Davide Campari – Milano S.p.A.

Half-year report
as at 30 June 2004

CONTENTS

This document contains the translation into English of the Half-year report of Davide Campari - Milano S.p.A. as at 30 June 2004, as well as relevant accompanying notes and reports.
The translation is provided for your convenience only, for any information in respect of Davide Campari- Milano S.p.A. the original Half-year report in Italian “Relazione semestrale al 30 giugno 2004” should be exclusively relied upon.

CORPORATE OFFICERS

BOARD OF DIRECTORS [1]

Luca Garavoglia	Chairman
Vincenzo Visone	Managing Director and Chief Executive Officer
Stefano Saccardi	Managing Director and Legal Affairs and Business Development Officer
Paolo Marchesini	Managing Director and Chief Financial Officer
Luca Cordero di Montezemolo	Director
Cesare Ferrero [2]	Director and member of the Audit Committee
Franzo Grande Stevens [3]	Director and member of the Remuneration and Appointments Committee
Marco P. Perelli-Cippo [3]	Director and member of the Remuneration and Appointments Committee
Giovanni Rubboli [2] [3]	Director, member of the Audit Committee and member of the Remuneration and Appointments Committee
Renato Ruggiero	Director
Anton Machiel Zondervan [2]	Director and member of the Audit Committee

At the shareholders' meeting of 29 April 2004 Luca Garavoglia was confirmed in the post of Chairman for three years until approval of the 2006 accounts and granted powers in accordance with the law and the company's articles of association.

A reduction in the number of Directors from 14 to 11 was approved.
The Board of Directors' meeting of 10 May 2004 vested Managing Directors Vincenzo Visone, Stefano Saccardi and Paolo Marchesini with the following powers for three years until approval of the 2006 accounts:

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

BOARD OF STATUTORY AUDITORS [4]

Umberto Tracanella	Chairman
Antonio Ortolani	Permanent Auditor
Alberto Lazzarini	Permanent Auditor
Alberto Garofalo	Deputy auditor
Giuseppe Pajardi	Deputy auditor
Paolo Proserpio	Deputy auditor

