HALF-YEAR FINANCIAL REPORT TO 30 JUNE 2011

CONTENTS

Highlights **5**
Corporate officers **7**
Interim report on operations **9**
Significant events during the period 9
Sales performance 10
Income statement 17
Profitability by business area 19
Financial situation 22
Events taking place after the end of the period 25
Outlook 26
Investor information 27
Half-year condensed financial statements **31**
Financial statements 31
Notes to the financial statements 35
Certification of the condensed half-year financial statements in accordance with article 81-*ter* of Consob Regulation 11971 of 14 May **58**
Auditors' report on the half-year condensed financial statements **59**

Highlights

Introduction

This half-year report to 30 June 2011, comprising the interim report on operations and the condensed half-year financial statements, was prepared in accordance with article 154-*ter* of Legislative Decree 58 of 24 February 1998 (TUF), as subsequently amended.
The report was prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and ratified by the European Union and with the provisions of IAS 34 – Interim Financial Reporting.

For ease of reference, all figures in this report are expressed in million euro to one decimal place, whereas all the original data is recorded and consolidated by the Group in thousand euro.
Similarly, all percentages that relate to changes between two periods, rather than figures shown as a percentage of sales or other indicators, are always calculated on the basis of the original data in thousand euro.
In certain cases, this can result in apparent small discrepancies in absolute values expressed in million euro and larger discrepancies in the calculation of percentage changes.
In the first case, there may be a difference between the sum of the individual figures and the total, amounting to no more than € 0.1 million. In the second case, the discrepancy may appear even larger, since a percentage change calculated using two figures in million euro could differ – in certain circumstances significantly – from the actual figure calculated using the original data in thousand euro.

	First half 2011 € million	First half 2010 € million	Change %	% change at constant exchange rates
Net sales	**589.1**	**515.7**	**14.2**	**14.5**
Contribution margin	240.7	209.5	14.9	15.0
EBITDA before non-recurring items	154.2	128.6	19.9	20.2
EBITDA	**152.1**	**127.0**	**19.7**	**20.0**
Result from recurring activities	139.0	116.0	19.8	20.0
Operating result	**136.9**	**114.4**	**19.6**	**19.8**
Operating margin (operating result/net sales)	**23.2%**	**22.2%**		
Profit before tax	115.4	97.7	18.1	17.7
Group and minorities' net profit	75.5	69.5	8.7	8.2
Group net profit	**75.3**	**69.3**	**8.7**	**8.1**
Basic and diluted earnings per share (€)	0.13	0.12		
Average number of employees	2,249	2,216		
Free cash flow	51.8	40.8		
Acquisitions of companies and trademarks	7.7	0.0		
ROI % (operating result/fixed assets)	**8.0%**	**6.7%**		

	30 June 2011 € million	31 December 2010 € million
Net debt	669.0	677.0
Shareholders' equity - Group and minorities	1,221.5	1,252.9
Fixed assets	1,717.0	1,783.4

Corporate officers

Board of Directors [1]

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

Board of Statutory Auditors [2]

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

Independent auditors[3]

PricewaterhouseCoopers S.p.A.

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

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

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

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

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

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

Interim report on operations

Significant events during the period

Launch of Aperol Spritz

In February 2011, the Group launched Aperol Spritz, a new product in which the ingredients of the famous aperitif – Aperol, Prosecco DOC and soda water – are offered to consumers already mixed and ready-to-drink in an innovatively packaged 17.5 cl bottle with an easy-open top.

The new product has, for the time being, only been launched in Italy and Austria, and is intended to increase domestic consumption of the now well-known aperitif, Aperol Spritz, which is enjoyed throughout Europe.

Acquisition of Vasco (CIS) OOO in Russia

On 1 March 2011, the Group acquired an 80% stake in Vasco (CIS) OOO, a wines and spirits import and distribution company based in Moscow.

The deal was worth € 6.4 million, of which € 0.4 million relates to the purchase of shares, and the remaining portion represents the acquired company's trade payables to suppliers.

The agreement also gives call and put options on the remaining 20%, on condition that the objectives stated in the contract are met.

Based on the estimates currently available, the value of the options that may be exercised in 2012 is € 1.8 million.

Vasco (CIS) OOO, a small company but one with a consolidated presence in this market, forms a solid basis from which the Campari Group can develop a distribution platform in the important Russian market in the future.

The transfer of the Campari Group's brands from their current distributors in this market to the new company will commence in 2011 and will be completed by the end of 2012.

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

On 28 March 2011, in execution of a settlement agreement, the 26% stake in Focus Brands Trading (India) Private Limited, held by DI.CI.E Holding B.V., was sold.

Prior to this, the Group had already terminated the contractual business relationship through which, since 2008, the joint venture Focus Brands Trading (India) Private Limited had been the licence-holder for the local production of Old Smuggler and had a distribution agreement for the Group's other products in India.

The transaction was in line with the expected values and cost provisions made in the consolidated financial statements for the year ending 31 December 2010.

Merger of Zedda Piras S.p.A. into Sella & Mosca S.p.A.

To continue the process of streamlining and simplifying the corporate structure of the Campari Group, the merger of Zedda Piras S.p.A. into Azienda Vitivinicola Tenute Sella&Mosca S.p.A. was completed in June. The operation will also make it possible to achieve greater operational efficiency due to the integration of the manufacturing and commercial activities of the two companies.

The merger took place via the absorption of Zedda Piras S.p.A. into Azienda Vitivinicola Tenute Sella&Mosca S.p.A. and was carried out, pursuant to article 2501-*quater* of the Italian Civil Code, on the basis of the balance sheets of the two companies at 31 December 2010.

Purchase of own shares

Between 1 January and 30 June 2011, the Parent Company sold 3,516,797 own shares and bought 4,920,000.

At 30 June, the Parent Company held 3,680,383 own shares, equivalent to 0.63 % of the share capital.

Ordinary shareholders' meeting of the Parent Company

On 29 April 2011, the ordinary shareholders' meeting of Davide Campari-Milano S.p.A. approved the financial statements for the year ending 31 December 2010 and agreed the distribution of a dividend of € 0.06 per share outstanding.

This dividend is in line with the dividend paid for 2009.

The total dividend, calculated on the shares outstanding and excluding own shares (4,127,716 shares) is € 34,600,337.

Termination of the distribution of Russian Standard in Italy

On 30 April 2011, the Group stopped the distribution of Russian Standard on the Italian market following the termination of the distribution agreement with the owner of the vodka brand. The brand has been distributed since 2007 by Campari Italia S.p.A. and, later, by Davide Campari-Milano S.p.A., following the merger of the companies.

.

Acquisition of the Cazalis and Reserva San Juan brands in Argentina

On 10 May 2011, the Group finalised the acquisition of the aperitif Cazalis and the brandy Reserva San Juan in Argentina from Destiladora Internacional S.A. for USD 1.5 million.
These brands were already distributed by Campari Argentina S.A., which will now also carry out production at its Capilla del Senor facility.

Termination of the distribution of Cutty Sark in the US

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

Sales performance

Overall performance

The Group posted excellent sales results in the second quarter of 2011, thereby confirming the strong positive trend seen in the first three months of the year.
For the first six months as a whole, sales came in at € 589.1 million, a rise of 14.2% compared with the first half of 2010; even on a same-structure basis and at constant exchange rates, this represents strong, double-digit organic growth of 12.2%, as shown in the table below.

	€ million	% compared with first half of 2010
Net sales in the first half of 2011	589.1	
Net sales in the first half of 2010	515.7	
Total change	**73.4**	**14.2%**
of which		
organic growth	62.9	12.2%
external growth	12.1	2.3%
exchange rate effect	-1.6	-0.3%
Total change	**73.4**	**14.2%**

The good result achieved during the first half of the year in terms of organic growth is attributable to the more than satisfactory performance of all of the Group's main brands. The excellent global performance of Aperol, which has seen its growth accelerate as a result of the extraordinary contribution made by sales in the vital German market, deserves particular mention.
More generally, Group sales in the first half benefitted from strong growth in certain markets (such as Australia, Russia and Argentina) in which, for a variety of reasons, there was a very favourable basis of comparison with sales in the first half of last year.

Acquisitions completed in the past 12 months, along with new distribution agreements (net of terminated distribution agreements), generated external growth of 2.3%, mainly driven by sales of the former C&C brands acquired by the Group in October 2011.
As regards the acquisition of Vasco (CIS) OOO in Russia on 1 March 2011, the sales recorded by this new company, which are attributable to new third-party brands, are reported as external growth and amounted to € 4.4 million.
The table below shows the full breakdown of external growth by brand, including negative developments, the most significant of which is the termination of distribution of Tullamore Dew.

Sales - first half of 2011: breakdown of external growth	€ million
Former C&C brands: Carolans, Frangelico and Irish Mist	12.2
Sub-total - Group brands	**12.2**
Termination of distribution of Tullamore Dew	-3.5
Third-party brands in Russia (Vasco (CIS) OOO)	4.4
Other third-party brands, including Disaronno in Germany, Sagatiba *cachaça* in Brazil and new still wines	1.0
Copacking: net balance of assets transferred (Frangelico production for C&C) and new agreements	-2.0
Sub-total - third-party brands	***-0.1***
Total external growth	**12.1**

Changes in average exchange rates had a negative impact on sales in the first half of the year, which, although limited to 0.3%, still represents a reversal of the positive trend seen in the past two years.
In the first half of 2011, the US dollar – the Group's main currency – lost 5.3% of its value compared to the same period of the previous year, while the Argentine peso fell 9.5%. However, these devaluations were almost completely offset by the strengthening of the Australian dollar, the Brazilian real and the Swiss franc against the euro.
The table below compares the changes in exchange rates for the Group's most important currencies, both as a spot rate at 30 June and as an average figure for the period.

Exchange rates for the period	First half 2011	First half 2010	% change
US$ x € 1 average for the period	1.403	1.328	-5.3%
US$ x € 1 at 30 June	1.445	1.227	-15.1%
BRL x € 1 average for the period	2.287	2.387	4.4%
BRL x € 1 at 30 June	2.260	2.208	-2.3%
CHF x € 1 average for the period	1.270	1.437	13.1%
CHF x € 1 at 30 June	1.207	1.328	10.0%
CNY x € 1 average for the period	9.176	9.068	-1.2%
CNY x € 1 at 30 June	9.342	8.322	-10.9%
GBP x € 1 average for the period	0.868	0.870	0.2%
GBP x € 1 at 30 June	0.903	0.817	-9.4%
ARS x € 1 average for the period	5.679	5.137	-9.5%
ARS x € 1 at 30 June	5.932	4.826	-18.6%
AUD x € 1 average for the period	1.358	1.486	9.4%
AUD x € 1 at 30 June	1.349	1.440	6.8%
MXN x € 1 average for the period	16.684	16.829	0.9%
MXN x € 1 at 30 June	16.977	15.736	-7.3%

Sales by region

The sales performance in the first half of 2011 was excellent, with the Group posting strong, double-digit growth both in Europe and in the Rest of the world and duty free. Italy and the Americas also reported an increase in sales, but growth in these regions was much more contained.
The two tables below provide a breakdown of sales by region, with the impact of organic growth, external growth and exchange rate movements shown separately in the second table.

	First half 2011		First half 2010		% change
	€ million	%	€ million	%	2011/2010
Italy	209.6	35.6%	204.1	39.6%	2.7%
Rest of Europe	140.5	23.9%	107.8	20.9%	30.4%
Americas	190.0	32.3%	175.9	34.1%	8.0%
Rest of the world and duty free	49.0	8.2%	27.9	5.4%	75.6%
Total	**589.1**	**100.0%**	**515.7**	**100.0%**	**14.2%**

Breakdown of % change	% change			
	total	organic growth	external growth	exchange rate
Italy	2.7%	2.6%	0.1%	0.0%
Rest of Europe	30.4%	22.9%	6.6%	0.9%
Americas	8.0%	9.6%	1.6%	-3.2%
Rest of the world and duty free	75.6%	58.1%	6.9%	10.6%
Total	**14.2%**	**12.2%**	**2.3%**	**-0.3%**

In **Italy**, sales in the first half of 2011 totalled € 209.6 million, an increase of 2.7% (+2.6% excluding the minimal impact of external growth).
In relation to the main brands, the excellent sales performance of Campari and Aperol continued, while there was a slight drop in sales of the single-serving aperitifs Campari Soda and Crodino. In addition, the entire wine segment also recorded a slight fall for the first six months, whereas the Lemonsoda range of drinks enjoyed strong growth.
In the rest of **Europe**, the first half of the year saw a markedly positive performance: sales totalled € 140.5 million, posting overall growth of 30.4%. Of this figure, an excellent 22.9% is attributable to organic growth, 6.6% relates to external growth and 0.9% is the result of a positive exchange rate effect.
Organic growth in the region benefitted from the increase in the entire portfolio in Germany, particularly Aperol, which picked up further pace in the second quarter, as well as the good overall result recorded in all the other major European markets, especially Russia, Austria and Spain.
External growth in this region was driven mainly by sales of third-party brands by Vasco (CIS) OOO in Russia, which were fully consolidated from 1 March 2011, with a not insignificant contribution from sales of Frangelico and other former C&C brands in Spain and in all of the main European markets.
Sales in the **Americas** region totalled € 190.0 million, an increase of 8.0% compared with the first half of last year.
The two tables below show the trends in each of the two main markets, the US and Brazil, and in the “Other countries” segment within the Americas; a breakdown of the growth components for each of these three sub-regions is also shown.

	First half 2011		First half 2010		% change
	€ million	%	€ million	%	2011/2010
USA	113.1	59.5%	115.0	65.4%	-1.6%
Brazil	46.3	24.3%	41.0	23.3%	13.0%
Other countries	30.6	16.1%	20.0	11.4%	53.4%
Total	**190.0**	**100.0%**	**175.9**	**100.0%**	**8.0%**

Breakdown of % change	% change			
	total	organic change	external growth	exchange rate
USA	-1.6%	3.1%	0.2%	-4.9%
Brazil	13.0%	7.7%	0.7%	4.6%
Other countries	53.4%	50.7%	11.7%	-9.0%
Total	**8.0%**	**9.6%**	**1.6%**	**-3.2%**

The **US**, which accounts for 19.2% of all Group sales, saw an overall dip of 1.6% in its sales figures, which is entirely attributable to a negative exchange rate effect (-4.9%) that more than offset organic growth of 3.1% and external growth of 0.2%. Organic growth was buoyed by the good results posted by SKYY Vodka and the Wild Turkey franchise (with excellent sales of American Honey), while the external growth component was just in positive territory, with sales of Frangelico partly offset by the termination of distribution of Tullamore Dew.

In **Brazil** (7.8% of the total), sales in the first half of 2011 rose by 13.0%, due to good organic growth (7.7%), a not insignificant positive exchange rate effect (4.6%) and modest external growth (0.7%). Campari, Dreher and SKYY Vodka are the three brands that made the biggest contribution to the organic growth component of the good sales performance, whereas external growth was determined by Frangelico and Sagatiba *cachaça*.

Sales in **other countries in the Americas region**, which in total represent just over 5% of Group sales, rose by 53.4% due to strong organic growth (50.7%) in the three main markets of Argentina, Canada and Mexico.
The Argentine market posted good results for all of the Group's brands, but particularly for Cinzano, which was previously distributed under licence by a third party, but has been distributed by the Group since 1 September 2010.
In Canada, sales of SKYY Vodka and Wild Turkey increased further, while growth on the Mexican market is largely driven by the excellent performance of the ready-to-drink product SKYY Blue.
The external growth in this sub-area (+11.7%) was generated in Canada by sales of the former C&C brands, whereas the negative exchange rate effect (-9.0%) is primarily attributable to the Argentine peso.

Although the **Rest of the world and duty free** region remains small in comparison to the other regions, it significantly increased its share of total Group sales, rising from 5.4% in the first half of last year to 8.2% in 2011.

This increase was the result of sales growth of 75.6%, which was closely connected to the creation of Campari Australia Pty Ltd. The new company became operational on 1 April 2010 and during 2010 gradually took over the direct distribution of all the Group's brands in the Australian market. It now ensures that the business is run more efficiently, including in New Zealand and all the markets in the Asia-Pacific region. Note that in the early months of 2011, the Asia-Pacific region was hit by several natural disasters (flooding in north-eastern Australia and the earthquake and subsequent nuclear disaster in Japan), which had a significant impact on transport and consumption in general.
In terms of the remaining business in this region, there was a good sales performance in South Africa and in the duty free channel in the first half of the year.
In addition to healthy organic growth of 58.1%, in the first six months of the year the region benefitted from a positive exchange rate effect (+10.6%) due to the strong appreciation of the Australian dollar and external growth (+6.9%) mainly resulting from sales of Frangelico.

Sales by business area

The positive sales performance in the first half of 2011 (+14.2%) was driven by double-digit growth that was equally strong for spirits (+16.1%) as for wines (+16.0%), the two segments that together represent around 90% of Group sales.
Soft drinks, which make up 9.2% of the total, reported slight growth, while other sales, an increasingly marginal segment, saw a decline compared with the first half of 2010.
The two tables below show changes in sales by business area and a breakdown of the overall change in each business area by organic growth, external growth and the effect of exchange rate movements.

