	4,051		4,051
Consolidation accounts	13,259	(13,350)	(91)	12,199	(13,112)	(913)
Others	137		137	95		95
Total	16,422	(13,350)	3,072	17,842	(13,112)	4,730

Other reserves are represented mainly by risk reserves for disputes with agents for Euro 2.807 mio., risk reserves for ongoing litigation in relation to the Brazilian acquisition for Euro 1.263 mio., restructuring charges for Euro 0.272 mio. and plant renewal reserves for Euro 0.398 mio.

Employees' leaving indemnity

Changes to this reserve account during the six-month period were as follows:

Initial balance as of 31 December 2000	12,481
Provision for the period	787
Utilisation during the period and advances to employees	(2,195)
Final balance as of 30 June 2001	11,073

Payables

	30 June 2001	30 June 2000	31 December 2000
Banks - within 12 months	90,822	9,973	13,100
Banks - after 12 months	13,491	16,060	15,353
Other suppliers of finance - after 12 months	1,047	–	1,046
Advance payments received - within 12 months	687	625	553
Suppliers - within 12 months	78,196	87,832	68,125
Associated companies - within 12 months	–	368	1,273
Tax authorities - within 12 months	30.467	31,056	22,372
Tax authorities - after 12 months	4,704	9,749	7,227
Social security institutions - within 12 months	2,442	2,325	2,702
Other payables - within 12 months	25,126	20,836	21,071
Total	246,982	178,824	152,822

Payables due to banks as of 30 June 2001 consists of the following:

	Within 12 months	Within 12 months	total
Short-term debt	88,253	–	88,253
Credemleasing S.p.A. for lease of real estate	2,569	13,491	16,060
Total	90,822	13.491	104,313

Euro 74.732 million of the increase in short-term debt to banks is attributed to the Parent Company and it results mainly from credit lines totalling USD 61,110,194 opened by the Company in view of the acquisition of the Brazilian equity interest. It should be stressed that, to reduce the associated exchange rate risk, a partial hedge transaction was initiated, entitling the Company to exercise the option of purchasing USD 20,000,000 at the pre-set expiration date of 19 December 2001, depending on the Euro / USD exchange rate on that date.
The remaining payables due to banks substantially reflect the financial flows connected with the operating management of payments and collections.
Payables due to Credemleasing S.p.A. represents the principal portion of the instalments outstanding on a nine-year real estate lease, expiring 20 February 2006, on the building occupied by the head offices of the Parent Company and of certain subsidiary companies in Milan, recorded as a capital lease. The remaining lease instalments are due as follows:

Year	Amount
2001	818
2002	1,857
2003	1,977
2004	2,146
2005	2,327
2006	6,935
Total	16,060

Payables due to tax authorities within 12 months relate to taxes payable by individual Group companies in the respective countries and comprise the following:

	30 June 2001	30 June 2000	31 December 2000
Income tax	12,650	20,805	8,188
Value added tax	5,436	1,759	3,021
Taxes on alcohol production	8,590	7,119	7,520
Withholding and other sundry taxes	3,791	1,373	3,643
Total	30,467	31,056	22,372

Income tax payable is shown net of advance payments of tax and of tax withheld at source.
Withholding and other sundry taxes include the current portion of Euro 2.523 mio., of the payment over 5 years of the substitutive tax generated from the sale of the equity investments, prior to the date of acquisition, by Cinzano Investimenti e Partecipazioni S.p.A. The non-current portion of Euro 4.704 mio. has been classified under Payables due to tax authorities after 12 months.

Other payables constitute a residual entry comprising:

	30 June 2001	30 June 2000	31 December 2000
Deposits on packaging materials	7,471	7,152	6,887
Customer bonuses	9,154	4,815	7,425
Payroll	4,915	4,094	4,012
Commissions payable	733	728	1,190
Advances from customers	502	674	192
Others	2,351	3,373	1,365
Total	25,126	20,836	21,071

There are no payables due after five years from the balance sheet date and no secured guarantees other than those already disclosed.