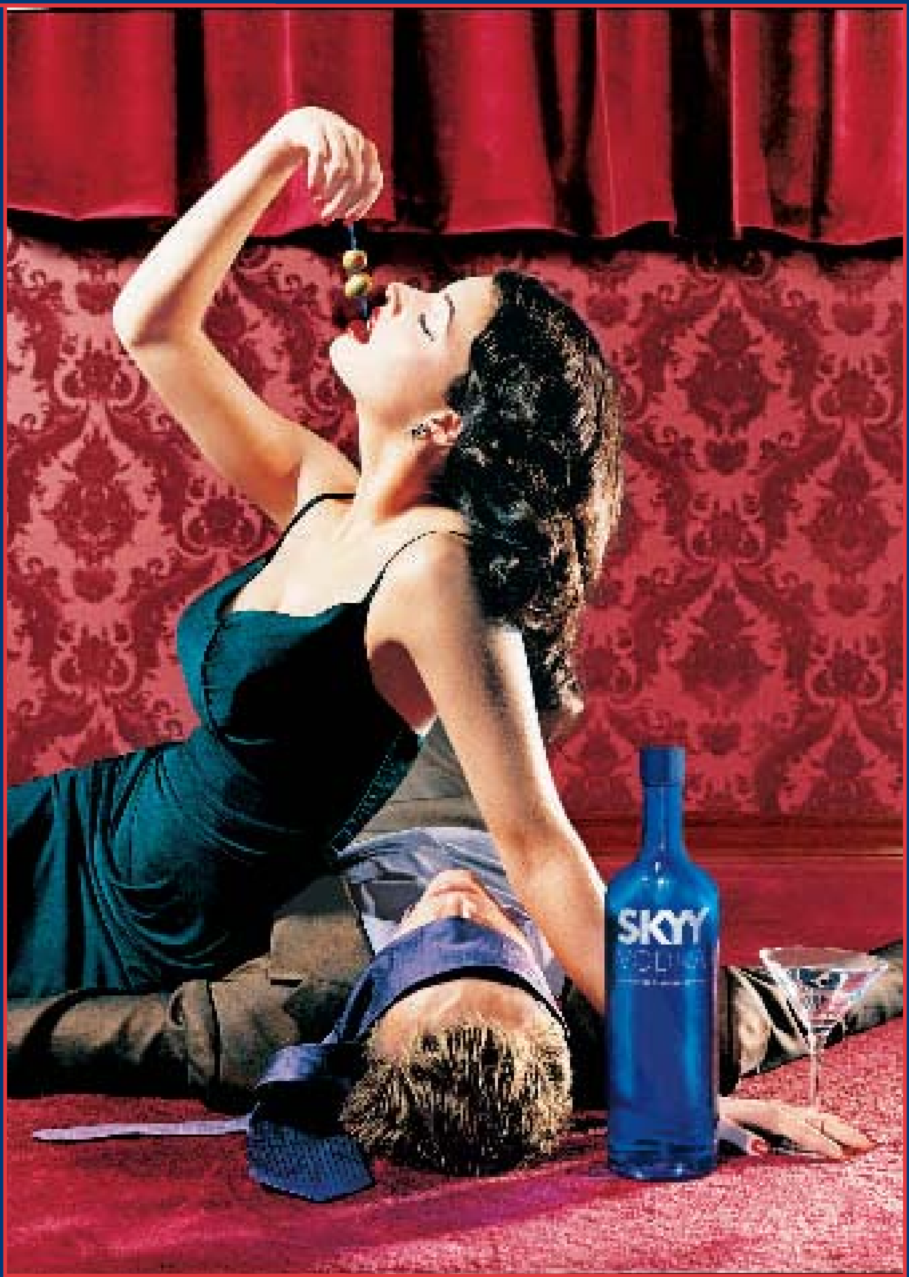
INDEPENDENT AUDITORS [5]

Reconta Ernst & Young S.p.A.

(1) *In post until approval of the 2006 accounts, in accordance with the resolution of Shareholders' Meeting held on 29 April 2004.*
(2) *Member of the Audit Committee nominated by the Board of Directors on 10 May 2004 and in post until the approval of the 2006 accounts.*
(3) *Member of the Remuneration and Appointments Committee nominated by the Board of Directors on 10 May 2004 and in post until the approval of the 2006 accounts.*
(4) *In post until approval of the 2006 accounts, in accordance with the resolution of the Shareholders' Meeting held on 29 April 2004.*
(5) *Appointed to audit the 2004, 2005 and 2006 accounts by the Shareholders' Meeting of 29 April 2004.*

Davide Campari – Milano S.p.A.

Half-year report as at 30 June 2004



Directors' report

Introduction

The Campari Group delivered a positive sales and profitability performance in the first half of 2004. Compared with the first half of 2003, sales were up 10.4%, EBITA up 7.1%, EBIT up 2.4% and Group net profit up 10.7%.

Figures for 1 January - 30 June (€ million)	2004	2003	% change
Sales net of discounts and excise duties	367.4	332.7	10.4%
Trading profit	104.1	91.5	13.8%
EBITDA	84.7	78.9	7.4%
EBITA	75.9	70.9	7.1%
EBIT = operating profit	58.3	56.9	2.4%
Profit before tax and minority interests	55.0	51.4	7.0%
Group profit before tax	48.7	43.6	11.8%
Group net profit	30.9	28.0	10.7%

First-half results reaped the full benefit of the consolidation of Barbero 1891 S.p.A. (acquired in December 2003), but suffered as a result of exchange rate trends.
The sections "Sales performance" and "Consolidated profit and loss" below provide a detailed analysis of the results, with particular emphasis on the three growth components: organic growth, changes in the basis of consolidation and the effect of exchange rate differences.