	First half 2011		First half 2010		% change
	€ million	%	€ million	%	2011/2010
Spirits	460.3	78.1%	396.5	76.9%	16.1%
Wines	68.6	11.6%	59.1	11.5%	16.0%
Soft drinks	54.3	9.2%	53.9	10.5%	0.8%
Other sales	5.9	1.1%	6.1	1.2%	-5.1%
Total	**589.1**	**100.0%**	**515.7**	**100.0%**	**14.2%**

Breakdown of % change		% change		
	total	organic growth	external growth	exchange rate
Spirits	16.1%	13.8%	2.6%	-0.3%
Wines	16.0%	14.4%	1.9%	-0.3%
Soft drinks	0.8%	0.6%	0.0%	0.2%
Other sales	-5.1%	-12.3%	7.7%	-0.5%
Total	**14.2%**	**12.2%**	**2.3%**	**-0.3%**

Spirits

Sales of spirits totalled € 460.3 million, a rise of 16.1% compared with the first half of 2010, which is due to organic growth of 13.8%, a positive contribution from external growth of 2.6% and a negligible negative exchange rate effect (-0.3%).
The positive external growth figure is attributable to sales of former C&C brands, i.e. the positive impact from additional sales of Carolans and Frangelico (acquired by the Group on 1 October 2010), which was partly offset by the negative impact of the termination of distribution of Tullamore Dew in the US (from 1 January 2011).

As regards the sales performance of the Group's individual spirit brands, which represent 87.5% of the entire segment, the first half of 2011 saw organic growth of 15.0%.
Of the Group's main brands, **Campari** reported growth of 6.6% at constant exchange rates (+7.5% at actual exchange rates due to the appreciation of the Brazilian real).
The brand achieved excellent sales results in its three main markets, recording double-digit growth in Italy and Brazil and a satisfactory performance in Germany; moreover, of the markets deemed important for their size and development potential, it is worth noting the good sales performance achieved in Argentina.

The **SKYY** brand, which includes the SKYY infusions range, reported growth of 4.0% at constant exchange rates, although this represents a 0.3% decline at actual exchange rates due to the devaluation of the US dollar.
In the US, which still accounts for around 80% of SKYY's business, sales in the first half of the year were up 2.6%, supported primarily by the good performance of the SKYY Infusions range; however, the core SKYY Vodka brand did close the first half with a rise in sales – a satisfactory result in view of the very aggressive competitive environment in the US vodka market.
In other markets, SKYY continued to post a positive sales performance, particularly in Brazil, where the brand was only launched in 2009 but which has already become the brand's second biggest market in the world.

In the first half of the year, **Aperol** sales grew by 52.0% (52.4% at actual exchange rates), with the period seeing a further acceleration over the remarkable growth rate achieved in recent years.
Italy, where the brand continues to post double-digit growth figures, now accounts for just 50% of total volumes following the extraordinary trend in consumption in Germany and, to a somewhat lesser extent, also in Austria and the other European markets where the brand was recently relaunched.
The European marketing plan, which focuses on major investments in communication alongside tasting activities in the on-premise channel, is producing excellent results.
The figures reported above do not include sales of Aperol Spritz, a new product launched in Italy and later in Austria in the early part of the year. In Italy, the growth in the distribution of the new brand in the off-trade channel has unfolded as planned and initial sell-out data were also very satisfactory.

Sales of **Campari Soda**, 97% of which are concentrated in the Italian market, recorded a decline of 5.1% compared with the first half of 2010.
The brand remains the undisputed market leader in single-serving carbonated aperitifs on the Italian market, and the drop in consumption reported by Nielsen for the latest six months available is much lower than the fall shown in the sales figures.

The **Wild Turkey** franchise put in a very positive sales performance in the first half of the year; once the ready-to-drink range and American Honey liqueur are included, the brand achieved growth at constant exchange rates of 54.8% (57.3%% at actual exchange rates).
The core Wild Turkey brand, which grew by 12.9% overall (12.3% at actual exchange rates), recorded a good increase in sales in the US, its main market (+5.1%), almost doubled sales in Australia and reported a slight decline in Japan.
The Wild Turkey ready-to-drink line, which is currently sold only in Australia and New Zealand, had an excellent first half due to positive local consumption trends. However, sales figures for the first half of 2011 cannot be compared on a fully like-for-like basis with those for the same period last year as Campari Australia Pty Ltd. was only partly operational in the first half of 2010, and the distribution of the Wild Turkey ready-to-drink line was still carried out by third parties.
Finally, American Honey, which reported overall growth of 50.7% (47.1% at actual exchange rates), has achieved very satisfactory results in the US, where the Group decided to significantly strengthen its marketing investment in 2011, and in Australia, where the excellent trend in consumption means it is possible and appropriate to increase investment in communication in the short term.

Sales of the **Brazilian brands** Old Eight, Drury's and Dreher posted growth of 3.9% (8.4% at actual exchange rates), due to a good result for Dreher and a slight drop in sales of the two whiskies.

Sales of **GlenGrant** in the first half of 2011 also recorded growth of 5.5% at constant exchange rates and 5.9% at actual exchange rates. The brand's performance was determined by good sales figures in France and positive developments in both the duty free channel and new sales markets, which are expected to offer good development potential. In contrast, sales in Italy and Germany are down on last year. In Italy, which remains the brand's main market, accounting for around 50% of its sales, the trend in whisky consumption continues to be negative, although GlenGrant is maintaining its leading position in the market against this backdrop.

Old Smuggler closed the first half of the year with growth of 2.2% at constant exchange rates due to the good sales result achieved in Argentina, the brand's main market, accounting for 60% of its total sales. At actual exchange rates, the brand reported a drop in sales of 4.1% as a result of the sharp devaluation of the Argentine peso.

Ouzo 12 posted growth of 3.8% at constant exchange rates and at actual exchange rates following strong sales figures in Germany, which has long been by far the largest market for this brand.

Sales of **Cynar** were broadly in line with those for the previous year, recording a decline of 0.4% at constant exchange rates and a rise of 2.3% at current exchange rates (due to the appreciation of the Brazilian real and the Swiss franc). As far as organic growth is concerned, the first half of the year saw a slight drop in sales on the Italian and German markets, which was almost entirely offset by growth in Brazil and Switzerland.

In the first six months of the year, sales of **Cabo Wabo** saw a drop of 13.3% at constant exchange rates (-17.7% at actual exchange rates) due to the negative shipments trend in the US, the market that accounts for more than 90% of the brand's total sales. Note, however, that both depletions and consumption of Cabo Wabo increased in the first half of the year in the US, confirming the trend seen in 2010, when the brand was relaunched (with new packaging, stronger communication measures and on-trade activities).
Staying with the tequila market in the US, Espolón posted a good sales performance with growth of over 50% compared with the first six months of 2010. This brand, which was added to the Group's portfolio at the end of 2008 following the acquisition of Destiladora San Nicolas, S.A. de C.V. in Mexico, was relaunched very successfully in the US premium tequila segment, at a lower price than Cabo Wabo, which is positioned in the ultra premium segment.

Sales of **X-Rated Fusion Liqueur**, which are almost entirely concentrated in the US market, declined by 16.2% in local currency (-20.3% at actual exchange rates). The result for the first half of the year was affected by a planned reduction in stock levels in the distribution channel carried out with a view to the introduction of new packaging.

As regards the Group's other spirit brands, distributed almost exclusively on the Italian market, the first half of the year saw a decline in sales of Zedda Piras (-5.3%) and Aperol Soda (-1.2%), and a slight rise in sales of Barbieri liqueurs (+1.9%).

Third-party brands distributed by the Group also recorded an overall positive trend in the first half of 2011, posting organic growth of 6.5%. The main brands saw the following developments:

- Jack Daniel's, which is distributed primarily on the Italian market, grew by 5.4%; the increase was slightly lower at actual exchange rates (+4.5%) due to the negative exchange rate effect in Argentina, the brand's second largest market;
- Jägermeister, which is distributed exclusively on the Italian market, declined by 1.4%;
- the Scotch whiskies distributed in the US grew by 9.3% at constant exchange rates (4.8% at actual exchange rates); this good result is due to the positive trend in sales of Morrison Bowmore, whereas there was a slight drop in sales of Cutty Sark, distribution of which was terminated at the end of June;
- sales of Suntory brands, which are also mainly distributed in the US, advanced by 11.1% (+6.5% at actual exchange rates);
- sales of Licor 43, which is mainly distributed in Germany, rose strongly by 26.0% (+26.1% at actual exchange rates);
- sales of Russian Standard, which is distributed in the Group's main European markets, dipped 5.2% (-4.3% at actual exchange rates). It should be reminded that, based on an agreement signed on 30 April 2011, the distribution of this brand has been stopped.

Note that the former C&C brands acquired on 1 October 2010 from William Grant & Sons, i.e. **Carolans**, **Irish Mist** and **Frangelico**, were already distributed by the Group in certain key markets (e.g. Carolans in the US) prior to the acquisition; as such, sales of these brands were included in sales of third-party brands distributed by the Group, along with Tullamore Dew (distribution of which was transferred to the new owners, William Grant & Sons, as of 1 January 2011).
Following this acquisition, therefore, it was deemed appropriate to report all additional sales of former C&C brands as external growth, i.e.:

- sales in new markets of brands previously distributed in other markets (such as Frangelico in Spain);
- the change in sales in already established markets of brands that were previously distributed by the Group and are now Group brands (e.g. Carolans in the US).

In contrast, the external growth figure naturally also includes the elimination of sales of Tullamore Dew, distribution of which has been terminated.

Based on this methodology, in the first half of 2011 the Group achieved total sales of former C&C brands amounting to € 21.7 million, whereas the same figure for the year before, including Tullamore Dew, was € 13.0 million.

Wines

Sales of wines in the first half of 2011 totalled € 68.1 million, up strongly (16.0%) on the same period of the previous year.

This result is the combination of positive organic growth in the business (+14.4%), external growth, attributable to the distribution of new still wines, of 1.9% and a slight negative exchange rate effect of 0.3%.

Sales of **Cinzano vermouth** grew by 42.0% compared with the first half of the previous year (+38.8% at actual exchange rates) as a result of the combination of two particularly positive effects.

Firstly, a strong boost was provided by sales in Argentina, where the Group started to sell the brand directly in September 2010, following the early termination of the licence agreement.

Secondly, there was strong growth in sales in Russia, driven by both a robust recovery in consumption during the period (trending at 10% growth) and the effect of orders being placed earlier by distributors ahead of the renewal of import licences.

Cinzano sparkling wines saw their sales rise by 2.2% (+2.8% at actual exchange rates). The different markets in which the brand is present recorded differing trends, but overall the figure for the first half of the year was in positive territory.

Germany, which saw a seasonal sales peak in the second quarter, has completely recovered the ground it lost in terms of sales in the first quarter; in contrast, Italy is still slightly behind for the first six months of 2011, but in this market the peak sales season comes in the last two months of the year; finally, in Russia, the second quarter saw the expected slowdown in sales that brought sales for the first half of the year back into line with the level of the previous year.

Riccadonna reported growth of 35.4% (42.5% at actual exchange rates), which is entirely attributable to its main market, Australia, and – to a lesser extent – New Zealand. In 2011, sales in these two markets benefitted from the return to a more normal situation in terms of distribution, with Campari Australia Pty Ltd. fully operational in the first half of 2011, whereas in the same period of 2010 the Group's sales were impacted by the negative effects of the change of distributor.

Sales of **Mondoro**, whose main market is Russia, rose by 28.4% (+27.5% at actual exchange rates). This is again due partly to the good recovery in consumption and partly to orders being placed slightly earlier by the distributor ahead of the renewal of import licences.

Sales of **Odessa** sparkling wines, which are produced and sold by the Group in Ukraine, declined by 20.9%% at constant exchange rates and by 24.7%% at actual exchange rates in the first half, following the planned reduction in stock levels in the distribution channel in anticipation of the launch of the new packaging. In addition, Odessa sparkling wines are expected to be launched in the important Russian market via the Group's recently acquired trading company Vasco (CIS) OOO.

As for still wines, the first half of 2011 recorded a 3.3% increase in sales for **Sella&Mosca** (3.2% at actual exchange rates), due to both the Italian market and export markets.

Cantina Serafino also posted a positive result (+10.5%), while sales of **Teruzzi&Puthod** dipped 7.0%.

In the wines segment, agency brands only account for 3.6% of total sales, but the strategy initiated last year of achieving growth by also expanding the portfolio to include the distribution of new third-party brands is producing excellent results.

Soft drinks

In the first half of 2011, sales of soft drinks totalled € 54.3 million, up 0.6% compared with the first half of 2010 (+0.8 % stripping out a marginally positive exchange rate effect).

Crodino, the main brand in this segment, made up much of the ground it had lost at the end of March and closed the first half of the year with a small decline of 0.9% (-0.7% at actual exchange rates).

The brand continues to be the undisputed leader in the Italian market for non-alcoholic, single-serving aperitifs, and the Nielsen sell-out data for the past six months indicated a slightly positive change in the trend.

The **Lemonsoda** drinks range posted growth of 6.6%, partly as a result of successful product innovation activities, which saw a rise in consumption and market share in the first half for Lemonsoda Zero and Mojito Soda, line extensions launched in the second half of 2010.
In contrast, sales of mineral waters and other Crodo-brand drinks were down.

Other sales
This minor segment, which represents just 1.1% of the Group's total sales, reported a fall of 5.1%.
From March 2011, in addition to the sale of raw materials and semi-finished goods to third parties and co-packing activities on behalf of third parties, this segment also includes the sale of finished products that do not fall into the product categories that represent the Group's core business (spirits, wines and soft drinks).
These sales, which were achieved in Russia through Vasco (CIS) OOO, resulted in external growth of 7.7%, net of the elimination of the third-party sales relating to the Frangelico bottling contract (following the acquisition of the brand).
In terms of organic growth, there was a 12.3% drop as a result of lower sales of malt distillate produced and sold in Scotland by Glen Grant Distillery Company Ltd.

Income statement

The Group's income statement figures for the first half of 2011 are extremely positive and confirm the strong increase in all measures of profitability seen in the first three months of the year. The operating result grew by 19.6% compared with 2010, and even once the positive impact of external growth and the exchange rate effect have been stripped out, organic growth is still in double figures (+15.6%).

	First half 2011		First half 2010		Change
	€ million	%	€ million	%	%
Net sales	589.1	100.0	515.7	100.0	14.2
Cost of goods sold after distribution costs	(242.6)	-41.2	(216.1)	-41.9	12.3
Gross profit after distribution costs	346.5	58.8	299.6	58.1	15.7
Advertising and promotional costs	(105.8)	-18.0	(90.0)	-17.5	17.5
Contribution margin	240.7	40.9	209.5	40.6	14.9
Overheads	(101.7)	-17.3	(93.6)	-18.1	8.7
Result from recurring activities	139.0	23.6	116.0	22.5	19.8
Non-recurring income (charges)	(2.1)	-0.4	(1.6)	-0.3	34.4
Operating result	136.9	23.2	114.4	22.2	19.6
Net financial income (charges)	(21.5)	-3.7	(16.4)	-3.2	31.5
Non-recurring financial income (charges)	-	0.0	(0.0)	0.0	-
Portion of profit (loss) relating to companies valued at equity	0.1	0.0	(0.2)	0.0	-
Put option charges	-	0.0	(0.2)	0.0	-
Profit before tax and minority interests	115.4	19.6	97.7	18.9	18.1
Taxes	(39.9)	-6.8	(28.2)	-5.5	41.4
Net profit	75.5	12.8	69.5	13.5	8.7
Minority interests	(0.3)	0.0	(0.2)	0.0	-
Group net profit	75.3	12.8	69.3	13.4	8.7
Total depreciation and amortisation	(15.2)	-2.6	(12.6)	-2.4	20.6
EBITDA before non-recurring income and charges	154.2	26.2	128.6	24.9	19.9
EBITDA	152.1	25.8	127.0	24.6	19.7

Net sales for the first half came in at € 589.1 million, an increase of 14.2%, due to strong organic growth of 12.2%, external growth of 2.3% and a slight positive exchange rate effect of 0.3%.
For more details on these effects and on sales by region and business area, please refer to the section above.

In the two periods under comparison, the **cost of goods sold** fell as a percentage of total sales by 70 bps, from 41.9% in the previous year to 41.2% in 2011.
This improvement was due partly to the Group's ability to contain the rise in production costs, but above all to a favourable sales mix.

As far as the former is concerned, the rise in the unit product cost component (raw materials, labour, other industrial costs) continues to be very limited, whereas there has been a disproportional increase in distribution costs. This is attributable to a change in the distribution structure in Australia, which involved the gradual start-up of direct distribution by Campari Australia Pty Ltd. in this important market in 2010.
As regards the sales mix, this includes the significant positive impact of the excellent performance in the first half of highly profitable products, such as Aperol, Wild Turkey and the former C&C brands. In relation to the latter, note also the major reduction in the average product cost compared with 2010, when the former C&C brands were distributed by the Group in important markets on the basis of distribution agreements (an activity that typically offers lower profit margins).