Accrued expenses and deferred income

	30 June 2001	30 June 2000	31 December 2000
Accrued expenses	2,249	850	290
Deferred income	1,083	1,672	1,169
Total	3,332	2,522	1,459

These consist of accrued advertising and promotion expenses of Euro 1.781 mio., deferred income related to capital grants received from Prominvest and amounting to Euro 0.967 mio,, other accrued expenses for Euro 0.116 mio. and other deferred income for Euro 0.468 mio.

Memorandum accounts

	30 June 2001	30 June 2000	31 December 2000
Guarantees to third parties	23,575	23,575	23,575
Commitments to third parties	7,795	7,746	40,971
Risks to third parties	1,027	1,027	1,027
Total	32,397	32,348	65,573

Commitments to third parties comprise the following:
– derivatives transactions for Euro 0.047 million, recorded at their notional value as of 30 June 2001;
– sponsorship of sporting events in the motor racing sector amounting to Euro 7.745 mio.

Comments on the Main Income Statement Entries

Value of production

Revenues from sales of goods and services comprise the following:

	30 June 2001	30 June 2000	31 December 2000
Sales of the Group's principal production, net of excise duties	232,053	212,717	431,042
Excise duties	31,540	30,677	63,403
Sales of wines and musts to UDV Operations S.p.A. for production	4,646	4,956	12,934
Sundry sales and directly related income	412	603	750
Total	268,651	248,953	508,129

Sales performance and distribution by product line and geographic area are discussed in the Directors' Report.

Other income and revenues

The balance comprises the following:

	30 June 2001	30 June 2000	31 December 2000
Advertising contributions received	3,092	2,936	6,526
Production subcontracted by third parties - Smirnoff Ice	610	520	3,000
Real estate income	449	501	1,016
Sundry sales revenue	1,448	1,616	754
Capital grants	115	–	410
Gains on disposal of fixed assets	271	107	304
Others	5,582	1,115	2,473
Total	11,567	6,795	14,483

Production Costs

Production costs consist of:

	30 June 2001	30 June 2000	31 December 2000
Raw, ancillary, consumable materials and goods for resale	96,154	88,120	171,239
Services	80,161	68,683	133,051
Rental and lease charges	1,397	1,136	2,572
Personnel	24,558	21,032	43,611
Amortisation of intangible fixed assets	6,768	4,683	9,578
Depreciation of tangible fixed assets	5,398	5,290	9,741
Write-down of receivables included in current assets and liquid funds	–	–	266
Variation in inventories of raw, ancillary and consumable materials	(2.578)	(2,537)	(1,100)
Provision for risks	313	1,512	20,462
Other provisions	85	149	254
Other operating costs	35,411	33,759	69,181
Total	247,667	221,827	458,855

Costs for services

Costs for services comprise the following:

	30 June 2001	30 June 2000	31 December 2000
Advertising and promotion costs	46,333	41,538	77,524
Transportation	9,589	9,805	18,807
Commissions	5,238	4,160	10,387
Other sundry expenses	19,001	13,180	26,333
Total	80,161	68,683	133,051

The increase in the "other sundry expenses" entry over the previous period results to a large extent from the consulting work relating to the listing, which generated costs of Euro 3.825 mio. for the Parent Company. These costs were fully recognised during the period.

Personnel

This entry comprises the entire personnel cost and includes bonuses, salary increases, the cost of holidays not taken and other provisions accrued in accordance with current legislation and labour contracts. The increase is due to the higher average number of employees brought about by the acquisitions.
Personnel costs breakdown is as follows:

	30 June 2001	30 June 2000	31 December 2000
Wages and salaries	16,048	14,615	29,922
Social security contributions	5,765	4,650	10,118
Employees' leaving indemnity - Italy	789	852	1,563
Supplementary retirement pensions and agents' leaving indemnity	32	30	288
Other personnel related costs	1,924	885	1,720
Total	24,558	21,032	43,611

The increase in personnel costs during the period is mainly due to structural enlargement as a result of the Brazilian acquisition and to the extraordinary charges connected with the implementation of restructuring actions.