Significant events

Acquisition of the Riccadonna brand

In January 2004, the purchase of the Riccadonna brand from Sabevis S.r.l. was completed for € 11.3 million. In February, ownership of the Riccadonna brand was transferred to the Group company Barbero 1891 S.p.A. All Riccadonna sparkling wine and vermouth is now produced at the Barbero 1891 S.p.A. facility and Barbero 1891 S.p.A. also manages Italian distribution.

Acquisition of Coutsicos S.A.

In January 2004, N. Kaloyannis Bros A.E.B.E. purchased Greek company Coutsicos S.A., which is based in Piraeus and has production facilities in Volos.
The acquisition cost was € 2.8 million and includes some of the brands registered in December 2003.
Coutsicos S.A. owns a plant that the Group will use for the production of Ouzo 12, which is currently bottled by third parties.
The total investment in plant and machinery and building refurbishment is estimated at € 2.5 million.

Ongoing start-up at Novi Ligure.

After sparkling wines and vermouths entered production late last year, the Novi Ligure plant is now fully up and running for the production of Cynar, Jägermeister and Biancosarti, which were formerly bottled at the Termoli plant that closed in 2003.

Sale and lease-back of the Novi Ligure property

In February 2004, Campari-Crodo S.p.A. completed a sale and lease-back transaction with Sanpaolo Leasint S.p.A. on the industrial property in Novi Ligure, consisting of the factory building and directly associated plant.
The sale price was € 27.5 million.
The leasing contract, for which instalments also total € 27.5 million, took effect on the sale date (16 February 2004) and will run for eight years with an option to purchase the property at maturity for 10% of that amount.
Fixed interest on the monthly instalments is charged at the 3-month Euribor rate plus 59.5 basis points.

Sale of Sovinac S.A.

In March 2004, Sovinac S.A. (100% owned through Lacedaemon B.V.), which had become a dormant cash company after the sale of its Brussels property to third parties, was sold for the value of its cash holdings (€ 1.0 million).
The sale had no effect on the consolidated accounts.

Group rationalisation

During the first half of 2004 the Group further streamlined its structure.
In March, Group company Boards of Directors approved the following operations, which were then approved at their shareholders' meetings in April:

- merger of Campari-Crodo S.p.A. into Davide Campari-Milano S.p.A. (Campari-Crodo S.p.A. is a wholly-owned subsidiary of Davide Campari-Milano S.p.A., so no share swap is entailed);
- merger of S.A.M.O S.p.A. into Campari Italia S.p.A.

The mergers, to take place during the second half of the year, will be effective for accounting and corporate income tax purposes from 1 January 2004.
On 31 March 2004 the Parent Company sold its holdings in Campari Schweiz A.G. and Campari Finance Teoranta to DI.CI.E. Holding B.V.
The respective sale prices, supported by external appraisals, were € 59.9 million and € 58.7 million.
The mergers and sales described above have had no effect on the consolidated accounts, and will have no effect in the future.

US launch of SKYY Melon and SKYY Sport

In January, through Skyy Spirits, LLC, the Group announced a further line extension of SKYY Vodka (in addition to the existing flavours SKYY Berry, SKYY Citrus, SKYY Spiced and SKYY Vanilla).
The new arrival, SKYY Melon, strengthens the company's positioning in the flavoured vodka market.
In addition, the Group announced the launch of SKYY Sport, a new low-calorie ready-to-drink beverage.
SKYY Sport is produced and distributed by SABMiller, as is SKYY Blue, the ready-to-drink product introduced in 2002.

Launch of Campari Mixx Lime and Campari Mixx Peach

In February, in order to extend its range of ready-to-drink beverages, the Group launched Campari Mixx Lime and Campari Mixx Peach in Italy.
These fizzy, refreshing, low-alcohol drinks join the two other versions already available: Campari Mixx and Campari Mixx Orange.