Gross profit after distribution costs, which came in at € 346.5 million, grew by 15.7%, rising more than sales (+14.2%) due to the containment of the cost of goods sold, as discussed earlier.

Advertising and promotional costs rose as a percentage of total sales from 17.5% in the first half of the previous year to 18.0% in 2011. The increase in this indicator in the first six months of 2011 is as expected and reflects the Group's target of increasing advertising spending compared with last year.

The **contribution margin** for the first half came to € 240.7 million, representing an overall advance of 14.9% on 2010, broken down as follows:
- organic growth of 11.5%
- external growth of 3.4%
- unfavourable exchange rate effect of -0.1%

Overheads, which include sales and general and administrative expenses, increased by 8.7% in the first half, although there was a good reduction in overheads as a proportion of sales, falling from 18.1% in 2010 to 17.3% in 2011.
The increase in overheads in absolute terms does, however, include external growth of 2.5%, caused by the start-up of commercial operations in Australia, which only took place in the second quarter of 2010, and – to a lesser extent – by the consolidation of Vasco (CIS) OOO, the Russian distribution company acquired in March 2011.
On a same-structure basis, overheads rose by 6.2%, although it should be noted that this increase includes the effect of the sharp rise in the variable sales costs component, represented by commission paid to agents in proportion to the sales achieved.
During the period, the positive and negative exchange rate effects on overheads cancelled each other out completely.

The **result from recurring activities** was € 139.0 million, a rise of 19.8% compared with last year. Net of changes in the basis of consolidation (+4.2%) and exchange rate effects (-0.2%), this profitability indicator grew by 15.9%.

Non-recurring items recorded net charges of € 2.1 million, compared with net charges of € 1.6 million in the first half of last year.
In 2011, this item comprised provisions for risks and charges of € 1.8 million, restructuring costs of € 1.2 million and income of € 0.9 million, of which € 0.6 million related to capital gains on asset sales.

Operating result came in at € 136.9 million in the first half of 2011, an increase of 19.6% compared with the same period of 2010. Stripping out the effects of changes in the basis of consolidation (+4.2%) and exchange rates (-0.2%), Group operating result grew by 15.6%.
The operating margin (operating result as a percentage of net sales), came in at 23.2%, a rise of 100 basis points on the 22.2% recorded in 2010.

Total **depreciation and amortisation** were higher than last year, and stood at € 15.2 million (compared with € 12.6 million for the first half of 2010). The overall increase of 20.6% is the result of a higher rise in the item amortisation of intangible assets.

EBITDA before non-recurring items increased by 19.9% (+20.2% at constant exchange rates) to € 154.2 million. **EBITDA** came in at € 152.1 million, up 19.7% (+20.0% at constant exchange rates).

A negative exchange rate effect (-0.3%) had a slight impact on both items, resulting in higher increases when calculated at constant exchange rates.
External growth had a positive impact (on both EBITDA before non-recurring items and EBITDA) of 3.8%.

Net financial charges stood at € 21.5 million in the first half of 2011, a rise of € 5.1 compared with the € 16.4 million registered in the same period of 2010.
The rise in interest charges is attributable in part to the Group's higher average debt level as a result of acquisitions, particularly that of the former C&C brands for € 128.5 million in 1 October 2010, and in part to the continual rise in interest rates.
The average cost of the Group's net debt in the first half of 2011 (6.34%) includes a significant negative carry resulting from an average return on short-term cash investment that is lower than the gross cost of debt, which is largely medium to long term.

The Group's portion of **profits or losses of companies valued at equity method** showed a profit of € 0.1 million, compared with a loss of € 0.2 million in the first half of 2010.
In the first quarter of 2011, the Group sold its shareholding in the joint venture Focus Brands Trading (India) Private Limited, which operates in India; this means that the only entity valued at equity method in 2011 is the Dutch commercial joint venture.

There were no **charges for put options** in 2011, whereas in 2010 these came to € 0.2 million and related to the portion of profit pertaining to minority shareholders of Cabo Wabo, LLC (now wholly owned by the Group).

Profit before tax was up 18.1% year-on-year, at € 115.4 million (+17.7% at constant exchange rates).

Income tax for the period came in at € 39.9 million, representing an increase over the figure for the first half of 2010 both in absolute terms (€ 28.2 million in the previous year) and in terms of the tax rate, which rose to 34.5% from 28.9% last year. This increase is the result of both a different income generation mix across the various countries in which the Group operates and non-recurring charges.

Net profit for the period was € 75.5 million, up 8.7% on the first half of 2010 (+8.2% at constant exchange rates).

Minority interests were € 0.3 million, broadly in line with the figure of € 0.2 million for the previous year.

Group net profit in the first half of 2011 came in at € 75.3 million, an increase of 8.7% (+8.1% at constant exchange rates) compared with the first half of the previous year, representing 12.8% of sales.

Profitability by business area

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

The table below summarises the contribution margin of each segment and the percentage share of the Group total represented by each business area. In the first half of 2011, the Group total was € 240.7 million, up 14.9% on the same period of 2010.

Contribution margin	First half 2011		First half 2010		2011/2010
	€ million	% of total	€ million	% of total	% change
Spirits	201.8	83.8%	171.1	81.6%	18.0%
Wines	17.3	7.2%	15.3	7.3%	13.0%
Soft drinks	20.4	8.5%	22.0	10.5%	-7.3%
Other	1.2	0.5%	1.3	0.6%	-4.1%
Total	**240.7**	**100.0%**	**209.5**	**100.0%**	**14.9%**

Spirits further strengthened their position as the Group's biggest contributor and confirmed their standing as by far the most profitable segment.
In the first half of 2011, spirits generated 83.8% of the total contribution, higher than the percentage figure for the previous year (81.6%) and, above all, higher than the segment's share of net sales, discussed earlier, which is 78.1%.

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

Spirits

The excellent sales performance achieved by the spirits segment in the first half of the year, which rose by a total of 16.1%, is also reflected in profitability; gross profit rose by 17.6% and the contribution margin by 18.0% (€ 201.8 million).
The improvement in the segment's gross profit as a percentage of net sales, up 80 bps, is due to the favourable trend in the cost of goods sold; given the large impact that this segment has on the overall results, the comments on the cost of goods sold at Group level in the section "Income statement" also largely apply to this segment.
At contribution margin level, the segment's improvement as a percentage of net sales drops slightly to 70 bps following the increase in advertising and promotional spending, which rose by 16.6% in absolute terms, from 20.0% of net sales in the first half of 2010 to 20.1% in 2011.

Income statement: spirits	First half 2011		First half 2010		**2011/2010**
	€ million	% of sales	€ million	% of sales	Change **%**
Net sales	460.3	100.0%	396.5	100.0%	16.1%
Gross profit after distribution costs	294.0	63.9%	250.1	63.1%	17.6%
Contribution margin	**201.8**	**43.8%**	**171.1**	**43.1%**	**18.0%**

This increase is analysed in the table below and clearly shows the positive effect of external growth on the segment's gross profit as a result of the acquisition of the former C&C brands, as discussed earlier.
In terms of organic growth, the excellent performance of the spirits segment (contribution margin up 13.9%) is more linear, with a growth figure similar to the figures for net sales and gross profit.

Analysis of growth	total % change	organic growth	external growth	exchange rate effect
Net sales	16.1%	13.8%	2.6%	-0.3%
Gross profit after distribution costs	17.6%	13.7%	4.2%	-0.3%
Contribution margin	**18.0%**	**13.9%**	**4.4%**	**-0.3%**

Wines

The Group's wine brands saw a 16.0% increase in sales in the first half of 2011, with a strong improvement in gross profit of 18.3% and a more modest rise in the segment's contribution margin of 13.0%.
The positive impact on gross profit, i.e. the reduction in the cost of goods sold as a percentage of net sales compared with the first half of 2010, was 70 bps. This improvement is a result firstly of the favourable sales mix achieved during the period and secondly of the greater absorption of fixed production costs due to strong increases in sales volumes.
The contribution margin of the wines segment, which grew by 13.0% in absolute terms, decreased as a percentage of net sales by 70 bps following the sharp increase in advertising and promotional spending, which increased as a percentage of sales from 10.0% to 11.4%.

Income statement: wines	First half 2011		First half 2010		**2011/2010**
	€ million	% of sales	€ million	% of sales	Change **%**
Net sales	68.6	100.0%	59.1	100.0%	16.0%
Gross profit after distribution costs	25.1	36.6%	21.2	35.9%	18.3%
Contribution margin	**17.3**	**25.2%**	**15.3**	**25.9%**	**13.0%**

An analysis of the effects of the three elements of growth reveals that external growth had a very modest impact, and in any case the figures to which it relates are also very small in absolute terms.

Analysis of growth	total % change	organic growth	external growth	exchange rate effect
Net sales	16.0%	14.4%	1.9%	-0.3%
Gross profit, after distribution costs	18.3%	17.2 %	0.1%	1.0%
Contribution margin	**13.0%**	**13.0%**	**-1.3%**	**1.3%**

Soft drinks

The soft drinks segment reported a contribution margin of € 20.4 million in the first half of 2011, down 7.3% compared with the previous year.

The sales performance of the segment was positive overall, with growth of 0.8%, but there was a dip in gross profit of 3.9%, due to the increase in the cost of goods sold and the unfavourable sales mix (with volumes for the Crodino brand, which boasts a high contribution margin, down compared to last year).

As far as the cost of goods sold is concerned, it should be noted that the strong increases in sugar prices observed in the first half of the year, which may have a significant effect on the Group in the next 12-18 months, have already impacted the soft drink segment in the first six months of 2011, as this raw material represents a significant portion of the product costs for soft drinks.

The rise in advertising spending, both in absolute terms (+11.1%) and as a percentage of sales (up from 9.3% to 10.2%), resulted in a 7.3% decline in the segment's contribution margin.

Income statement: soft drinks	First half 2011		First half 2010		**2011/2010**
	€ million	% of sales	€ million	% of sales	Change **%**
Net sales	54.3	100.0%	53.9	100.0%	0.8%
Gross profit after distribution costs	25.9	47.7%	26.9	50.0%	-3.9%
Contribution margin	**20.4**	**37.5%**	**22.0**	**40.7%**	**-7.3%**

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

Other sales

The contribution margin for this minor segment, which includes sales of raw materials, and semi-finished and finished goods to third parties, was € 1.2 million, broadly in line with the previous year.

The figures are very small in absolute terms and the sales included in this segment vary greatly in terms of type and profitability, meaning that even very large percentage changes are not very significant.

From March 2011, this segment also includes sales made in Russia through Vasco (CIS) OOO of third-party finished products that do not fall into the product categories that represent the Group's core business.

Income statement: other sales	First half 2011		First half 2010		**2011/2010**
	€ million	% of sales	€ million	% of sales	Change **%**
Net sales	5.9	100.0%	6.1	100.0%	-5.1%
Gross profit after distribution costs	1.5	26.0%	1.3	21.6%	14.1%
Contribution margin	**1.2**	**20.6%**	**1.3**	**20.4%**	**-4.1%**

Financial situation

Statement of Cash flows

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

	30 June 2011 € million	30 June 2010 € million	Change € million
Operating profit	136.9	114.4	22.5
Depreciation and amortisation	15.2	12.6	2.6
Other non-cash items	(0.0)	3.8	(3.8)
Changes in non-financial assets and liabilities	2.0	(0.7)	2.7
Taxes paid	(43.0)	(33.3)	(9.7)
Cash flow from operating activities before changes in working capital	**111.1**	**96.9**	**14.2**
Change in net operating working capital	(27.8)	(3.7)	(24.1)
Cash flow from operating activities	**83.4**	**93.2**	**(9.8)**
Net interest	(16.1)	(16.4)	0.3
Cash flow used for investment	(15.4)	(35.9)	20.5
Free cash flow	**51.8**	**40.8**	**11.0**
Acquisitions of brands and investments	(7.7)	0.0	(7.7)
Other changes	(14.2)	(2.6)	(11.6)
Dividend paid out by Parent Company	(34.6)	(34.6)	(0.0)
Total cash flow used in other activities	**(56.5)**	**(37.2)**	**(19.3)**
Exchange rate differences and other changes	14.2	(31.1)	45.3
Change in net debt due to operating activities	**9.5**	**(27.5)**	**37.0**
Put options and earn-out payables	(1.6)	2.1	(3.6)
Total net cash flow of the period = change in net debt	**8.0**	**(25.4)**	**33.3**
Net debt at the start of the period	(677.0)	(630.8)	(46.2)
Net debt at the end of the period	(669.0)	(656.2)	(12.8)

Free cash flow in the first half of 2011 was € 51.8 million: cash flow from operating activities was € 83.4 million, which was partly offset by the payment of net financial interest of € 16.1 million and net investment of € 15.4 million.
Free cash flow increased by € 11.0 million in the first half of 2011, from € 40.8 million in the first half of 2010. The most significant changes were as follows:

- EBITDA (operating profit and amortisation/depreciation) grew by € 25.1 million (see the previous section entitled “Income statement” for a breakdown by item);
- tax of € 43.0 million was paid in the half-year, an increase of € 9.7 million on the previous year;
- operating working capital increased more rapidly, by € 24.1 million (see the section below entitled “Operating working capital” for more information on this item);
- a slight change in the net interests paid (€ 0.3 million);
- investment spending was down € 20.5 million compared with the previous year, due to the absence of the significant one-off investments made in 2009 and 2010 (e.g. construction of the new Wild Turkey distillery and the new facility in Brazil); specifically in 2011, the net investments shown here totalled € 15.4 million, benefiting partly from the sale of assets and capital grants of € 3.0 million in total, but at the same time were impacted by one-off investments of € 2.5 million relating to the Argentine plant (where Cinzano vermouth production will be carried out in house) and € 2.4 million for completion of the Kentucky distillery, on top of normal recurring expenditure on plant and machinery.

Cash flow used in other activities was € 56.5 million, compared with € 37.2 million in the first half of 2010.
The largest item in 2011 was the dividend of € 34.6 million paid out by the Parent Company, unchanged from the previous year.
The following acquisitions accounted for cash use of € 7.7 million: Vasco (CIS) OOO in Russia (€ 6.4 million), the Cazalis and Reserva San Juan brands in Argentina (€ 1.1 million) and earn-out payments on previous acquisitions (€ 0.3 million). No acquisitions took place in the first half of 2010.
Other outflows included purchases of own shares for € 14.2 million, representing the net balance of purchases and sales carried out in the first six months of 2011.

Exchange rate differences and **other changes** had a positive impact of € 14.2 million on net cash flow for the period, and relate mainly to positive exchange rate differences on operating working capital of € 15.3 million.
In the first half of the previous year, this item was negative for € 33.1 million, again mainly due to US dollar exchange rate differences, which were following a completely different trend in 2010 compared with the end of June 2011.

In the first half of 2011, there was a net increase of € 1.6 million in financial payables relating to the exercise of put options and earn-out payments, which are not associated with any cash flows, following updates to the estimated value of these future payables. The change is mainly attributable to the 20% put option on Vasco (CIS) OOO investment and, for a small portion, to the changes in estimation of the future payables.
More information on payables for put options and earn-outs can be found in the section below entitled "Breakdown of net debt".

To conclude, **net cash flow of € 8.0 million had been generated** at 30 June 2011, corresponding to the reduction in Group financial debt compared with 31 December 2010.

Breakdown of net debt

At 30 June 2011, consolidated net debt stood at € 669.0 million, down € 8.0 million on the € 677.0 million recorded at 31 December 2010.
The main cash inflows and outflows giving rise to the change in debt in the period are analysed in the previous section entitled "Cash flow statement".
The table below shows how the debt structure changed between the beginning and end of the period.

	30 June 2011 € million	31 December 2010 € million
Cash and cash equivalents	238.2	259.7
Payables to banks	(26.0)	(38.4)
Financial lease payables	(3.6)	(3.4)
Short-term portion of private placement	(5.8)	(6.2)
Other financial receivables and payables	(13.7)	(10.7)
Short-term net cash position	189.1	201.0
Payables to banks	(0.2)	(0.4)
Financial lease payables	(2.3)	(4.4)
Private placement and bond	(850.1)	(869.0)
Other financial receivables and payables	(0.5)	(0.7)
Medium-/long-term net debt	(853.1)	(874.5)
Debt relating to operating activities	(664.1)	(673.6)
Payables for the exercise of put options and potential earn-out payments	(5.0)	(3.4)
Net debt	(669.0)	(677.0)

In terms of structure, the net financial position at the end of the 2011 half-year confirms a positive split between the Group's short- and medium-/long-term debt.

The short-term net cash position was € 189.1 million at 30 June 2011, consisting of cash and cash equivalents of € 238.2 million, offset by payables to banks and other short-term payables totalling € 49.1 million. The short-term net cash position at 31 December 2010 was slightly higher, at € 201.0 million.
The medium- to long-term component, almost exclusively made up of bonds in issue, showed a debt position of € 853.1 million, € 21.4 million less than at 31 December 2010.
It should be noted, however, that exchange rate fluctuations that took place between the two dates under comparison, and particularly the depreciation in the US dollar, caused a contraction of € 18.4 million in consolidated net debt at 30 June 2011.