Amortisation, depreciation and write-downs

Amortisation rates, composition and movements have been illustrated above. The table below shows the amortisation of trademarks and consolidation differences (goodwill) by brand:

	30 June 2001	30 June 2000	31 December 2000
Former Bols products	1,693	1,576	3,479
Cinzano	1,701	1,669	3,340
Ouzo 12	545	565	1,081
Brazilian acquisition	1,591	–	–
Others	134	70	244
Total	5,664	3,881	8,144

Other operating expenses

These comprise the following:

	30 June 2001	30 June 2000	31 December 2000
Excise duties and other taxes on alcohol	32.007	31.402	63.773
Sundry	3.404	2.357	5.408
Total	35,411	33,759	69,181

The sundry operating expenses consist mainly of expenses related to management of real estate and other non-recurring expenses.

Financial income and expenses

	30 June 2001	30 June 2000	31 December 2000
Income from investments in associated companies	47	–	–
Income from investments in other companies	5	2	3
Other financial income from receivables included in fixed assets	100	98	145
Other financial income from marketable securities	1,102	404	23
Sundry financial income:			
– from parent companies	(11)	26	53
– from other companies	5,075	3,099	12,438
Interest and other financial charges from other companies	(9,042)	(2,970)	(7,269)
Total	(2,724)	659	5,393

Sundry financial income from other companies includes gains on exchange of Euro 0.522 mio.
Interest and other financial charges from other companies include exchange losses of Euro 5.115 mio. In particular, they include the Parent Company's recorded unrealised loss on the credit lines opened for USD 61,110,194, to acquire the Brazilian equity investment, in view of which a partial hedging transaction was initiated in the amount of USD 20,000,000. This transaction is described under the "payables to banks" entry. However, since at the closing date of this half-year report the Euro / USD exchange rate falls within the value range that would activate the hedge as structured, the Company deemed it appropriate to record the unrealised loss only on the part of the loan that is not covered by the hedge.
Nevertheless, it should be noted that if the Euro / USD at the expiration date of the option were lower than the minimum provided by the contract, thereby voiding its whole structure, the differential effect on the income for the period would amount to Euro 1.649 mio.
Lastly, it is stressed that the considerable effect recorded herein, originating from the particularly penalising Euro / USD exchange rate as of 30 June 2001 (0.8480), is significantly reduced by the current gradual rise of the Euro against the USD, whose positive effect if calculated at the exchange rate of early September exceeds Euro 2 mio.

Adjustments to the value of financial assets

	30 June 2001	30 June 2000	31 December 2000
Revaluations of investments	1,391	981	2,533
Write-downs of investments	–	–	(787)
Total	1,391	981	1,746

The revaluation of investments derives from the adjustment of the value of the investment in Skyy Spirits L.L.C. to the shareholders' equity.

Extraordinary income and expenses

	30 June 2001	30 June 2000	31 December 2000
Gains on disposal of fixed assets	991	3,635	7,675
Other income	862	658	2,095
Losses on disposal of fixed assets	–	(46)	(46)
Other expenses	(1,054)	(484)	(1,969)
Change in accounting criteria	(1,119)	–	–
Prior year taxes	(228)	–	(1,639)
Total	(548)	3,763	6,116

Gains on disposal of fixed assets
These relate to sales of real estate by the Parent Company amounting to Euro 0.613 mio. and by the subsidiary Campari-Crodo S.p.A. amounting to Euro 0.378 mio.

Other income
These essentially refer to non-recurring income.

Other expenses
This entry consists almost entirely of non-recurring expenses.