Basis of consolidation

During the first half of 2004, the Group's basis of consolidation changed as follows with respect to 31 December 2003:

– Qingdao Sella & Mosca Winery Co. Ltd. and Société Civile Immobilière du Domaine de la Margue, subsidiaries of Sella & Mosca S.p.A. and previously consolidated using the equity method, have been consolidated on a line-by-line basis since the start of 2004;
– Coutsicos S.A, acquired at the beginning of 2004, has been consolidated on a line-by-line basis;
– Sovinac S.A. has been sold and is therefore no longer consolidated.

For the purposes of a proper comparison of the results, please note that Barbero 1891 S.p.A. was acquired on 3 December 2003 and that the company has therefore been consolidated since that date; however:

– the profit and loss account for the first half of 2004 fully incorporates that company's results, which the profit and loss for the first half of 2003 did not;
– the balance sheet and financial position for the year ending 31 December 2003 already reflected the acquisition whereas it was not included at 30 June 2003.

Group performance

Sales performance

All sales figures reported in this section (whether given as sales or net sales) are shown net of excise duties and discounts.

For the first half of 2004, Group consolidated sales increased by 10.4% to € 367.4 million, from € 332.7 million in the same period of 2003.
The table below breaks down sales growth into three components: external growth, organic growth and differences due to exchange rate effects.

Net sales performance	€ million	% change versus first half 2003
– sales: first half 2004	367.4	
– sales: first half 2003	332.7	
Total increase	**34.7**	**10.4%**
Of which:		
external growth	28.9	8.7%
organic growth before exchange rate effect	15.4	4.6%
exchange rate effect	–9.6	–2.9%
Total increase	**34.7**	**10.4%**

External growth came to 8.7% and is almost wholly attributable to sales of Barbero 1891 S.p.A. brands (mainly Aperol but also Aperol Soda, Barbieri liqueurs and Mondoro and Enrico Serafino wines) which totalled € 28.5 million in the first half.

Remaining external growth of € 0.4 million is from wine sales of Qingdao Sella & Mosca Winery Co. Ltd. and Société Civile Immobilière du Domaine de la Margue which, as mentioned above, were consolidated on a line-by-line basis for the first time in 2004.

Organic growth, valued at constant exchange rates compared with first half 2003, was 4.6%.
This positive trend was due to a sales increase in almost all main brands.

Exchange rate fluctuations had a negative impact of 2.9% on sales over the period, or € 9.6 million, due mainly to US dollar depreciation, which lost 10% of its value against the euro over the same period. However, depreciation of the Brazilian real was just 2.0%: following a substantial fall in the first half of 2003 it now seems to have regained – despite the occasional wobble – equilibrium against the euro.

The table below shows exchange rate trends in the most important currencies for the Campari Group.

Average first-half exchange rate	2004	2003	% change
US$ x 1 €	1.228	1.105	
€ x 1 US$	0.8145	0.9050	–10.0%
BRL x 1 €	3.642	3.569	
€ x 1 BRL	0.2746	0.2802	–2.0%
CHF x 1 €	1.553	1.492	
€ x 1 CHF	0.6438	0.6702	–3.9%

Sales by region

The increase in sales of 18.6% to € 200.7 million in the first half of 2004 was mainly due to a positive performance on the Italian market.
Italy benefited significantly from the first-time consolidation of Barbero 1891 S.p.A., as the country accounts for more than 80% of sales.
Around three quarters (13.7%) of the sales growth is due to sales of Aperol and other Barbero 1891 S.p.A. brands, with the remaining 4.9% coming from organic growth.
In the first half of 2004, Italy accounted for a larger proportion of Group sales at 54.6%, compared to 50.8% in the corresponding 2003 period.
The first of the tables below shows sales and growth by region and the second breaks down the total change in each region by external growth, organic growth and the exchange rate effect.