Group net debt also includes a financial payable of € 5.0 million, relating to the possible future exercise of put options by third parties and future earn-out payments.
At 31 December 2010, this payable stood at € 3.4 million, and related to the possible recognition of earn-out payments on the Cabo Wabo brands and the acquisitions of Sabia S.A. and Destiladora San Nicolas S.A. de C.V.
It increased by € 1.6 million at 30 June 2011, mainly due to the acquisition of Vasco (CIS) OOO, with the put option on the remaining 20% of the company not acquired by the Group valued at € 1.8 million. It should be remembered that the net assets of the company purchased are booked in the statement of financial position at 100% of their value and the present value of the put option is booked under liabilities.
The other negative change (of € 0.2 million) in the payable at 30 June 2011 is due partly to exchange rates and partly to tiny differences in the values of the earn-outs paid.

Group statement of financial position

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

	30 June 2011	31 December 2010
	€ million	€ million
Fixed assets	1,717.0	1,783.4
Other non-current assets and liabilities	(127.0)	(131.9)
Operating working capital	393.1	376.8
Other current assets and liabilities	(92.6)	(98.5)
Total invested capital	1,890.5	1,929.9
Shareholders' equity	1,221.5	1,252.9
Net debt	669.0	677.0
Total financing sources	1,890.5	1,929.9

Invested capital at 30 June 2011 was € 1,890.5 million, down € 39.4 million compared with 31 December 2010.
Note that all the main items in the Group balance sheet include a high proportion of values relating to the US subsidiaries: as a result, these items were substantially lower at the end of June due to a sharp depreciation in the US dollar (8.1% compared with the spot rate at 31 December 2010).
To sum up, since real increases in the carrying values of investments and acquisitions in the period were relatively small, exchange rates had the most significant impact.
The Group's financial structure is in line with levels at 31 December 2010, with a debt-to-equity ratio of 54.8% at the end of the period, compared with 54.0% at 31 December 2010.

Operating working capital

The table below shows figures at 30 June 2011, 31 December 2010 and 30 June 2010; operating working capital is also shown, for each period, as a proportion of sales over the previous 12 months.

	30 June 2011	31 December 2010	Change	30 June 2010	Change
	€ million	€ million	€ million	€ million	€ million
Receivables from customers	264.9	269.4	(4.5)	233.3	31.5
Inventories	316.0	294.9	21.1	316.0	(0.1)
Trade payables	(187.7)	(187.4)	(0.3)	(183.6)	(4.1)
Operating working capital	**393.1**	**376.8**	**16.3**	**365.8**	**27.4**
Sales in the previous 12 months	1,236.4	1,163.0	73.4	1,082.3	154.1
Working capital as % of sales in the previous 12 months	31.8	32.4		33.8	

Operating working capital at 30 June 2011 was € 393.1 million, an increase of € 16.3 million compared with the start of the year.
The most significant increase was in inventories (€ 21.1 million), which are traditionally higher on average at the end of June than at the start of the year. Specifically, Sella & Mosca S.p.A. wine inventories rose sharply in the period due to the excellent harvest at end-2010, and there were substantial increases in new filling stocks at the Group’s two distilleries in Scotland and Kentucky.
Meanwhile, trade receivables showed a contrasting trend, having peaked at 31 December, again due to the seasonal nature of the business.
The cash flow statement, analysed above, shows higher growth in working capital of € 27.8 million, since both external growth, which increased working capital (by € 3.9 million relating to the acquisition of Vasco (CIS) OOO) and the exchange rate effect, which reduced it (by € 15.3 million) were stripped out of the balance sheet figures.
Working capital as a percentage of net sales for the previous 12 months was 31.8% at 30 June 2011, slightly lower than the 32.4% registered at 31 December 2010.

By comparison with 30 June 2010, operating working capital was up by € 27.4 million, due to the effects of external growth over the past 12 months (Campari Australia Pty Ltd. had only been operational for a short period of time, and the distribution of Cinzano in Argentina had not yet begun).
The improvement of 200 basis points in working capital as a percentage of net sales for the previous 12 months seen at 30 June 2011 compared with 30 June 2010 (falling from 33.8% to 31.8%), nevertheless demonstrates the success of measures to limit operating working capital.

Events taking place after the end of the period

Acquisition of Sagatiba

On 3 August 2011, the Campari Group finalised the acquisition of the entire share capital of Sagatiba Brasil S.A., which was directly and indirectly controlled by the businessman Marco de Moraes. The business acquired includes the Sagatiba brand and its associated assets, including the storage facility for finished products.

The purchase price was USD 26 million (equating to € 18 million at the acquisition date), plus an annual earn-out payment for each of the next eight years after the closing, estimated at USD 10.3 million (€ 7.2 million) in total. The implied multiple based on the total purchase price, including the expected value of the earn-out, is 13x 2012 EBITDA, as this is the first full year when the acquired business will be consolidated in the Group's financial statements.

Sagatiba, which the Campari Group had already begun to market in Brazil in March 2010 on the basis of a distribution agreement, is the country's market leader in the rapidly expanding premium *cachaça* segment.

Founded by the businessman Marco de Moraes in 2004, Sagatiba offers a range of high-quality *cachaça*, including an unaged variety (Pura), mainly targeted at younger consumers and positioned for cocktails, and two aged products (Velha and Preciosa), aimed at an older target market and to be drunk straight.

In terms of consumption, Sagatiba sold 112,000 nine-litre cases in 2010, posting a CAGR of 21.6% for the period 2005-2010 (source: IWSR). The Brazilian market accounts for around two thirds of Sagatiba's sales.

Outlook

The results achieved in the first half of the year confirm that the Group's business is extremely sound, due to a more than satisfactory performance in its key product/market combinations, and, more specifically, the excellent performance of Aperol, which has seen accelerating growth since the first quarter of the year as a result of the brand's progressive internationalisation.

Turning to the rest of 2011, we expect the Group's main growth drivers – the aperitifs portfolio in the European market, SKYY Vodka in North and South America and Wild Turkey in the US and Australia, as well as innovative projects that are already complete or currently in progress – to continue to generate positive results in line with forecasts.
It is nevertheless worth noting that the second part of the year, particularly the final quarter, when sales will reach their seasonal peak in the run-up to Christmas, will be especially intense for the Group, especially considering the macroeconomic situation which is very turbulent; furthermore, the Group's sales and marketing structures in the various countries, strengthened by major investments in recent years, are ready to tackle this challenge and are fully focussed on achieving their performance targets.

In short, in terms of expectations for the 2011 results and in light of the fact that risks and opportunities remain broadly balanced for the rest of the year, the Group is optimistic that it will once again achieve satisfactory results.

Investor information

International economy

In the first few months of 2011, the global economy slowed, although growth in emerging countries was still robust. The slowdown reflects the weakening of growth in some of the major advanced countries, including Japan and the US, which more than cancelled out the strengthening in the eurozone (where the growth rates of the various countries still differ widely) and the resumption of growth in the UK. In Italy, the improvement in import/export trade in the early part of the year contrasted with the stagnation in national demand. Household spending posted moderate growth, reined in by the prospects of still-uncertain income and by generally stationary employment levels. In the second quarter of 2011, estimates on the global economy suggest that growth stayed at the same levels as the previous quarter in the US, weakened in the eurozone and the UK, and was negative in Japan. In Italy, economic indicators in early spring pointed to a slight strengthening of growth. In the same period, the growth rates of the main emerging countries showed signs of abating slightly.
As regards the inflationary trend, following the increases recorded in the first quarter of 2011, prices of raw materials fell in the second quarter, but remained at higher levels than at the start of the year. Higher raw materials costs were not reflected, to any great extent, in the inflation expectations of the advanced economies; in the emerging countries such rises are fuelling price growth, which local governments are tackling with more restrictive monetary policies.
Risks to growth prospects in the advanced countries stem mainly from the ongoing weakness in the labour and property markets, especially in the US, and from pressures on sovereign debt in eurozone countries. In the emerging countries, fears are associated with the risks of overheating in the economy and to the potential triggering of an inflationary spiral.

Financial markets

In the first half of 2011, the financial markets experienced a further increase in volatility, especially in the later months of the period, set off by heightened uncertainties over US growth prospects and renewed pressures on the sovereign debt of certain eurozone countries. The ensuing rebalancing of portfolios led to a drop in the yields of government bonds in virtually all the major advanced countries and increases – albeit modest – in the risk premiums on bank and corporate bonds. Since early May, share prices on the major international markets – after making up the ground lost in the wake of the events in Japan – have fallen sharply, accompanied by a sudden spike in volatility. The signs of a slowdown emerging from economic data, and the resulting heightening of tensions on eurozone sovereign debt, have impacted the downward revisions recorded from May onwards.
Turning to exchange rates, the euro stopped strengthening against the major currencies in the second quarter of 2011. The increased profitability of short-term euro-denominated assets stimulated the euro to appreciate but was offset by the growing tensions in the market for the sovereign bonds of some member states. At the end of June the euro had appreciated against the dollar and sterling (by 7.6% and 4.6% respectively) compared with the end of 2010.
Overall, in the Italian equities market, the FTSE MIB and FTSE Italia All Shares indices remained broadly unchanged in the first half of 2011. The MSCI Europe index closed the year down 1.2%, while in the US the S&P500 recorded a decline of 1.8%.

Spirits sector

In the first half of 2011 the benchmark DJ Stoxx 600 Food & Beverage index fell by 0.6%. Uncertainties surrounding the prospects of consumer securities generally, which also involved the spirits sector, hampered the performance of the index. Specifically, the spirits securities were penalised by fears linked to the volatile performance of the results reported in 2009 and 2010. Following the slowdown in organic growth in 2008, and especially in 2009, due to the decline in consumer spending and the phenomenon of destocking, and despite scaled-back investment in marketing, which boosted operating margins, the spirits companies showed signs of recovering their business levels in 2010, partly thanks to a favourable basis of comparison with the previous year. In the meantime, pricing trends had changed and companies resumed investment in marketing. The first-quarter 2011 results announced during the first six months of the year confirm the return to more regular and faster growth for the main companies in the sector. Against this backdrop, the Campari Group recorded growth above the market average thanks to the good

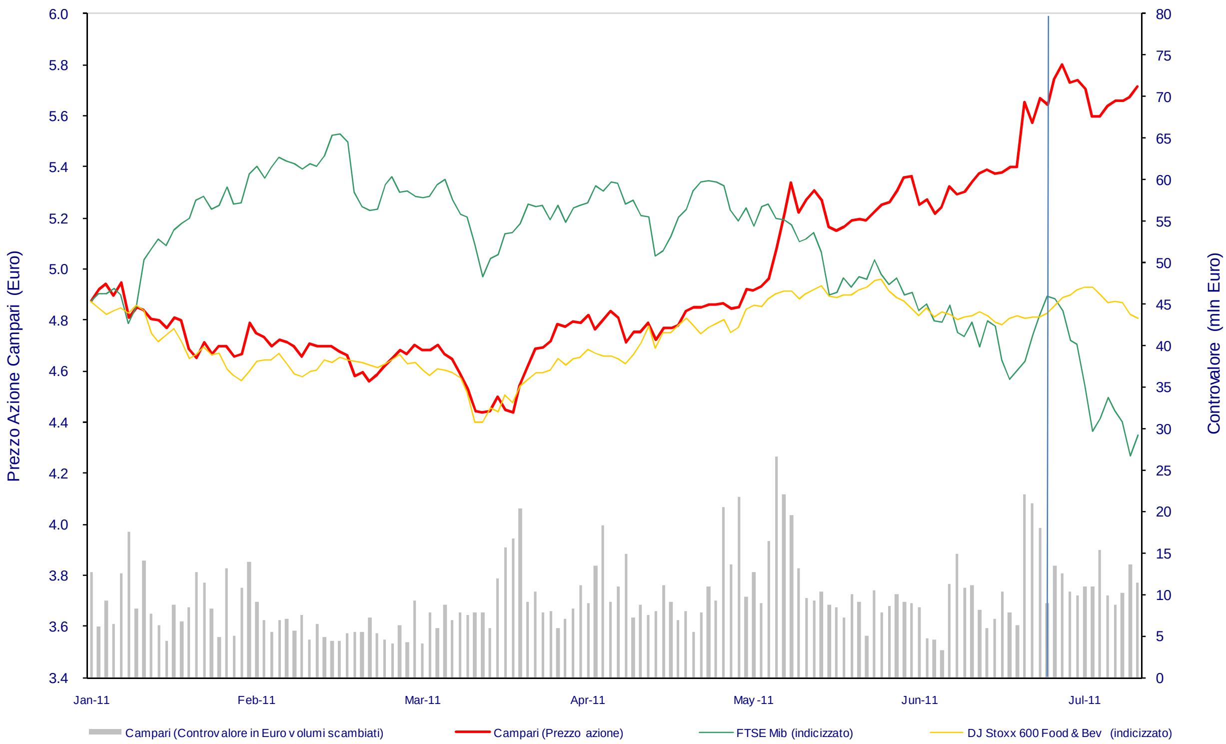
performance of the main products (especially aperitifs), but also supported by its recent investment in distribution structures.
Stock market expectations relating to the performance of sector companies in the next few months have gradually improved. Expectations are positively influenced by factors such as the first signs of recovery in demand in the important US market, exposure to emerging markets, whose growth is stimulated by the increase in available wealth, a positive demographic trend and favourable pricing. Lastly, expectations that the industry will consolidate at a faster rate are having a positive impact on sector valuations in that new M&A operations help expose spirits companies to new growth opportunities.

Davide Campari Milano S.p.A. share

In the economic and market conditions described above, the Davide Campari-Milano S.p.A. share, which is listed on the FTSE MIB index of the Italian stock market, was up by 16.4% in absolute terms in the first half of 2011 compared with the closing price at 31 December 2010.
As regards overall return, i.e., including dividends, the Campari share posted a performance of 17.7% for cash dividends and 17.8% for dividends reinvested in Campari shares.
With respect to the leading Italian equity market indices, Campari shares outperformed the FTSE MIB and the FTSE Italia All-Share index by 16.4% and 16.5% respectively.
The share also outperformed the DJ Stoxx 600 Food & Beverage index by 17.0%. It also outperformed the MSCI Europe sector index by 17.6%.

The minimum closing price over the period of € 4.44 was recorded on 16 March 2011. The maximum closing price over the period, recorded on 30 June 2011, was € 5.67, which is also the share's highest ever closing price since it was listed on the stock exchange in 2001.
An average of 1.9 million shares were traded daily in the first half of 2011, with an average daily value of € 9.52 million.
At 30 June 2011, Campari's market capitalisation was € 3,293 million.
The performance of the Campari share in the first half of 2011 benefited from the announcement of very positive results for the full year 2010 and the first quarter of 2011, with all performance indicators showing strong growth. These results were achieved thanks to the good performance of the main brands (especially aperitifs) and to sustained growth in key markets, partly due to recent investment in upgrading the distribution platform.

The performance of the Campari share price and the main benchmark indices since 1 January 2011



Ten years on the stock exchange

On 6 July 2011, the Campari Group celebrated the tenth anniversary of its flotation in 2001. During this period the company has enhanced its portfolio of assets to become one of the major companies in the global beverage industry with a portfolio of 45 premium and super premium brands sold in 190 countries.

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

The Campari stock mirrored the good operating performance of the company since its listing, achieving the best performance in the global spirits industry as well as the best performance of all the IPOS in Italy in 2001. It has also posted one of the strongest rates of growth in the FTSE/MIB index since 2001. A shareholder that purchased one Campari share in 2001 for €1.55[1] could now sell that same share for € 5.80, with an absolute increase of 274%. In terms of overall return, i.e. including dividends, the increase was 307%, or 350% if the shares had been reinvested. This performance equates to a total return (including dividends) since the IPO of 15% per year. Moreover, in relative performance terms, Campari outperformed the FTSE/MIB (the blue chip index of the Italian stock exchange, of which Campari, the only beverage company listed in Italy, has been part since 2009) by 320%, and the DJ Stoxx 600 food & beverage index by 231%. In trading terms, the average daily value of the Campari share rose from € 1.2 million in 2001[2] to € 9.6 million in 2011.

Shareholder base

The table below shows the major shareholders at 30 June 2011.

Shareholder (1)	No. of ordinary shares	% of share capital
Alicros S.p.A.	296,208,000	51.00%
Cedar Rock Capital (2)	60,992,612	10.50%
Morgan Stanley Investment Management Limited	11,868,704	2.04%
Independent Franchise Partners LLP	11,754,665	2.02%

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

(2) Andrew Brown, Chief Investment Officer of Cedar Rock Capital Ltd., informed Consob in accordance with article 120 of Legislative Decree 58/1998 (TUF).

Following notification received after the reporting date, the total number of Davide Campari-Milano S.p.A. shares held by Cedar Rock Capital at the date of approval of these draft financial statements to 30 June 2011 was 61,422,504, or 10.58% of the share capital.

Dividend

On 29 April 2011, the shareholders' meeting approved the full-year results for 2010 and agreed the payment of a dividend of € 0.06 per share (unchanged from last year). The dividend was paid (except on own shares) on 26 May 2011, with an ex-date (coupon no. 8) of 23 May 2011.