Change in accounting criteria
This reflects the effect of the change in currency used to consolidate the financial statements of the subsidiary Campari do Brasil Ltda., from USD to Brazilian Real, commented in the paragraph on tangible fixed assets (please see).

Income taxes for the period

Income before taxes and income taxes for the period comprise the following:

	30 June 2001	30 June 2000	31 December 2000
Income before taxes	36,768	46,059	78,718
Income taxes for the period:			
– Current taxes	12,386	11,886	23,474
– Deferred taxes	1,728	1,395	2,478
Total income taxes	14,114	13,281	25,952

Income for the period attributable to minority interests

This entry relates solely to the minority holding of 25% in the company O-Dodeca B.V. As previously commented, during the period the subsidiary Campari-Crodo S.p.A. has reacquired the 6% interest in Cinzano Investimenti e Partecipazioni S.p.A. held by F.lli Gancia & C. S.p.A.

Other information

Results by business segment
Results are commented in the Directors' Report.

Personnel data
The average number of employees of the companies included in the consolidation is as follows:

By category	30 June 2001	30 June 2000	31 December 2000
Managers	53	50	50
White collars	587	518	520
Blue collars	529	346	362
Total	1,169	914	932

By geographic area	30 June 2001	30 June 2000	31 December 2000
Italy	621	670	684
Other countries	548	244	248
Total	1,169	914	932

The increase in the Group's workforce, particularly in foreign companies, is directly related to the increase in the consolidation perimeter as a result of the Brazilian acquisition.

Reconciliation with the parent company's statutory financial statements

The net equity and the result for the year reported in the statutory statements of the Parent Company as of 30 June 2001 are reconciled with those of the consolidated financial statements as follows:

	30 June 2001		31 December 2000	
	Net equity	Net income for the period	Net equity	Net income for the year
Statutory financial statements of the parent company	222,167	15,582	232,081	17,562
Difference between book value and net equity value of investments in consolidated companies	194,630	72,577	189,918	106,731
Elimination of dividends received from consolidated companies	–	(62,068)	–	(32,151)
Elimination of unrealised intercompany profit, net of related tax effect	(22,126)	(2,979)	(19,148)	(40,363)
Application of parent company's accounting principles	(2,824)	(440)	(4,145)	1,052
Consolidated financial statements	391,847	22,672	398,706	52,831

Davide Campari - Milano S.p.A.

Appendices to the Half-Year Report

Davide Campari-Milano S.p.A.

Companies Included in the Consolidation

A) Consolidation area

Name, activity, location	Currency	Share capital as of 30 June 2001	% owned by the Parent Company direct	indirect	Direct shareholder entity	Book value	Consolidation or evaluation criterion
PARENT COMPANY							
Davide Campari-Milano S.p.A. Milan	Euro	29,040,000	–	–			
ITALY							
Campari S.p.A. Milan Trading company	Euro	1,220,076		100.00	Campari-Crodo S.p.A.		Integral
Campari-Crodo S.p.A. Milan Holding and manufacturing company	Euro	21,957,000		100.00	DI.CI.E. Holding B.V.		Integral
Cinzano Investimenti e Partecipazioni S.p.A. Milan Holding company	Euro	2,400,000		100.00	Campari-Crodo S.p.A.		Integral
Francesco Cinzano & C.ia S.p.A. Milan Trading company	Euro	1,200,000		100.00	Cinzano Investimenti e Partecipazioni S.p.A.		Integral
Immobiliare Vassilli 1981 S.r.l. Milan Real estate company	Euro	100,000		100.00	Lacedaemon Holding B.V.		Integral
Società Acque Minerali Ossolane S.p.A. Milan Trading company	Euro	104,000		100.00	Campari-Crodo S.p.A.		Integral
EUROPE							
Campari Deutschland G.m.b.H Monaco Trading company	DEM	10,000,000		100.00	DI.CI.E. Holding B.V.		Integral
Campari Finance Teoranta Dublin Financial company	Euro	1,000,000	100.00				Integral
Campari France S.A. Nanterre Manufacturing company	Euro	2,300,000		100.00	DI.CI.E. Holding B.V.		Integral
Campari Holding S.A. Roveredo Holding company	CHF	15,000,000	100.00				Integral
Campari International S.A.M. Monaco Trading company	Euro	310,000		100.00	DI.CI.E. Holding B.V.		Integral
Campari Schweiz A.G. Zug Trading company	CHF	2,000,000		100.00	Campari Holding S.A.		Integral
DI.CI.E. Holding B.V. Amsterdam Holding company	Euro	14,974,747	100.00				Integral
Lacedaemon Holding B.V. Amsterdam Holding company	Euro	10,436,945		100.00	Campari Holding S.A.		Integral
N. Kaloyannis Bros. A.E.B.E. Piraeus Trading company	Euro	325,500		75.00	O-Dodeca B.V.		Integral
O-Dodeca B.V. Amsterdam Holding company	Euro	2,000,000		75.00	Lacedaemon Holding B.V.		Integral
Prolera Lda Portugal Service company	Euro	5,000	98.00	2.00	DI.CI.E. Holding B.V.		Integral
Sovinac S.A. Bruxelles Real estate company	Euro	613,600		100.00	Lacedaemon Holding B.V.		Integral