Sales by region	First half 2004		First half 2003		% change
	€ million	%	€ million	%	2004 / 2003
Italy	200.7	54.6%	169.1	50.8%	18.6%
Europe	62.7	17.1%	64.4	19.4%	–2.7%
Americas	95.0	25.9%	94.3	28.4%	0.7%
Rest of the world	9.0	2.5%	4.8	1.4%	88.1%
Total	**367.4**	**100.0%**	**332.7**	**100.0%**	**10.4%**

Breakdown of % change in sales by region	Total change in first half sales	of which external growth	of which organic growth before exchange rate effect	of which exchange rate effect
Italy	18.6%	13.7%	4.9%	0.0%
Europe	–2.7%	7.4%	–9.4%	–0.7%
Americas	0.7%	0.3%	9.3%	–8.9%
Rest of the world	88.1%	14.1%	89.8%	–15.8%
Total	**10.4%**	**8.7%**	**4.6%**	**–2.9%**

In **Europe** sales were down 2.7% to € 62.7 million, mainly due to a downturn in the organic part of the business (–9.4%), which was only partly offset by positive external growth (+7.4%).

The negative trend in organic business is mainly attributable to the German market.
First, distribution of Campari Mixx was suspended following the substantial increase in tax on ready-to-drink beverages, and second, poor weather in the second quarter slowed consumption of the two main brands, Campari and Asti Cinzano.
As for the other main European markets, a positive trend can be seen in Greece, Spain, France and the UK.
External growth of 7.4% was almost entirely generated by sales of Barbero 1891 S.p.A. brands, particularly Aperol, while the sparkling wine Mondoro sold well in Russia.
The exchange rate effect on first-half European sales was 0.7%, mainly due to the depreciation of the Swiss franc (–3.9%).

In the **Americas,** sales edged up by 0.7% to € 95.0 million.
Organic growth of 9.3% was almost completely offset by a negative exchange rate effect, while external growth, attributable to Barbero 1891 S.p.A. brands, was negligible.

The two tables below provide further details of sales data from the Americas.

Breakdown of sales in the Americas	First half 2004		First half 2003		% change
	€ million	%	€ million	%	2004 / 2003
US	69.9	73.5%	73.1	77.5%	–4.5%
Brazil	20.6	21.7%	17.9	19.0%	15.3%
Other countries	4.5	4.8%	3.3	3.5%	36.0%
Total	**95.0**	**100.0%**	**94.3**	**100.0%**	**0.7%**

Breakdown of % change in sales in the Americas	Total % change in first half	of which external growth	of which organic growth before exchange rate effect	of which exchange rate effect
US	–4.5%	0.0%	6.1%	–10.6%
Brazil	15.3%	0.0%	17.6%	–2.3%
Other countries	36.0%	8.0%	35.5%	–7.5%
Total	**0.7%**	**0.3%**	**9.3%**	**–8.9%**

US sales of the subsidiary Skyy Spirits, LLC, grew in local currency by 6.1%. US dollar depreciation, which had a negative impact of 10%, meant sales fell by 4.5% on a consolidated basis.

Campari do Brasil Ltda. performed very well.
Sales increased in local currency by 17.6%, due to good results in all main brands, particularly Dreher and "admix" whiskies.
The depreciation of the Brazilian real had a lesser impact (–2.3%) than that of the US dollar, and therefore Brazilian sales expressed in euro rose significantly (+15.3%).

In other countries of the Americas, which account for a small proportion of sales, growth was sufficient to offset the negative exchange rate movements, which are predominantly linked to US dollar fluctuations.

In the **Rest of the world** sales were up 88.1% on the first half of 2003, at € 9.0 million.
The impact on overall Group business remains limited at 2.5% however.
Organic growth, at 89.8%, mainly relates to a major sales recovery on the principal market, Japan, where, throughout 2003, the local distributor had gradually reduced its stocks, a policy that dampened sales of Group brands over several quarters.
The sales trend has also been very good in Australia.
External growth in the Rest of the World was 14.1%, due partly to Barbero 1891 S.p.A. brands being exported and partly to Qingdao Sella & Mosca Winery Co. Ltd's first consolidation of wine sales in China.
The exchange rate effect had a negative impact on sales of 15.8% in this region.