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

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

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

[2] In 2001, the average daily value excluded the first week of trading after the IPO. In 2011, the average daily value was calculated on 5 July 2011.

Stock information [1]		First half 2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	200 1
Reference share price												
Price at end of period	€	5.67	4.87	3.65	2.40	3.28	3.76	3.12	2.37	1.93	1.50	1.32
Maximum price	€	5.67	4.99	3.71	3.30	4.21	4.05	3.39	2.39	1.93	1.89	1.55
Minimum price	€	4.44	3.51	1.94	1.93	3.25	3.14	2.24	1.79	1.37	1.27	1.09
Average price	€	4.89	4.15	2.82	2.78	3.77	3.66	2.86	2.02	1.65	1.58	1.36
Capitalisation and volumes												
Average daily trading volume [2]	million	1.9	1.9	1.6	1.3	1.5	1.2	1.0	0.9	0.8	1.1	1.4
Average daily trading value [2]	€	9.5	7.6	4.5	3.7	5.8	4.4	2.8	1.7	1.3	1.7	2.1
Stock market capitalisation at the end of the period	€ million	3.29 3	2.82 8	2.11 8	1.39 4	1.90 4	2.18 3	1.81 2	1.37 4	1.11 8	871	767
Dividend												
Dividend per share [3]	€	0.06	0.06	0.05	0.05	0.05	0.05	0.05	0.04	0.04	0.04	-
Shares with dividend rights	million	578.	576.	576.	578.	580.	562.	562.	560.	560.	560.	-
Total dividend [3] [4]	€	34.6	34.6	31.7	31.8	29.0	28.1	28.1	24.7	24.7	24.7	-

[1] Changes in share capital; share information prior to the dates on which changes to the amount of share capital occurred are adjusted to take account of the new composition of share capital as described above.
- bonus share issue via the issue of 290,400,000 new shares with a nominal value of € 0.10 each to be provided free of charge to shareholders in the ratio of one new share for each share held, which came into effect on 10 May 2010
- ten-for-one share split effective as at 9 May 2005
[2] Initial Public Offering on 6 July 2001 at the price of € 1.55 per share. The average daily volume after the first week of trading was 845,200 shares in 2001; the average daily value after the first week of trading was € 1,145,000 in 2001.
[3] Classified on the basis of the year in which it was paid out.
[4] Total dividend distributed excluding own shares.

Investor relations

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

Half-year condensed financial statements

Financial statements

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

Consolidated income statement

	Notes	First half 2011	*of which: related parties*	First half 2010	*of which: related parties*
		€ million	€ million	€ million	€ million
Net sales	8	**589.1**	**1.8**	**515.7**	**1.5**
Cost of goods sold	9	(242.6)	-	(216.1)	-
Gross profit		**346.5**	**1.8**	**299.6**	**1.5**
Advertising and promotional costs		(105.8)	(0.4)	(90.0)	(0.4)
Contribution margin		**240.7**	**1.4**	**209.5**	**1.1**
Overheads	10	(103.8)	0.1	(95.1)	0.1
of which: non-recurring	11	(2.1)	-	(1.6)	-
Operating result		**136.9**	**1.5**	**114.4**	**1.2**
Financial income and charges	12	(21.5)	-	(16.4)	-
Share in profit (loss) of companies valued at equity		0.1	0.1	(0.2)	(0.2)
Put option income (charges)	13	-	-	(0.2)	-
Profit before tax		**115.4**	**1.5**	**97.7**	**1.0**
Taxes	14	(39.9)	-	(28.2)	-
Net profit for the period		**75.5**	**1.5**	**69.5**	**1.0**
Profit attributable to:					
Parent Company shareholders		75.3	-	69.3	-
Minority interests		0.3	-	0.2	-
		75.5	**-**	**69.5**	**-**
Basic earnings per share (€)		0.13		0.12	
Diluted earnings per share (€)		0.13		0.12	

Consolidated statement of comprehensive income

	First half 2011	First half 2010
	€ million	€ million
Net profit for the period (A)	**75.5**	**69.5**
Cash flow hedge		
Profit (loss) for the period	(1.0)	4.3
Less: profits (losses) reclassified to the consolidated income statement	0.3	0.2
Net gains (losses) from cash flow hedging	(1.3)	4.1
Tax effect	0.4	(1.4)
Cash flow hedge	**(0.9)**	**2.7**
Currency translation adjustment	(60.3)	138.8
Other comprehensive income (losses) (B)	(61.2)	141.5
Total comprehensive income (A+B)	**14.3**	**211.0**
Attributable to:		
Parent Company shareholders	14.0	210.7
Minority interests	0.3	0.2

Consolidated statement of financial position

	Notes	30 June 2011	*of which: related parties*	31 December 2010	*of which: related parties*
		€ million	€ million	€ million	€ million
ASSETS					
Non-current assets					
Net tangible fixed assets	15	314.0	-	325.7	-
Biological assets	16	17.5	-	18.1	-
Investment property	17	0.6	-	0.6	-
Goodwill and trademarks	18	1,352.8	-	1,409.1	-
Intangible assets with a finite life	19	20.9	-	18.8	-
Investments in affiliates and joint ventures		0.1	-	0.0	-
Deferred tax assets		10.5	-	8.4	-
Other non-current assets	20	4.6	-	6.7	-
Total non-current assets		**1,721.0**	**-**	**1,787.4**	**-**
Current assets					
Inventories	21	316.0	-	294.9	-
Trade receivables		264.9	1.3	269.4	1.4
Short-term financial receivables	22	7.0	-	1.6	-
Cash and cash equivalents	23	238.2	-	259.7	-
Current tax receivables		3.4	0.2	5.8	0.2
Other receivables		24.6	0.0	21.1	-
Total current assets		**854.0**	**1.5**	**852.5**	**1.6**
Non-current assets held for sale		11.2	-	11.2	-
Total assets		**2,586.2**	**1.5**	**2,651.1**	**1.6**
LIABILITIES AND SHAREHOLDERS' EQUITY					
Shareholders' equity					
Share capital	24	58.1	-	58.1	-
Reserves	24	1,160.2	-	1,191.8	-
Parent Company's portion of shareholders' equity		1,218.2	-	1,249.9	-
Minorities' portion of shareholders' equity		3.3	-	3.0	-
Total shareholders' equity		**1,221.5**	**-**	**1,252.9**	**-**
Non-current liabilities					
Bonds	25	805.8	-	846.3	-
Other non-current liabilities	25	55.1	-	34.3	-
Defined benefit plans		9.2	-	9.8	-
Provision for risks and charges	27	6.2	-	19.6	-
Deferred tax liabilities		120.8	-	114.0	-
Total non-current liabilities		**997.0**	**-**	**1,024.0**	**-**
Current liabilities					
Payables to banks	26	26.0	-	38.4	-
Other financial payables	26	33.4	-	22.9	-
Trade payables		187.7	-	187.4	-
Current payables to tax authorities	28	17.6	6.3	28.7	17.1
Other current liabilities		103.0	5.1	96.8	3.8
Total current liabilities		**367.7**	**11.4**	**374.2**	**20.9**
Total liabilities and shareholders' equity		**2,586.2**	**11.4**	**2,651.1**	**20.9**

Consolidated statement of cash flows

	Notes	30 June 2011	30 June 2010
		€ million	€ million
Operating result		136.9	114.4
Adjustments to reconcile operating profit and cash flow:			
Depreciation and amortisation		15.2	12.6
Gains on sales of fixed assets		(0.6)	(0.1)
Write-downs of tangible fixed assets		0.1	0.0
Accrual of provisions		0.6	5.9
Utilisation of provisions		(5.2)	(2.0)
Other non-cash items		5.1	0.0
Change in net operating working capital		(27.8)	(3.7)
Other changes in non-financial assets and liabilities		2.0	(0.7)
Taxes paid	28	(43.0)	(33.3)
Cash flow from (used in) operating activities		**83.4**	**93.2**
Purchase of tangible and intangible fixed assets	15-19	(18.4)	(37.2)
Capital grants received		0.4	-
Capitalised interest expenses		(0.0)	(0.4)
Proceeds from disposals of tangible fixed assets		2.6	2.6
Changes in receivables and payables from investments		-	(1.0)
Acquisition of brands and rights	18	(1.3)	
Acquisition of companies or investments in subsidiaries	6	(6.4)	0.0
Interest income		2.6	2.3
Net change in securities		0.0	3.3
Cash flow from (used in) investing activities		**(20.5)**	**(30.3)**
Other repayment of medium- and long-term debt		(2.2)	(2.1)
Net change in short-term bank debt		(11.6)	(4.2)
Interest expenses		(18.7)	(18.8)
Change in other financial payables and receivables		(0.0)	1.7
Purchase and sale of own shares		(14.4)	(1.2)
Dividend paid out by Parent Company	24	(34.6)	(34.6)
Cash flow from (used in) financing activities		**(81.5)**	**(59.2)**
Effect of exchange rate differences on net operating working capital		15.3	(33.1)
Other exchange rate differences and other changes in shareholders' equity		(18.1)	42.1
Exchange rate differences and other changes in shareholders' equity		**(2.8)**	**9.0**
Net change in cash and cash equivalents: increase (decrease)		**(21.5)**	**12.8**
Cash and cash equivalents at start of period	23	259.7	129.6
Cash and cash equivalents at end of period	23	238.2	142.4

Consolidated statement of changes in shareholders' equity

		Attributable to Parent Company shareholders					Minority interests	Total shareholders' equity
	Notes	Share capital	Legal reserve	Retained earnings	Other reserves	Total		
		€ million	€ million	€ million	€ million	€ million	€ million	€ million
Balance at 31 December 2010		**58.1**	**5.8**	**1,151.5**	**34.5**	**1,249.9**	**3.0**	**1,252.9**
Dividend payout to Parent Company shareholders	24	-	-	(34.6)	-	**(34.6)**	-	(34.6)
Purchase of own shares	24	-	-	(24.1)	-	**(24.1)**	-	(24.1)
Sale of own shares	24	-	-	9.7	-	**9.7**	-	9.7
Stock options	24	-	-	2.4	0.9	**3.3**	-	3.3
Profit for the period		-	-	75.3	-	**75.3**	0.3	75.5
Other comprehensive income (losses)	24	-	-	-	(61.3)	**(61.3)**	-	(61.3)
Total comprehensive income		-	-	75.3	(61.3)	**14.0**	0.3	14.3
						-		
Balance at 30 June 2011		**58.1**	**5.8**	**1,180.2**	**(25.9)**	**1,218.2**	**3.3**	**1,221.5**

	Attributable to Parent Company shareholders					Minority interests	Total shareholders' equity
	Share capital	Legal reserve	Retained earnings	Other reserves	Total		
	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Balance at 31 December 2009	**29.0**	**5.8**	**1,054.3**	**(45.7)**	**1,043.5**	**2.5**	**1,046.0**
Capital increase	29.0	-	(29.0)	-	**-**	-	-
Dividend payout to Parent Company shareholders	-	-	(34.6)	-	**(34.6)**	-	(34.6)
Purchase of own shares	-	-	(9.3)	-	**(9.3)**	-	(9.3)
Sale of own shares	-	-	8.1	-	**8.1**	-	8.1
Stock options	-	-	1.5	2.1	**3.6**	-	3.6
Profit for the period	-	-	69.3	-	**69.3**	0.2	69.5
Other comprehensive income (losses)	-	-	(0.1)	141.5	**141.5**	0.0	141.5
Total comprehensive income	-	-	69.2	141.5	**210.7**	0.2	211.0
					-		
Balance at 30 June 2010	**58.1**	**5.8**	**1,060.2**	**97.9**	**1,222.0**	**2.8**	**1,224.8**

Notes to the financial statements

1. General information

Davide Campari S.p.A. is a company listed on the Mercato Telematico (screen-based market) of Borsa Italiana, with its registered office at Via Franco Sacchetti 20, 20099 Sesto San Giovanni (Milan), Italy.
The publication of this report for the six months to 30 June 2011 was authorised by the Board of Directors on 4 August 2011.
This half-year report is presented in euro, the reference currency of the Parent Company and many of its subsidiaries.
The report has been the subject of a limited review and not full audit.

2. Preparation criteria

These condensed half-year financial statements were prepared in consolidated format pursuant to article 154-*ter* of Legislative Decree 58 of 24 February 1998 (TUF) as amended, and were drafted in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and ratified by the European Union.
The term IFRS also encompasses the International Accounting Standards (IAS) still in force, as well as all interpretation documents of the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor, the Standing Interpretations Committee (SIC).
The condensed half-year financial statements were drafted in accordance with IAS 34 (Interim Financial Reporting), using the same principles as those applied in the preparation of the consolidated financial statements for the year ending 31 December 2010, except for the changes described in note 3 below, entitled “Changes in accounting standards”.
These condensed half-year financial statements do not include all the information and notes required in the consolidated annual report, and should therefore be read in conjunction with the consolidated financial statements for the year ending 31 December 2010.
Unless otherwise indicated, the figures reported in these notes are expressed in millions of euro.

Form and content

In accordance with the format selected by the Campari Group, the income statement is classified by function, and the balance sheet shows current and non-current assets and liabilities separately.
The management considers that this format provides a more meaningful representation of the items that have contributed to the Group’s results and its balance sheet and financial position.
In the income statement (classified by function), income and charges from non-recurring transactions such as capital gains/losses on the sale of investments, restructuring costs, financial charges and any other non-recurring income/expenses are shown separately; this provides a clearer picture of the company’s operating performance. Non-recurring items are also discussed in detail in these notes.
The definition of “non-recurring” here conforms to that set out in Consob communication DEM/6064293 of 28 July 2006.
In the first half of 2011, the Group did not carry out any atypical and/or unusual transactions, as defined in the same communication.
The cash flow statement was prepared using the indirect method.
Taxes for the first six months of the year have been accounted for on the basis of the best estimate of the anticipated tax rate for 2011.
Lastly, with reference to the requirements of Consob resolution 15519 of 27 July 2006 in relation to financial statements, the income statement and balance sheet contain columns providing information on any significant transactions with related parties.

Use of estimates

The preparation of the condensed half-year financial statements requires the management to make estimates and assumptions that have an impact on the value of revenues, costs, assets and liabilities and on disclosures concerning contingent assets and liabilities at the reporting date.
If, in the future, these estimates and assumptions, based on the best valuation currently available, differ from the actual circumstances, they will be amended accordingly at the time the circumstances change.

In particular, estimates are used to identify provisions for risks in respect of receivables, obsolete inventory, depreciation and amortisation, asset write-downs, employee benefits, taxes, restructuring reserves and other provisions.
The estimates and assumptions are reviewed periodically and the impact of any change is reflected in the income statement.
However, also pursuant to IAS 36 – Impairment of Assets, some valuation procedures, especially those relating to the more complex valuations, such as the determination of any impairment losses on non-current assets, are generally carried out only at the time of preparing the annual financial statements, when all the required information is available, except where there are indications of impairment requiring an immediate assessment of any losses in value.
Similarly, the actuarial valuations required to determine employee benefit funds are normally obtained at the time the annual financial statements are prepared.

Basis of consolidation

The following changes in the basis of consolidation occurred in the half-year:

- In March, the Group completed the acquisition of 80% of Varhol B.V., which wholly owns Vasco (CIS) OOO, the Moscow-based distributor and importer of spirits and wines. Please see note 6 - Acquisitions - for information on the effects of this acquisition.
- Lamargue SARL, a wine bottling and marketing company with its registered office at Saint Gilles (France), was created in March 2011.
- On 28 March 2011, in execution of a settlement agreement, the 26% stake in Focus Brands Trading (India) Private Limited, held by DI.CI.E Holding B.V., was sold.

In addition, the merger by absorption of Rotarius Holding B.V. into DI.CI.E. Holding B.V., and the reverse merger of Zedda Piras S.p.A. with Sella & Mosca S.p.A, took place during the period. These operations had no effect on the basis of consolidation.

The table below lists the companies included in the basis of consolidation at 30 June 2011.