Name, activity, location	Currency	Share capital as of 30 June 2001	% owned by the Parent Company direct	indirect	Direct shareholder entity	Book value	Consolidation or evaluation criterion
AMERICAS							
Campari do Brasil Ltda. Barueri Manufacturing and trading company	BRC	243,202,100	100.00				Integral
Dreher S.A. Sorocaba Trademark holder company	BRC	11,398,144		100.00	Campari do Brasil Ltda.		Integral
Gregson's S.A. Montevideo Trademark holder company	UYP	175,000		100.00	Campari do Brasil Ltda.		Integral
Kenston sales & services Inc. S.A. Montevideo Financial company	USD	15,000		100.00	Campari do Brasil Ltda.		Integral
Redfire Inc. Wilmington, Delaware Holding company	USD	7,950,000		100.00	DI.CI.E. Holding B.V.		Integral

B) Other interests

Associated and other companies, also in accordance with Article 126 of CONSOB 11971 of 14 May 1999

Name, activity, location	Currency	Share capital	direct	indirect	Direct shareholder entity	Book value	Consolidation or evaluation criterion
NON CONSOLIDATED SUBSIDIARY COMPANY							
Campari Management S.A.M. (*) Monaco	Euro	160,000		75.00	DI.CI.E. Holding B.V.	493	Shareholders' equity
				25.00	Lacedaemon Holding B.V.		
ASSOCIATED COMPANY							
International Marques V.o.f. Harleem Trading company	NLG	450,000		33.33	DI.CI.E. Holding B.V.	134	Shareholders' equity
M.C.S. S.c.a.r.l. Bruxelles Trading company	BEF	18,750		33.33	DI.CI.E. Holding B.V.	198	Shareholders' equity
Longhi & Associati S.r.l. Milano Service company	Lire	20,000		30.00	Lacedaemon Holding B.V.	79	Shareholders' equity

(*) company in liquidation since 1 April 2001

Consolidated Cash Flow Statement
(Thousands of Euro)