Sales by business area

In the first half of 2004 all business areas made a positive contribution to Group sales growth, which came to 10.4% overall.
Spirits, wines and "other sales" all benefited from the inclusion of Barbero 1891 S.p.A., and thus showed a faster pace of growth than soft drinks.

The two tables below show sales and growth by business area and a breakdown of the total change in each business by external growth, organic growth and the exchange rate effect.

Sales by segment	First half 2004		First half 2003		% change
	€ million	%	€ million	%	2004 / 2003
Spirits	240.6	65.5%	217.8	65.5%	10.4%
Wines	44.7	12.2%	36.4	10.9%	22.9%
Soft drinks	77.7	21.1%	75.5	22.7%	3.0%
Other sales	4.4	1.2%	3.0	0.9%	44.9%
Total	**367.4**	**100.0%**	**332.7**	**100.0%**	**10.4%**

Breakdown of % change In sales by business	Total % change first half	of which external growth	of which organic growth before exchange rate effect	of which exchange rate effect
Spirits	10.4%	10.7%	3.8%	–4.1%
Wines	22.9%	9.7%	14.9%	–1.7%
Soft drinks	3.0%	0.0%	3.0%	0.0%
Other sales	44.9%	67.8%	–21.8%	–1.1%
Total	**10.4%**	**8.7%**	**4.6%**	**–2.9%**

Spirits

First-half sales of spirits were up 10.4% compared with the first half of 2003 to € 240.6 million, and again accounted for 65.5% of total Group sales.
This was due to organic growth of 3.8%, a negative exchange rate effect of 4.1% and external growth of 10.7%, wholly attributable to Barbero 1891 S.p.A. brand sales.

Sales of **Barbero 1891 S.p.A. spirits** totalled € 23.3 million, with Aperol contributing around two thirds of that amount.
All Barbero 1891 S.p.A. brands continued to perform well and based on 2003 figures provided by the company's management, **Aperol** recorded double-digit growth in volume sales of 18.8% in the first half.

Turning to the Group's main brands, sales of **Campari** rose by 6.0% at constant exchange rates, and by 4.1% at real exchange rates.

Italian market sales were slightly up at the end of the first half, which is satisfactory given that the sell-in rate for the first two months of the year was significantly affected by distributor stockpiling in December 2003 ahead of the increase in alcohol excise duty from 1 January 2004.

In Brazil, Campari sales continue to rise in the first half despite a slowdown in the second quarter following price increases.

Sales in Germany were down on the first half of 2003.
As expected, the second quarter of 2004 was affected by particularly unfavourable weather conditions, whereas the second quarter of 2003 benefited from exceptionally warm weather.

Also contributing to Campari's positive first half 2004 were other major markets, such as Japan, Spain, Greece, France and the Netherlands.

Sales of **CampariSoda**, which are almost entirely recorded in Italy, recovered from a slow first quarter and by the end of the first half were up 6.2%.

SKYY Vodka sales were up 2.8% on the first half of 2003 before the negative exchange rate effect.
The **SKYY flavoured** range (15% of SKYY brand sales), however, was down 17.3% on the first half of 2003, which saw the launch (in March) of SKYY Berry, SKYY Spiced and SKYY Vanilla to complement the existing SKYY Citrus flavour.
Second-quarter sales in 2003 therefore benefited from a greater sell-in rate, which is typical of the initial introduction of a new product on the market.
On this basis, 2004 sales figures cannot be compared with 2003 to give a true reflection of depletions (distributor sales to retailers) for the first half of 2004, which actually show double-digit growth.
Total SKYY sales (Vodka and the flavoured range) are down 0.7% before exchange rate effects, and down 10.2% due to US dollar depreciation of 9.5%.
On the export market, SKYY Vodka has moved deeper into the markets where it was already being sold, and outside the United States, sales have again recorded double-digit growth, albeit at a slower pace than last year.