		Share capital at 30 June 2011		% owned by Parent Company		
Name, activity	Head office	Currency	Amount	Direct	Indirect	Direct shareholder
Parent Company						
Davide Campari-Milano S.p.A., holding and manufacturing company	Via Franco Sacchetti 20, Sesto San Giovanni	€	58,080,000			
Fully consolidated companies						
Italy						
Sella & Mosca S.p.A., manufacturing, trading and holding company	Località I Piani, Alghero	€	15,726,041	100.00		
Sella & Mosca Commerciale S.r.l., trading company	Località I Piani, Alghero	€	100,000		100.00	Sella & Mosca S.p.A.
Turati Ventisette S.r.l., dormant company	Via Franco Sacchetti 20, Sesto San Giovanni	€	20,000	100.00		
Europe						
Campari Austria GmbH, trading company	Naglergasse 1/Top 13 A, Vienna	€	500,000		100.00	DI.CI.E Holding B.V.
Campari Benelux S.A., finance and trading company	Avenue de la Métrologie, 10, Brussels	€	246,926,407	26.00	74.00	Davide Campari-Milano S.p.A. (26%), Glen Grant Ltd. (39%), DI.CI.E Holding B.V. (35%)
Campari Deutschland GmbH, trading company	Bajuwarenring 1, Oberhaching	€	5,200,000		100.00	DI.CI.E Holding B.V.
Campari France, manufacturing company	15 ter, Avenue du Maréchal Joffre, Nanterre	€	2,300,000		100.00	DI.CI.E Holding B.V.
Campari International S.A.M., trading company	7 Rue du Gabian, Monaco	€	70,000,000		100.00	DI.CI.E Holding B.V.
Campari Schweiz A.G., trading company	Lindenstrasse 8, Baar	CHF	2,000,000		100.00	DI.CI.E Holding B.V.
CJSC Odessa Sparkling Wine Company, manufacturing and trading company	36, Frantsuzky Boulevard, Odessa	UAH	48,041,016		99.80	DI.CI.E Holding B.V.
DI.CI.E. Holding B.V., holding company	Atrium, Strawinskylaan 3105, Amsterdam	€	15,015,000	100.00		

Name, activity	Head office	Share capital at 30 June 2011 Currency	Amount	% owned by Parent Company Direct	Indirect	Direct shareholder
Glen Grant Distillery Company Ltd., manufacturing and trading company	Glen Grant Distillery, Rothes, Morayshire	GBP	1,000,000		100.00	Glen Grant Ltd.
Glen Grant Ltd., holding company	Glen Grant Distillery, Rothes, Morayshire	GBP	24,949,000		100.00	DI.CI.E Holding B.V.
Kaloyiannis - Koutsikos Distilleries S.A., manufacturing and trading company	6 & E Street, A' Industrial Area, Volos	€	8,884,200		75.00	O-Dodeca B.V.
Lamargue Sarl, trading company	Domaine de la Margue, Saint Gilles	€	10,000		100.00	Société Civile du Domaine de Lamargue
O-Dodeca B.V., holding company	Atrium, Strawinskylaan 3105, Amsterdam	€	2,000,000		75.00	DI.CI.E Holding B.V.
Old Smuggler Whisky Company Ltd., manufacturing and trading company	Glen Grant Distillery, Rothes, Morayshire	GBP	1,000,000		100.00	Glen Grant Ltd.
Société Civile du Domaine de Lamargue, manufacturing and trading company	Domaine de la Margue, Saint Gilles	€	6,793,200		100.00	Sella & Mosca S.p.A.
T.J. Carolan & Son Ltd., trading company	1 Stockes Place, St. Stephen's Green, Dublin 2	€	2,600	76.92	23.08	DI.CI.E Holding B.V.
Varhol B.V., holding company	Atrium, Strawinskylaan 3105, Amsterdam	€	90,000		80.00	DI.CI.E Holding B.V.
Vasco (CIS) OOO, trading company	2nd Yuzhnoportoviy proezd 14/22, Moscow	RUB	10,000,000		80.00	Vahrol B.V.
Americas						
Cabo Wabo LLC, trading company	One Beach Street, Suite 300, San Francisco	US$	2,312,525		100.00	Redfire, Inc.
Camargen S.R.L, trading company	Avenida Corrientes, 222 - 3rd floor, Buenos Aires	ARS	11,750,000		100.00	DI.CI.E. Holding B.V. (95%), Campari do Brasil Ltda (5%)
Campari Argentina S.A., manufacturing and trading company	Av. Corrientes, 222 - 3rd floor, Buenos Aires	ARS	125,213,590		100.00	DI.CI.E. Holding B.V. (95%), Campari do Brasil Ltda (5%)
Campari do Brasil Ltda., manufacturing and trading company	Alameda Rio Negro 585, Edificio Demini, Conjunto 62, Alphaville - Barueri - SP	BRC	218,631,059	100.00		
Destiladora San Nicolas S.A. de C.V., manufacturing and trading company	Camino Real Atotonilco 1081, Arandas, Jalisco	MXN	294,945,500		100.00	DI.CI.E Holding B.V.
Gregson's S.A., trademark holder	Andes 1365, Piso 14, Montevideo	UYU	175,000		100.00	Campari do Brasil Ltda
Rare Breed Distilling LLC, manufacturing and trading company	Corporation Trust Center, 1209 Orange Street, City of Wilmington, County of New Castle, Delaware (Operational headquarters in Lawrenceburg)	US$	400,000,000 **(**)**		100.00	Redfire, Inc.
Red Fire Mexico, S. de R.L. de C.V., trading company	Agustin Yañez No. 2613-1[a]-113, Col. Arcos Vallarta Sur, Guadalajara, Jalisco	MXN	1,254,250		100.00	DI.CI.E. Holding B.V. (99.80%), Destiladora San Nicolas S.A. de C.V. (0.2%)
Redfire, Inc., holding company	State of Delaware, City of Wilmington, County of New Castle (operational headquarters in San Francisco)	US$	566,321,274 **(**)**	100.00		
Skyy Spirits LLC, trading company	One Beach Street, Suite 300, San Francisco	US$	54,897,463		100.00	Redfire, Inc.
Other						
Campari (Beijing) Trading Co. Ltd., trading company	Xingfu Dasha Building, block B, room 511, n° 3 Dongsanhuan BeiLu, Chaoyang District, Beijing	RMB	25,189,930		100.00	DI.CI.E Holding B.V.
Campari Australia Pty Ltd., trading company	C/o KPMG - 10 Shelley Street, Sydney	AU$	21,500,000		100.00	DI.CI.E Holding B.V.
Campari Japan Ltd., trading company	6-17-15, Jingumae Shibuya-ku, Tokyo	JPY	3,000,000		100.00	DI.CI.E Holding B.V.
Qingdao Sella & Mosca Winery Co. Ltd., manufacturing and trading company	8 Pingu Horticultural Farm, Yunshan County, Pingdu City, Qingdao, Shandong Province	RMB	24,834,454		93.67	Sella & Mosca S.p.A.

Other investments		Share capital at 30 June 2011		% owned by Parent Company		
Name, location, activity		Currency	Amount	Indirect	Direct shareholder	Valuation method
International Marques V.o.f., trading company	Nieuwe Gracht 11, Haarlem	€	210,000	33.33	DI.CI.E Holding B.V.	Equity

(*) company in liquidation
(**) including capital contributions

Exchange rates used in conversion of financial statements in foreign currency

The exchange rates used for conversion transactions are shown below.

	30 June 2011		31 December 2010		30 June 2010	
	Average rate	End-of-period rate	Average rate	End-of-period rate	Average rate	End-of-period rate
US dollar	1.4031	1.4453	1.3268	1.3362	1.3284	1.2271
Swiss franc	1.2704	1.2071	1.3823	1.2504	1.4367	1.3283
Brazilian real	2.2871	2.2601	2.3345	2.2177	2.3868	2.2082
Uruguayan peso	27.1225	26.6109	26.6025	26.8616	26.1114	25.8427
Chinese renminbi	9.1755	9.3416	8.9805	8.8220	9.0678	8.3215
UK pound	0.8680	0.9026	0.8582	0.8608	0.8700	0.8175
Indian rupee	63.1315	64.5620	60.6318	59.7580	60.7993	56.9930
Japanese yen	115.0299	116.2500	116.4551	108.6500	121.4948	108.7900
Argentine peso	5.6786	5.9315	5.1878	5.3099	5.1366	4.8255
Mexican peso	16.6839	16.9765	16.7532	16.5475	16.8287	15.7363
Australian dollar	1.3580	1.3485	1.4442	1.3136	1.4859	1.4403
Ukrainian hryvnia	11.1756	11.5353	10.5485	10.6254	10.5925	9.7204

3. Changes in accounting standards

a. Accounting standards, amendments and interpretations applied since 1 January 2011

IAS 24 - Related Party Disclosures

The amendment, issued on 4 November 2009 and applied from 1 January 2011, simplifies the information to be provided in the case of transactions with related parties that are state-controlled entities and clarifies the definition of related parties. The adoption of this amendment has not had a significant impact on the disclosures in the Group's financial statements.

IAS 32 – Financial Instruments: Presentation - Classification of Rights Issues

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

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

- IFRS 3 (2008) – Business Combinations: the amendment clarifies that for each business combination, the purchaser must value the components of minority interests that do not give holders the right to receive a proportional share of the subsidiary's net assets in the event of liquidation at their fair value on the acquisition date or as specified by the applicable accounting standards. If the components of minority interests do give holders the right to receive a proportional share of the subsidiary's net assets in the event of liquidation, these must be valued either at their fair value on the acquisition date or at the value of their proportional share of the subsidiary's assets.

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

b. Accounting standards, amendments and interpretations applicable from 2011 that are not relevant for the Group

IFRIC 13 – Customer Loyalty Programmes

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

IFRIC 14 – Prepayment of a Minimum Funding Requirement

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

IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments

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

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

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

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

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

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

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

IFRS 7 – Financial Instruments: Disclosures

The amendments, which were issued on 7 October 2010 and were not yet ratified at the date of these half-year financial statements, will apply to accounting periods beginning after 1 July 2011.
The amendments were issued with the aim of improving understanding of transactions involving the transfer of financial assets that are not derecognised because the risks are still borne by the company transferring the assets. The additional information should enable users of the financial statements to understand the relationship between the transferred financial asset and the associated liability, and to evaluate the nature of, and the risks associated with, the transferred asset that has not been derecognised.
The amendments also expand the disclosures required in the event that a disproportionate amount of transactions of this type are generated at the end of the reporting period.

IFRS 9 - Financial Instruments

This standard, issued on 12 November 2009, was amended on 28 October 2010.
At the reporting date, the competent bodies of the European Union had not yet completed the ratification process necessary for the application of the new standard. This standard, which is applicable from 1 January 2013, represents the first stage of a process to fully replace IAS 39.
IFRS 9 introduces new criteria for the classification and valuation of financial assets and liabilities and for the derecognition of financial assets. For financial assets in particular, the new standard uses a single approach based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets to determine the measurement criteria. The main change in relation to financial liabilities regards the accounting treatment of changes to the fair value of a financial liability measured at fair value through profit and loss, in the event that these are due to changes in the credit risk of the liability. These changes must be recognised in the statement of comprehensive income.
The Group is still assessing the possible impact of IFRS 9 on its financial assets and liabilities.

IAS 12 – Income Taxes

The amendment, which was issued on 20 December 2010 and was not yet ratified at the date of these half-year financial statements, will apply to accounting periods beginning after 1 January 2012.
The amendment requires that deferred tax assets or liabilities relating to a non-depreciable asset measured using the revaluation model set out in IAS 16 should be calculated taking into account the manner in which the carrying value of that asset will be recovered.
As a result, the interpretation SIC 21 – Income Taxes – Recovery of Revalued Non-Depreciable Assets will no longer apply. The Group does not expect the application of this amendment to have any significant impact on the financial statements.

On 12 May 2011, the IASB issued the following new accounting standards, not yet approved at the date of these half-year financial statements, which will take effect on 1 January 2013, although early application is permitted:

IFRS 10 – Consolidated Financial Statements

The new standard identifies the concept of control as the determining factor for including a company in the consolidated financial statements of the Parent Company. The standard also provides guidelines for determining control in cases in which identification is difficult. IFRS 10 will replace SIC 12 and part of IAS 27.

IFRS 11 – Joint Arrangements
The standard provides a more realistic reflection on the definition of joint arrangements, focussing on the rights and obligations contained in the contract, rather than on its legal form. IFRS 11 will replace SIC 13 and IAS 31.

IFRS 12 – Disclosure of Interests in Other Entities
The new standard defines the disclosure to be included in the notes to the financial statements relating to all forms of investments in other entities, including joint ventures, associates, SPEs and all other forms of interest, including off-balance-sheet interests.

IFRS 13 – Fair Value Measurement
The standard introduces for the first time a clear and single definition of fair value, provides a guide for measuring fair value and identifies the disclosure to be included in the notes to the financial statements. The standard will be applied in all cases in which another standard allows for fair value measurement.

On 16 June 2011, the IASB issued the amendment to IAS 1 – Presentation of Items of Comprehensive Income and the amended version of IAS 19 – Employee Benefits, which will apply to financial statements for reporting periods beginning after 1 July 2012 and 1 January 2013 respectively.

IAS 1 – Presentation of Items of Comprehensive Income
The amendment to IAS 1 clarifies the presentation of items in the statement of comprehensive income. The main change introduced will be the requirement to group items of comprehensive income according to whether they can be reclassified in the income statement.

IAS 19 – Employee Benefits
The amendments to IAS 19 have brought significant improvements:
- the "corridor method" for booking actuarial gains and losses has been eliminated;
- the presentation of changes to assets and liabilities related to defined-benefit plans has been simplified, so that the remeasurements of these are included in comprehensive income and only changes arising from operational transactions are booked to the income statement;
- disclosure relating to defined-benefit plans has been improved, including information on the features of the plans and the risks that the Group is exposed to by participating in them.

4. Seasonal factors

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

5. Default risk: negative pledges and debt covenants

The contracts relating to the bond issued by the Parent Company and the Redfire, Inc. private placement include negative pledges and covenants.
The negative pledge clauses are intended to limit the Group's ability to grant significant rights to the Group's assets to third parties, in particular by establishing specific restrictions on selling or pledging assets.

The covenants include the Group’s obligation to attain particular levels for certain financial indicators, most notably the ratio of net debt to measures of Group profitability.
If the Group fails to fulfil these obligations, after an observation period in which any breach has not been rectified, it could be served with notice to repay the residual debt.
The ratios are monitored by the Group at the end of each quarter and have so far been a long way from reaching the thresholds that would constitute non-compliance.

6. Acquisitions

Acquisition of the period

During the half-year, the Group completed the acquisition of 80% of Vasco (CIS) OOO, the Moscow-based distributor and importer of spirits and wines.
The cash payment totalled € 6.4 million, comprising € 0.4 million to acquire the shares and € 6.0 million to settle the trade payables of the acquired company. The Group will also repay € 0.8 million to the seller for the cash acquired.

A put/call option mechanism has been agreed for the remaining stake of 20%, exercisable in 2012 and estimated at € 1.8 million. The total cost of the transaction is therefore € 8.2 million.

Please note that the allocation of the price of the acquisition to tangible and intangible assets is provisional; the difference between the price paid and the fair value of the net assets acquired has therefore been provisionally assigned to goodwill.

The values mentioned below may therefore be adjusted when further information is obtained on the preliminary estimates of fair value made at the time of purchase.
The fair value of the assets and liabilities on the acquisition date is shown in the table below.

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

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

Acquisition taking place after the end of the priod

On 3 August 2011, the Campari Group reached an agreement with the businessman Marco de Moraes to acquire the entire share capital of Sagatiba Brasil S.A., the company that owns and produces Sagatiba, a premium cachaça brand.
The purchase price was USD 26 million, which has been paid in cash, plus an annual earn-out payment for each of the next eight years after the closing, estimated at USD 10.3 million in total, equal to 7.5% of the brand's net sales.
The agreement was signed on the same date and the acquired business will therefore be consolidated in the Group's financial statements starting from 3 August 2011.

7. Operating segments

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

At operating and management level, the results of the four business areas are analysed on the basis of the contribution margin each business generates.
Fixed (overhead) costs and taxes (which are managed at the level of each legal entity) and financial management (managed centrally by the Group) are therefore not allocated to the business areas.
No sales are recorded between business areas.

First half 2011	Spirits € million	Wines € million	Soft drinks € million	Other sales € million	Total allocated € million	Non-allocated items and adjustments € million	Consolidated € million
Net sales to third parties	460.3	68.6	54.3	5.8	589.1		589.1
Segment contribution margin	201.8	17.3	20.4	1.2	240.7		240.7
Overheads						(103.8)	(103.8)
Operating result							**136.9**
Net financial income (charges)						(21.5)	(21.5)
Affiliates' portion of profit	0.1	-	-	-	0.1		0.1
Put option income (charges)							0.0
Taxes						(39.9)	(39.9)
Profit for the period							**75.5**

First half 2010	Spirits € million	Wines € million	Soft drinks € million	Other sales € million	Total allocated € million	Non-allocated items and adjustments € million	Consolidated € million
Net sales to third parties	396.5	59.1	53.9	6.1	515.7		515.7
Segment contribution margin	171.1	15.3	22.0	1.3	209.5		209.5
Overheads						(95.1)	(95.1)
Operating result							**114.4**
Net financial income (charges)						(16.4)	(16.4)
Affiliates' portion of profit	(0.2)	-	-	-	(0.2)		(0.2)
Put option income (charges)						(0.2)	(0.2)
Taxes						(28.2)	(28.2)
Profit for the period							**69.5**

8. Net sales

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

	First half 2011 € million	First half 2010 € million
Sale of goods	588.3	512.4
Rendering of services	0.8	3.2
Total net sales	**589.1**	**515.7**

The rendering of services relates to bottling the products of third parties.
For a more in-depth analysis of net sales, see the section entitled "Sales performance" in the interim report on operations.