	30 June 2001	31 December 2000
Cash flow from operating activities		
Net income for the period	**22,672**	**52,831**
Adjustments to reconcile net income to net cash provided from operations:		
Depreciation, amortisation and write-downs	12,166	19,318
Provision for tax assessments	–	17,043
Deferred taxes	1,728	2,478
Gains on sale of fixed assets	(991)	(7,225)
Provision for employees' leaving indemnity	787	1,563
Other non cash items	4,411	2,946
Payment of employees' leaving indemnity	(2,195)	(687)
	15,906	35,436
Net change in operating assets and liabilities:		
Receivable from customers, inventories, payables to suppliers	(7,707)	3,744
Other changes	2,922	12,771
	(4,785)	16,515
Net cash flow generated (absorbed) by operating activities	**33,793**	**104,782**
Cash flow from investing activities		
Purchases of tangible fixed assets	(3,205)	(12,172)
Income from disposals of tangible fixed assets	1,612	9,968
Purchases of intangible fixed assets	(1,437)	(2,654)
Acquisition of new subsidiaries, net of cash acquired (*)	(112,595)	(10,056)
Net change in equity investments	(2,637)	(292)
Net change in marketable securities	7,613	(29,769)
Net change in financial receivables	1,239	2,501
Net Cash used in investing activities	**(109,410)**	**(42,474)**
Cash Flow from Financing activities		
Payment of lease instalments	(828)	(1,669)
Net change in short-term bank borrowings	72,332	(1,584)
Dividends paid	(25,496)	(25,496)
Net cash flow generated (absorbed) by financing activities	**46,008**	**(28,749)**
Exchange rate differences and other movements	(392)	
Net increase (decrease) in cash and banks	**(30,001)**	**33,559**
Cash and banks at beginning of period	167,732	134,173
Cash and banks at end of period	**137,731**	**167,732**

(*): As of 30 June 2001, the entry refers to the Brazilian acquisition for Euro 107.434 mio. and to the re-acquisition of 6% of the Cinzano Investimenti e Partecipazioni S.p.A. subsidiary for Euro 5.161 mio.

Davide Campari-Milano S.p.A.
Consolidated Reclassified Financial Statements
Balance Sheet
(Thousands of Euro)

	30 June 2001	30 June 2000	31 December 2000
Assets			
Current assets			
Cash and banks	137,731	161,344	167,732
Marketable securities	41,295	12,452	48,908
Financial receivables, short term portion	1,217	4,089	2,612
Receivables from customers, net of write-down reserves	109,297	101,254	89,785
Receivables from tax authorities	8,748	11,027	7,699
Prepaid taxes	8,183	5,467	6,707
Inventories	67,977	56,200	49,734
Other current assets, net of write-down reserves	18,694	18,601	16,208
Total current assets	**393,142**	**370,434**	**389,385**
Net tangible assets	92,268	88,694	88,081
Goodwill, net of amortisation	157,989	86,794	83,377
Other intangible assets, net of amortisation	19,997	16,940	16,936
Equity investments	19,871	18,112	17,150
Financial receivables, net of current portion	2,095	1,302	1,939
Other assets	1,591	4,336	2,580
Total assets	**686,953**	**586,612**	**599,448**
Liabilities			
Current liabilities			
Payables due to banks	88,253	8,359	11,453
Real estate lease, current portion	2,569	1,614	1,647
Payables due to suppliers	78,196	87,832	68,125
Income taxes	12,650	20,805	8,188
Payables due to tax authorities	17,817	10,251	14,184
Other current liabilities	31,587	26,676	27,058
Total current liabilities	**231,072**	**155,537**	**130,655**
Employees' leaving indemnity - Italy	11,073	12,093	12,481
Real estate lease, less current portion	13,491	16,060	15,241
Non current payables due to the tax authorities	25,892	11,227	25,224
Deferred taxes	3,072	3,973	4,730
Other non current liabilities	8,215	4,779	7,428
Minority interests	2,291	5,039	4,983
Total non current liabilities	**64,034**	**53,171**	**70,087**
Shareholders' equity			
Share capital	29,040	29,040	29,040
Reserves	362,807	348,864	369,666
Total Shareholders' equity	**391,847**	**377,904**	**398,706**
Total liabilities and Shareholders' equity	**686,953**	**586,612**	**599,448**

Davide Campari-Milano S.p.A.
Reclassified Consolidated Financial Statement
Income Statement
(Thousands of Euro)