9. Cost of goods sold

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

Cost of goods sold by function	First half 2011 € million	First half 2010 € million
Materials and manufacturing costs	216.9	195.9
Distribution costs	25.7	20.2
Total cost of goods sold	**242.6**	**216.1**

Cost of goods sold by nature	First half 2011 € million	First half 2010 € million
Raw materials and finished goods acquired from third parties	174.0	160.0
Inventory write-downs	(1.0)	-
Personnel costs	20.6	19.1
Depreciation and amortisation	11.1	9.1
of which pending on final stocks of liquids undergoing the ageing process	*(2.3)*	*(1.8)*
Utilities	4.2	3.9
External production and maintenance costs	6.3	6.5
Variable transport costs	20.0	14.9
Other costs	7.4	2.7
Total cost of goods sold	**242.6**	**216.1**

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

10.Overheads

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

Breakdown of overheads by function	First half 2011 € million	First half 2010 € million
Sales costs	48.0	43.8
General and administrative expenses	55.8	51.3
Total overheads	**103.8**	**95.1**

Breakdown of overheads by nature	First half 2011 € million	First half 2010 € million
Agents and other variable sales costs	8.8	8.8
Depreciation and amortisation	4.0	3.5
Personnel costs	52.9	48.1
Travel, transfers, training and meetings	9.9	7.8
Services, maintenance and insurance	14.7	12.5
Operating leases and rental expenses	3.7	3.7
Other	7.7	9.2
Non-recurring (income) and charges	2.1	1.6
Total overheads	**103.8**	**95.1**

The increase in overheads was due to the effect of the 2010 acquisition of T.J. Carolans and the Group's expansion in Australia, as well as increased costs for outsourcing services, miscellaneous consultancy services and IT services related to business management projects in progress.

11. Non-recurring income and charges

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

	First half 2011 € million	First half 2010 € million
Changes in put options and earn-outs		4.8
Other non-recurring income	0.3	-
Gains on sales of fixed assets	0.6	-
Total non-recurring income	**0.9**	**4.8**
Provisions for risks and charges	-	(3.9)
Penalties	(1.5)	-
Changes in earn-outs	(0.3)	-
Rental fees	-	(0.2)
Personnel restructuring costs	(1.2)	(2.1)
Other non-recurring charges	-	(0.2)
Total non-recurring charges	**(3.0)**	**(6.4)**
Total (net)	**(2.1)**	**(1.6)**

The changes in put options and earn-outs relate to the change in the estimated financial payable for earn-outs of Destiladora San Nicolas S.A. de C.V.

The € 0.6 million in gains on sales of fixed assets relate to the sale of a non-essential real estate asset by Campari Schweiz AG and the sale of biological assets by Société Civile du Domaine de Lamargue.

The € 1.5 million in penalties relate mainly to tax settlements.

The personnel restructuring costs of € 1.2 million were incurred largely by Campari do Brasil Ltda, Destiladora San Nicolas S.A. de C.V. and the Parent Company in relation to various positions.

12. Financial income and charges

The breakdown of financial income and charges is as follows:

	First half 2011 € million	First half 2010 € million
Bank and term deposit interest	2.5	2.9
Other income	0.3	0.3
Total financial income	**2.8**	**3.2**
Net interest payable on bonds and private placements	(21.4)	(20.1)
Interest payable on leases	(0.1)	(0.1)
Interest payable to banks	(0.5)	(0.2)
of which capitalised	-	*(0.3)*
Total interest payable	**(22.1)**	**(20.4)**
Effects of discounting payables for put options	(0.1)	(0.0)
Bank charges	(0.5)	(0.2)
Other charges and exchange rate differences	(1.6)	1.1
Total financial charges	**(2.2)**	**0.9**
Net financial income (charges)	**(21.5)**	**(16.4)**

The € 21.5 million in net financial charges for the period represents an increase of € 5.1 million on the previous half-year, mainly owing to an increase of € 2.9 million in exchange rate losses, an increase of € 1.3 million in interest payable on bonds and a reduction of € 0.7 million in bank interest income.

13. Put option charges

Put option charges, booked at 30 June 2010, relate to the portions of the losses pertaining to the minority shareholders of Cabo Wabo, LLC and Redfire Mexico S. de R.L. de C.V.
Since the Group exercised the put/call options on the remaining 20% of Cabo Wabo, LLC and Redfire Mexico S. de R.L. de C.V. assigned in January 2008 at the time of the acquisition of 80% of the Cabo Wabo brand on 30 July 2010, no further put option charges were booked at 30 June 2011.

14. Taxes

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

	First half 2011 € million	First half 2010 € million
- taxes for the year	(27.4)	(22.2)
- taxes relating to previous years	(1.2)	-
Income tax - current	(28.6)	(22.1)
Income tax - deferred	(11.3)	(6.1)
Income tax reported in the income statement	**(39.9)**	**(28.2)**

15. Net tangible fixed assets

Changes in this item during the period are indicated in the table below.

	Land and buildings	Plant and machinery	Other	Total
	€ million	€ million	€ million	€ million
Carrying value at start of year	227.5	271.4	85.6	584.5
Accumulated depreciation at start of year	(54.9)	(169.4)	(34.6)	(258.8)
Balance at 31 December 2010	**172.7**	**102.0**	**51.0**	**325.7**
Additions	4.4	5.5	3.8	13.8
Disposals	(0.3)	(0.4)	(1.2)	(1.9)
Depreciation	(3.8)	(7.6)	(3.2)	(14.7)
Reclassifications	(7.0)	6.7	0.4	0.1
Exchange rate differences and other changes	(3.5)	(2.3)	(3.2)	(9.0)
Balance at 30 June 2011	**162.4**	**103.9**	**47.6**	**314.0**
Carrying value at end of period	219.6	276.8	85.0	581.4
Accumulated depreciation at end of year	(57.2)	(172.9)	(37.3)	(267.4)

Additions in the period, totalling € 13.8 million, refer to the following categories.
The € 4.4 million increase in land and buildings was mainly due to the € 2.4 million expenditure made by Rare Breed Distilling, LLC, for the new distillery in Lawrenceburg. Assets totalling € 21.1 million have already been booked for this project, comprising plant, machinery and other fixed assets.

Additions in land and buildings also include € 0.4 million for building work at the warehouse for semi-finished products at Burncrook by Glen Grant Distillery Company Ltd., € 0.7 million for restructuring work at the Canale d'Alba facility and € 0.4 million for the planning and creation of the green areas at Sesto San Giovanni carried out by the Parent Company; the remaining amount is attributable to the expansion and restructuring of the offices and facilities of various Group subsidiaries.

Capital expenditures in plant and machinery, amounting to € 5.5 million, primarily included:
- the Parent Company's expenditure in production units, amounting to € 1 million;
- € 0.6 million made by Campari do Brasil Ltda. in the new plant in Suape;
- € 0.2 million made by Sella & Mosca S.p.A. in Alghero;
- € 0.3 million made by Destiladora San Nicolas de C.V. in a new Tequila bottling line;
- € 2.5 million by Campari Argentina S.A. to build Cinzano production plants.

Other expenditures in tangible fixed assets of € 3.8 million included primarily:
- € 2.3 million for the purchase of barrels to age whisky, of which € 1.9 million relates to Rare Breed Distilling, LLC, € 0.2 million relates to Glen Grant Distillery Company Ltd. and € 0.1 million relates to Destiladora San Nicolas de C.V.;
- € 0.2 million in furniture by the Parent Company.

Disposals, amounting to € 1.9 million, are mainly attributable to land sales by Société Civile du Domaine De Lamargue for € 0.3 million, the sale of plants by Campari France for € 0.3 million, and the sale of *barriques* (wooden barrels) by Rare Breed Distilling, LLC, for € 1.1 million.

16. Biological assets

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

	Assets valued at fair value € million	Assets valued at cost € million	Total € million
Opening value	3.1	22.4	25.5
Accumulated depreciation at start of period	-	(7.4)	(7.4)
Balance at 31 December 2010	**3.1**	**15.0**	**18.1**
Additions	-	0.3	0.3
Fair value valuation charges	-	-	-
Disposals	(0.4)	-	(0.4)
Depreciation	-	(0.5)	(0.5)
Balance at 30 June 2011	**2.6**	**14.8**	**17.5**
Closing value	2.6	22.7	25.3
Accumulated depreciation at end of period	-	(7.9)	(7.9)

Additions of the period all relate to Sella & Mosca S.p.A., and concerned vineyards in Sardinia and Tuscany. Net disposals of € 0.4 million relate to the sale of vineyards owned by the Group at Saint Gilles in France, through Société Civile du Domaine de Lamargue. This sale generated capital gains of € 0.3 million, which was booked to non-recurring income for the period.

17. Investment property

At 30 June 2011, investment property of € 0.6 million related mainly to the Parent Company, and included apartments and a shop in the provinces of Milan, Bergamo and Verbania, and two buildings in rural locations in the province of Cuneo.
The carrying value of investment property is close to fair value.
In the first half of 2011, the subsidiary Campari Schweiz AG sold its site at Pambio Noranco in Ticino, generating capital gains of € 0.3 million, which was booked to non-recurring income.

18. Goodwill and trademarks

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

	Goodwill € million	Trademarks € million	Total € million
Carrying value at start of period	934.4	479.7	1,414.0
Opening impairment	(4.9)	-	(4.9)
Balance at 31 December 2010	**929.5**	**479.7**	**1,409.1**
Change in basis of consolidation	3.7	-	3.7
Additions		1.1	1.1
Exchange rate differences	(43.8)	(17.3)	(61.1)
Balance at 30 June 2011	**889.4**	**463.4**	**1,352.8**
Carrying value at end of period	894.2	463.4	1,357.7
Closing impairment	(4.9)		(4.9)

The change in the basis of consolidation relating to goodwill, of € 3.7 million, is entirely attributable to the acquisition of Vasco (CIS) OOO in the first half of the year. For further information, see note 6 – Acquisitions of these half-year financial statements.
Additions of € 1.1 million refer to the acquisition of the Cazalis Leger and Reserva San Juan brands by Campari Argentina S.A. For further information, see the section entitled “Significant events during the period” in the interim report on operations.

Exchange rate differences of € 61.1 million refer to the adjustment to exchange rates of the goodwill relating to Skyy Spirits, LLC, Cabo Wabo, LLC, Campari do Brasil Ltda., Campari Argentina S.A., Destiladora San Nicolas S.A. de C.V., CJSC Odessa Sparkling Wine Company and Wild Turkey, as well as the X-Rated Fusion Liqueur, Cabo Wabo and Wild Turkey brands.

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

	Balance at 30 June 2011		Balance at 31 December 2010	
	Goodwill	Trademarks	Goodwill	Trademarks
	€ million	€ million	€ million	€ million
Spirits				
Ouzo-12	10.0	8.3	10.0	7.4
Brazilian acquisition	80.0	-	81.6	-
SKYY Vodka	333.0	-	360.2	-
Barbero – Riccadonna – Mondoro	137.9	12.3	137.9	12.3
Vasco	3.7	-	-	-
Glen Grant and Old Smuggler	-	104.3	-	104.3
X-Rated Fusion Liqueur	-	35.4	-	38.2
Cabo Wabo	25.0	49.2	27.0	53.2
Destiladora San Nicolas S.A. de C.V.	8.1	6.9	8.4	7.1
Campari Argentina S.A.	3.9	0.1	4.4	0.1
Wild Turkey	143.2	126.3	154.9	136.7
C&C brands	25.1	116.6	25.1	116.6
Campari Benelux	0.3	-	0.3	-
Cazalis Leger and Reserva San Juan	-	1.1	-	-
Other	0.1	0.1	-	1.0
Total	**770.3**	**460.6**	**809.7**	**476.9**
Wines	**-**	**-**	**-**	**-**
Cinzano	51.5	0.8	51.5	0.8
Zedda Piras, Sella&Mosca and subsidiaries	55.3	-	55.3	-
CJSC Odessa Sparkling Wine Company	7.7	-	8.4	-
Total	**114.5**	**0.8**	**115.2**	**0.8**
Soft drinks	**-**	**-**	**-**	**-**
Former Bols brands	4.6	2.0	4.6	2.0
Total	**4.6**	**2.0**	**4.6**	**2.0**
Total	**889.4**	**463.4**	**929.5**	**479.7**

19. Intangible assets with a finite life

Changes during the period are shown in the table below.

	Software	Other	Total
	€ million	€ million	€ million
Carrying value at start of period	15.3	24.4	39.7
Accumulated amortisation at start of period	(11.8)	(9.1)	(20.9)
Balance at 31 December 2010	**3.5**	**15.4**	**18.8**
Additions	4.2	0.4	4.6
Amortisation for the period	(1.8)	(0.5)	(2.3)
Write-downs	(0.1)	-	(0.1)
Exchange rate differences and other changes	3.4	(3.5)	(0.1)
Balance at 30 June 2011	**9.2**	**11.7**	**20.9**
Carrying value at end of period	27.8	16.1	43.9
Accumulated amortisation at end of period	(21.6)	(1.4)	(23.0)

Additions made in the period mainly relate to the implementation of new modules and upgrades of the SAP IT system by the Parent Company (€ 2.3 million), Sella & Mosca S.p.A. (€ 0.3 million) and Destiladora San Nicolas S.A. de C.V. (€ 0.3 million), as well as to the three-year renewal of Microsoft licences by the Parent Company for € 1.1 million and the purchase of distribution rights in Australia for € 0.6 million.

20. Other non-current assets

This item breaks down as follows.

	30 June 2011 € million	31 December 2010 € million
Derivatives on Parent Company bond (Eurobond)	1.6	3.6
Non-current financial assets	**1.6**	**3.6**
Equity investments in other companies	0.2	0.2
Security deposits	0.8	0.9
Receivables from employee benefit funds	0.7	0.7
Other non-current tax receivables	1.3	1.2
Other non-current assets	**3.0**	**3.0**
Other non-current assets	**4.6**	**6.7**

At 30 June 2011, the item includes the positive value of the derivative issued by the Parent Company on the 2009 bond (Eurobond), which involves the payment of a variable interest rate (6-month Euribor + 210 basis points) on an underlying amount of € 200 million. The interest rate swap, which had been negotiated in 2009 on an underlying amount of € 250 million, was reduced to € 200 million in the final quarter of 2010.
Receivables from employee benefit funds represent a surplus of assets servicing the plan in respect of the present value of benefit obligations at year end.
Other non-current tax receivables refer to receivables from tax authorities attributable to the Parent Company (€ 0.5 million) and the Brazilian subsidiary.

21. Inventories

This item breaks down as follows.

	30 June 2011 € million	31 December 2010 € million
Raw materials, supplies and consumables	32.3	35.7
Work in progress and liquid undergoing the aging process	177.1	183.7
Finished products and goods for resale	106.5	75.5
Total	**316.0**	**294.9**

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

	€ million
Balance at 31 December 2010	3.1
Accruals	0.6
Utilisations	(1.2)
Exchange rate differences and other changes	(0.1)
Balance at 30 June 2011	**2.4**

22. Short-term financial receivables

	30 June 2011 € million	31 December 2010 € million
Securities	0.2	0.2
Net accrued interest income/expense from swap on bonds	6.2	1.4
Valuation at fair value of forward contracts	0.6	-
Other short-term financial receivables	6.8	1.4
Short-term financial receivables	**7.0**	**1.6**

23. Cash and cash equivalents

	30 June 2011 € million	31 December 2010 € million
Bank current accounts and cash	98.3	126.1
Term deposits maturing within 12 months	139.9	133.6
Cash and cash equivalents	**238.2**	**259.7**

Reconciliation with net debt

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

	30 June 2011 € million	31 December 2010 € million
Cash and cash equivalents	238.2	259.7
Liquidity (A)	238.2	259.7
Securities	0.2	0.2
Other short-term financial receivables	6.8	1.4
Short-term financial receivables (B)	7.0	1.7
Short-term bank debt	(26.0)	(38.4)
Current portion of financial lease payables	(3.6)	(3.4)
Current portion of private placement and bonds	(5.8)	(6.2)
Other short-term financial payables	(20.7)	(12.3)
Payables for put options and earn-outs	(3.3)	(1.0)
Short-term financial debt (C)	(59.4)	(61.4)
Short-term net cash (debt) position (A+B+C)	185.8	200.0
Medium/long-term bank debt	(0.2)	(0.4)
Real estate lease payables	(2.3)	(4.4)
Private placement and bonds	(851.6)	(872.7)
Other medium/long-term financial payables	(0.5)	(0.7)
Payables for put options and earn-outs	(1.7)	(2.4)
Medium/long-term financial debt (D)	(856.4)	(880.6)
Net debt (A+B+C+D) (*)	(670.6)	(680.6)
Reconciliation with Group net debt, as shown in the Directors' report:		
Assets for derivatives on bonds, non-current portion	1.6	3.6
Group net debt	(669.0)	(677.0)

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

24. Shareholders' equity

Share capital

At 30 June 2011, the share capital was € 58,080,000, comprising 580,800,000 ordinary shares with a nominal value of € 0.10 each, fully paid-up.

Outstanding shares and own shares

In the first six months of the year, the Group purchased 4,920,000 shares for a total price of € 24.1 million, which equates to an average price of € 4.9, and sold 3,516,797 shares through the exercise of stock options.

The table below shows a reconciliation between the number of outstanding shares at 31 December 2009, 31 December 2010 and 30 June 2011.

	No. of shares			Nominal value		
	30 June 2011	31 December 2010	31 December 2009	30 June 2011	31 December 2010	31 December 2009
				€	€	€
Outstanding shares at the beginning of the period	578,522,820	287,945,880	288,459,253	57,852,282	28,794,588	28,845,925
Bonus issue of new shares		290,400,000			29,040,000	
Allocation of own shares from the bonus issue		(2,454,120)			(245,412)	
Purchases for the stock option plan	(4,920,000)	(2,320,000)	(2,199,000)	(492,000)	(232,000)	(219,900)
Disposals	3,516,797	4,951,060	1,685,627	351,680	495,106	168,563
Outstanding shares at the end of the period	577,119,617	578,522,820	287,945,880	57,711,962	57,852,282	28,794,588
Total own shares held	3,680,383	2,277,180	2,454,120	368,038	227,718	245,412
Own shares as a % of share capital	0.6%	0.4%	0.7%			

Dividends paid and proposed

Dividends to the value of € 34.6 million relating to 2010 were approved by the shareholders' meeting of the Parent Company on 29 April 2011 and paid in May 2011.

	Total amount		Dividend per share	
	30 June 2011	31 December 2010	30 June 2011	31 December 2010
	€ million	€ million	€	€
Dividends approved and paid during the period on ordinary shares	34.6	34.6	0.06	0.06
Dividends proposed on ordinary shares		34.7		0.06

Other reserves

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

	Stock options	Cash flow hedge	Currency translation	Total
	€ million	€ million	€ million	€ million
Balance at 31 December 2010	**16.7**	**3.0**	**14.9**	**34.5**
Cost of stock options for the period	3.3			3.3
Stock options exercised	(2.4)			(2.4)
Losses (profits) reclassified in the income statement		(0.3)		(0.3)
Cash flow hedging reserve allocated to shareholders' equity		(1.0)		(1.0)
Tax effect allocated to shareholders' equity		0.4		0.4
Tax effect reclassified under profit carried forward				
Currency translation difference			(60.3)	(60.3)
Balance at 30 June 2011	**17.6**	**1.9**	**(45.4)**	**(25.9)**

25. Bonds and other non-current liabilities

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

Non-current liabilities	30 June 2011 € million	31 December 2010 € million
Parent Company bond (US$) issued in 2003	209.1	226.9
Parent Company bond (Eurobond) issued in 2009	349.9	352.0
Private placement issued in 2002	76.3	83.3
Private placement issued in 2009	170.5	184.2
Total bonds and private placements	805.8	846.3
Payables and loans due to banks	0.2	0.4
Financial leases	2.3	4.4
Derivatives on Parent Company bond (US$)	45.9	26.3
Payables for put options and earn-outs	1.7	2.4
Other debt	0.5	0.7
Non-current financial liabilities	50.6	34.3
Other non-financial liabilities	4.4	-
Other non-current liabilities	55.1	34.3

Bonds

The bonds relate to two bond placements by the Parent Company with a nominal value of US$ 300 million and € 350 million, issued in 2003 and 2009 respectively.
The change in the value of this liability compared with 31 December 2010 was entirely due to the change in fair value of the financial liability, connected with the change in fair value of the related hedging derivatives.

Specifically, a cross currency swap has been taken out on exchange rates and interest rates for the 2003 bond, swapping from a fixed rate on US dollars to a variable rate on euros (6-month Euribor + 60 basis points).
With regard to fair value hedging derivatives, a negative change of € 18.2 million was registered for the derivative, while the value of the liability decreased by € 17.8 million.
The negative impact on the income statement for the period was € 0.4 million, before taking the tax effect into account.
With regard to cash flow hedging derivatives, there are various interest rate swaps that involve the payment of an average fixed rate of 4.25% on total underlying amounts of US$ 200 million. The reduction in the fair value of this derivative, totalling € 1.4 million, was suspended in the statement of comprehensive income, since the cash flow hedging transaction met the requirements for effectiveness. The associated deferred tax effect was € 0.3 million.
In the first half of 2011, € 0.5 million was released to the income statement, with a tax effect of € 0.1 million.

An interest rate swap has been taken out on the 2009 bond. At 30 June 2011 its fair value was € 1.6 million, and it was therefore classified under non-current financial assets (see note 20 to these half-year financial statements).
The € 2 million decrease in the value of the derivative recorded in the period was almost fully offset by the € 2 million positive change in the underlying liability, generating an immaterial effect in the income statement.

Private placement

The private placements represent two bonds placed by Redfire, Inc. on the US market in 2002 and 2009.
Apart from the effects arising from the translation of bonds denominated in US dollars, the only change in the debt is the release of the effects of the amortised cost of the 2002 private placement, previously adjusted due to fair value hedges no longer in existence; this effect is equivalent to financial income of US$ 0.7 million (€ 0.5 million).

Payables for put options and earn-outs

The payable for put options and earn-outs at 30 June 2011 includes the long-term outlay for the Cabo Wabo earn-out, payable every quarter for a period of three years from the early closing date of the acquisition of the remaining 20% of the shares, which took place last year, calculated according to Group sales volumes for the Cabo Wabo brand.
The change in the payable compared with the end of the previous year relates to the quarterly payment of the Cabo Wabo earn-out and to exchange rate differences.

Other non-financial liabilities

Other financial liabilities at 30 June 2011 include the long-term payable (2013 and 2014) arising from a settlement in instalments by the Parent Company, under an agreement with the tax authorities signed on 25 May 2011, for the 2005 tax year.

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

Current financial liabilities	30 June 2011 € million	31 December 2010 € million
Payables and loans due to banks	26.0	38.4
Short-term portion of private placement (issued in 2002)	5.8	6.2
Accrued interest on bonds	20.5	11.9
Financial leases	3.6	3.4
Financial liabilities on non-hedging contracts	-	0.2
Payables for put options and earn-outs	3.3	1.0
Other debt	0.2	0.2
Total other financial payables	33.4	22.9

Private placement (issued in 2002)

The short-term portion of the payable represents the part of the private placement issued in 2002 (US$ 8.3 million) that expires in July 2011.

Accrued interest on bonds

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

Payables for put options and earn-outs

The current portion of these payables relates to the earn-out payments for the year for Cabo Wabo and for the acquisitions of Destiladora San Nicolas De C.V. and Campari Argentina S.A.

27. Provision for risks and charges

	Tax provision € million	Provisions for industrial restructuring € million	Agent severance fund € million	Other € million	Total € million
Balance at 31 December 2010	**10.9**	**4.9**	**1.2**	**2.5**	**19.6**
Change in basis of consolidation	0.1	-	-	-	0.1
Accruals	-	0.1	0.2	0.1	0.4
Utilisations	(9.3)	(3.8)	(0.1)	(0.3)	(13.5)
Exchange rate differences and other changes	-	-	-	(0.4)	(0.4)
Other	-	-	-	0.1	0.1
Balance at 30 June 2011	**1.6**	**1.2**	**1.3**	**2.0**	**6.2**

The tax reserve of € 1.6 million is attributable to the Parent Company (€ 1.2 million) and to Campari Do Brasil Ltda (€ 0.4 million).

The € 9.3 million used during the period relates to the tax inspections carried out in the preceding years by the Parent Company, including with regard to the former Campari Italia S.p.A. This sum was reclassified under payables. The change in the basis of consolidation is wholly due to an ongoing tax dispute relating to Vasco (CIS) OOO for € 0.1 million.

The provision for restructuring includes accruals made in 2009 in relation to the closure of Qingdao Sella & Mosca Winery Co. Ltd. and provisions for winding up various positions within the Group.
Of the € 3.8 million used during the first half-year, € 2.0 million relates to the interruption in production at the Sulmona facility, and € 1.8 million to the closure of the subsidiary Campari France S.A.

Other provisions at 30 June 2011 include € 0.9 million relating to Rare Breed Distilling, LLC, for liabilities for securing warehouses storing products undergoing the ageing process, as well as estimated liabilities for miscellaneous legal proceedings.

The Group does not consider it necessary to make provisions for other existing legal disputes at the date of these financial statements, as there are no significant contingent liabilities.
Note, however, that Campari do Brasil Ltda. was in dispute with the Brazilian tax authorities, which have contested the classification for production tax (IPI) purposes of products sold. At 31 December 2010, the increased taxes and penalties amounted to BRL 117.2 million (equivalent to € 51.9 million) and interest totalled BRL 48.5 million (€ 21.5 million).
The company had contested this claim in full, appointing local advisors and, based on the opinions expressed by the advisors, didn't consider it necessary to establish a specific provision.
In June, in a decision still to be published in the official gazette, the court found in favour of the company. The tax authorities have 30 days following the publication of the decision to lodge an appeal.
As a result of these developments, no provisions were made for this item in the condensed consolidated half-year financial statements to 30 June 2011.

28. Payables to tax authorities

Payables to tax authorities are down by € 11.1 thousand compared to the end of the previous year to € 17.6 thousand, due to the combined effect of the payment of taxes for the previous year and the provision for estimated taxes for the first half of the year.
Specifically, Group companies paid taxes totalling € 43 million.

29. Stock options

New stock options were granted in the first half 2011, exercisable in the period 2016-2018.
The number of options granted was 207,508, for the purchase of the same number of shares, with an average allocation price of € 5.06, equivalent to the weighted average market price in the month proceeding the day on which the options were granted.
The average fair value of these options is € 1.21.

The following assumptions were used for the fair value measurement of options issued in 2011 and 2010:

	2011	2010
Expected dividends (€)	0.06	0.06
Expected volatility (%)	17%	26%
Historical volatility (%)	17%	26%
Market interest rate	3.03%	2.70%
Expected option life (years)	6.00	6.00
Exercise price (€)	5.06	3.87

The criterion for fair value measurement is the same as that described in the consolidated financial statements for the year ending 31 December 2010.

30. Related parties

Davide Campari-Milano S.p.A. is controlled by Alicros S.p.A.
Davide Campari-Milano S.p.A. and its Italian subsidiaries have adopted the national tax consolidation scheme governed by articles 117 *et seq* of the consolidated law on income tax (TUIR) for the three-year period 2010-2012.
The income tax receivables and payables of the individual Italian companies are therefore recorded as payables to the Parent Company's controlling shareholder, Alicros S.p.A.
At 30 June 2011, the overall position of the Italian subsidiaries of Davide Campari-Milano S.p.A. and of the Parent Company in respect of Alicros S.p.A., following tax consolidation, is a net payable of € 6.1 million.
The table below shows the net debit balance.

Moreover, Alicros S.p.A., Davide Campari-Milano S.p.A. and its Italian subsidiaries have joined the Group-wide VAT scheme, pursuant to article 73, paragraph 3 of Presidential Decree 633/72.
At 30 June 2011, the Parent Company and its Italian subsidiaries owed Alicros S.p.A. € 4.2 million.

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

Dealings with affiliated companies and joint ventures form part of ordinary operations and are carried out under market conditions (i.e. conditions that would apply between two independent parties) or using criteria that allow for the recovery of costs incurred and a return on invested capital.
All transactions with related parties were carried out in the Group's interest.
The amounts for the various categories of transaction entered into with related parties are set out below.

30 June 2011	Trade receivables € million	Trade payables € million	Receivables (payables) for tax consolidation € million	Receivables (payables) for Group VAT € million	Other non-current tax receivables € million	Other receivables (payables) € million
International Marques V.O.F.	1.3	-	-	-	-	-
Alicros S.p.A.	-	-	(6.1)	(4.2)	-	0.0
Payables to directors	-	-	-	-	-	(0.8)
	1.3	**-**	**(6.1)**	**(4.2)**	**-**	**(0.8)**
Balance sheet percentage of related item	0%	0%	0%	0%	0%	0%

31 December 2010	Trade receivables € million	Trade payables € million	Receivables (payables) for tax consolidation € million	Receivables (payables) for Group VAT € million	Other non-current tax receivables € million	Other receivables (payables) € million
International Marques V.O.F.	1.0	-	-	-	0.0	-
Focus Brands Trading Ltd.	0.5	-	-	-	-	-
Alicros S.p.A.	-	-	(16.9)	(1.5)	-	-
Payables to directors	-	-	-	-	-	(2.3)
	1.4	**-**	**(16.9)**	**(1.5)**	**0.0**	**(2.3)**
Balance sheet percentage of related item	1%	0%	74%	2%	0%	2%

First half 2011	Sale of merchandise	Trade allowances	Other income and charges		Financial income	Profit (loss) of joint ventures
	€ million	€ million	€ million	€ million	€ million	€ million
Alicros S.p.A.	-	-	0.1		-	-
International Marques V.O.F.	1.8	(0.4)	-		-	0.1
	1.8	**(0.4)**	**0.1**		**-**	**0.1**
Balance sheet percentage of related item	0%	0%			0%	

First half 2010	Sale of merchandise	Trade allowances	Other income and charges	Financial income	Profit (loss) of joint ventures
	€ million	€ million	€ million	€ million	€ million
Alicros S.p.A.	-	-	0.1	-	-
International Marques V.O.F.	1.5	(0.4)	-	-	(0.2)
	1.5	**(0.4)**	**0.1**	**-**	**(0.2)**
Balance sheet percentage of related item	0%	0%		0%	

31. Commitments and risks

For information regarding the Group’s commitments and risks, please see note 47 of the consolidated financial statements for the year ending 31 December 2010.

32. Events taking place after the end of the period

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

Sesto San Giovanni, 4 August 2011

Chairman of the Board of Directors
Luca Garavoglia

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

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

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

   of the administrative and accounting procedures used to prepare the condensed half-year financial statements, in the half-year period ending on 30 June 2011.

2. We furthermore certify that

2.1 the condensed half-year financial statements:

a) were prepared in accordance with the applicable international accounting standards recognised in the European Union pursuant to Regulation (EC) 1606/2002 of the European Parliament and of the Council of 19 July 2002;

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

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

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

Sesto San Giovanni, 4 August 2011

Managing Director
Robert Kunze-Concewitz

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

Managing Director
Stefano Saccardi

pwc

AUDITORS' REPORT ON THE REVIEW OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2011

To the Shareholders of
Davide Campari-Milano SpA

1 We have reviewed the condensed consolidated interim financial statements of Davide Campari-Milano SpA and its subsidiaries (Campari Group) as of 30 June 2011 and for the six-month period then ended, comprising the income statement, the statement of comprehensive income, the balance sheet, the cash flow statement, the statement of changes in shareholders' equity and the related notes. Davide Campari-Milano SpA's Directors are responsible for the preparation of the condensed consolidated interim financial statements in accordance with the International Accounting Standard (IAS 34), applicable to interim financial reporting, as adopted by the European Union. Our responsibility is to issue this report based on our review.

2 Our work was conducted in accordance with the criteria for a review recommended by the National Commission for Companies and the Stock Exchange (CONSOB) with Resolution no. 10867 of 31 July 1997. The review consisted principally of inquiries of company personnel about the information reported in the condensed consolidated interim financial statements and about the consistency of the accounting principles utilised therein as well as the application of analytical review procedures on the amounts contained in the above mentioned condensed interim financial statements. The review excluded certain auditing procedures such as compliance testing and verification and validation tests of the assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with generally accepted auditing standards. Accordingly, unlike an audit on the annual consolidated financial statements, we do not express an audit opinion on the condensed consolidated interim financial statements.

For the opinion on the consolidated financial statements of the prior year and the consolidated condensed interim financial statements of the prior year presented for comparative purposes, reference is made to our reports dated 4 April 2011 and dated 4 August 2010, respectively.

3 Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements of the Campari Group as of 30 June 2011 and for the six-month period then ended have not been prepared, in all material respects, in accordance with IAS 34, applicable to interim financial reporting, as adopted by the European Union.

Milan, 4 August 2011

PricewaterhouseCoopers SpA
Signed by

Fabio Facchini
(Partner)

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

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. 3.754.400,00 Euro i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n. 43 dell'Albo Consob - Altri Uffici: Bari 70124 Via Don Luigi Guanella 17 Tel. 0805640211 – Bologna Zola Predosa 40069 Via Tevere 18 Tel. 0516186211 – Brescia 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 – Firenze 50121 Viale Gramsci 15 Tel. 0552482811 – Genova 16121 Piazza Dante 7 Tel. 01029041 – Napoli 80121 Piazza dei Martiri 58 Tel. 08136181 – Padova 35138 Via Vicenza 4 Tel. 049873481 – Palermo 90141 Via Marchese Ugo 60 Tel. 091349737 – Parma 43100 Viale Tanara 20/A Tel. 0521242848 – Roma 00154 Largo Fochetti 29 Tel. 06570251 – Torino 10129 Corso Montevecchio 37 Tel. 011556771 – Trento 38122 Via Grazioli 73 Tel. 0461237004 - Treviso 31100 Viale Felissent 90 Tel. 0422696911 – Trieste 34125 Via Cesare Battisti 18 Tel. 0403480781 - Udine 33100 Via Poscolle 43 Tel. 043225789 – Verona 37122 Corso Porta Nuova 125 Tel.0458002561

www.pwc.com/it