	30 June 2001	30 June 2000	31 December 2000
Net sales	**233,585**	**213,125**	**434,042**
Cost of goods sold	(97,903)	(86,816)	(181,168)
Gross margin	**135,682**	**126,309**	**252,874**
Advertising and promotions	(43,990)	(41,651)	(79,602)
Sales and distribution expenses	(27,253)	(25,117)	(48,541)
Trading margin	**64,439**	**59,541**	**124,731**
General and administrative expenses	(14,837)	(13,305)	(30,402)
Goodwill and trademark amortisation	(5,665)	(3,881)	(7,900)
Operating income = EBIT before non recurring costs	**43,937**	**42,355**	**86,429**
Non recurring costs	(4,021)	(448)	(1,083)
Operating income = EBIT	**39,916**	**41,907**	**85,346**
Net financial income (expenses)	1,889	1,123	5,291
Income (losses) on net exchange rates	(4,579)	(155)	98
Other non operating income (expenses)	(230)	3,184	6,663
Minority interests	18	(7)	65
Income before taxes	**37,014**	**46,052**	**97,463**
Taxes	(14,342)	(13,281)	(44,632)
Net income	**22,672**	**32,771**	**52,831**

Davide Campari-Milano S.p.A.

Auditors' Report

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AUDITORS' REPORT ON THE REVIEW OF THE MANAGEMENT REPORT FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2001 OF DAVIDE CAMPARI – MILANO S.p.A.

(Translation from the original Italian version)

To the Shareholders of
Davide Campari – Milano S.p.A.

1. We have performed the review of the Management Report of Davide Campari – Milano S.p.A. as of and for the six months period ended June 30, 2001, represented by the individual and consolidated statements of Interim Balance Sheet and individual and consolidated Interim Statement of Income and related Notes. We have also reviewed that part of the financial information presented by the Board of Directors in the Management Report with respect of their discussions and analyses of the consolidated operations of Davide Campari – Milano S.p.A., solely for the purpose of evaluating its consistency with the above mentioned statements and related Notes.

2. Our review was conducted in accordance with auditing standards governing review of interim financial statements recommended by CONSOB (the Italian Stock Exchange Regulatory Agency) in its resolution No. 10867 of July 31, 1997. The review of the data related to the six months period ended June 30, 2001 of one subsidiary which represents approximately 3% of the consolidated assets and 17% of the consolidated net sales was performed by an other auditor who supplied us with his review report. A review consists mainly of obtaining relevant information with respect to the data included in the statements identified in paragraph 1 of this report and on evaluating the consistency of the accounting principles applied through discussions with appropriate members of management, and performing analytical reviews of the financial data presented in such statements. A review does not include performing auditing procedures such as tests of compliance of internal controls and substantive procedures for the verification tests of account balances of assets and liabilities. Consequently, the scope of work for a review engagement provides significantly less assurance than a full scope audit performed in accordance with generally accepted auditing standards. We do not, therefore, express an audit opinion on the statements identified in paragraph 1 of this report and related Notes of Davide Campari – Milano S.p.A. as of and for the six months period ended June 30, 2001 as we do in connection with reporting on our full scope audit of the annual individual and consolidated financial statements of Davide Campari – Milano S.p.A.

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Euro 1.043.243

3. Concerning the individual and consolidated comparative data as of and for the year ended December 31, 2000 that have been presented for comparative purposes in the accompanying Management Report, reference should be made to our reports issued on April 3, 2001. The comparative data for the six months period ended June 30, 2000 are unaudited.

4. As a result of our review, we did not become aware of any significant modifications that should be made to the statements and related Notes identified in paragraph 1 of this report, in order for them to be in conformity with the criteria for the presentation of the semi-annual interim Management Report, stated by art. 81 of CONSOB regulations as approved in its resolution No. 11971 of May 14, 1999 and subsequent modifications.

Milan, September 14, 2001

Reconta Ernst & Young S.p.A.
Signed by: Pellegrino Libroia
(Partner)

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