Campari Mixx sales in the first half of 2004 fell by 39.7% compared with the first half of 2003, mainly as a result of the suspension of distribution in Germany, where it was launched in the first half of 2003.
As mentioned previously, substantial tax increases for this category of drinks led to the closure of the operation at the beginning of this year.

The Swiss operation has been closed for similar reasons, although the increases were less substantial.
Sales on the Italian market, on the other hand, were generally positive in the first half of the year, partly due to the launch of two new flavours (Campari Mixx Lime and Campari Mixx Peach) at the beginning of the year.
The second quarter has seen a slowdown, due partly to less favourable weather conditions compared with May and June 2003.

As for the Brazilian brands, **Dreher** *aguardiente* (+23.1% at constant exchange rates or +20.7% at real exchange rates) and **admix whiskies** Old Eight, Drury's and Gold Cup (+29.9% at constant exchange rates or +27.3% at real exchange rates) produced excellent first-half results.
For all the above brands, which were showing positive trends at the end of the first quarter, second-quarter sales benefited from stockpiling ahead of price increases.

Among other Group spirits, **Ouzo 12** had a good first half with sales up 9.8% on the first half of 2003, due to positive trends in its two main markets, Germany and in particular Greece.
Sales of **Cynar** were down 1.9% and **Zedda Piras** liqueurs were also down, attributable more to Sardinia than the rest of Italy.

First-half sales trends for **third-party brands** distributed by the Group were as follows:

- strong growth of 1800 Tequila sales in the US (30.7% at constant exchange rates or 17.8% at real exchange rates);
- a drop of 1.1% for Jägermeister;
- organic growth in Scotch whiskies of 6.4%, mainly due to an especially good performance by Cutty Sark in the US; the negative exchange rate impact was 8.8%, while external growth from whiskies distributed by Barbero 1891 S.p.A. contributed 3.3% to total growth (0.9%).

Wines

First-half wine sales rose by 22.9% versus the first six months of 2003, to € 44.7 million, due to gross organic growth of 14.9%, a moderate negative exchange rate effect of 1.7% and external growth of 9.7%.

The wines that were added to the Group's portfolio following the acquisition of Barbero 1891 S.p.A. produced sales of € 3.2 million and accounted for 8.7% of overall growth.
Asti Mondoro sparkling wine and Enrico Serafino wines (the most important brands) showed a mildly negative trend in the first half, solely on international markets.
As a result, a more focused business policy is being implemented to develop profitability rather than grow volumes.
Qingdao Sella & Mosca Winery Co. Ltd. and Société Civile Immobilière du Domaine de la Margue wines accounted for small part of external growth (1.0%) and are consolidated on a line-by-line basis for the first time.

For the organic part of the business the first half was positive for all the main brands.

Cinzano sparkling wines advanced by 4.9% at constant exchange rates (+3.9% after negative exchange rate effects), mainly due to good results on the Italian market where the brand showed vitality, despite the first half being a relatively "low season" for such products.
The relaunch of the sparkling wine Brachetto produced significant sales over the period.
The situation in Germany, the other main market, was very different.

Sales of Asti Cinzano in Germany slowed in the second quarter due to:

- increased competition in the market in general and in Asti's segment in particular, with competitors focusing on price-based advertising;
- unfavourable weather conditions, which affected consumption of all beverages.

First-half sales of Cinzano sparkling wines were particularly positive in Japan and Sweden.

Sales of **Cinzano vermouth** were up 5.5% at constant exchange rates or 2.2% after the negative exchange rate effect.
Growth came from positive sales trends in Japan and the main European markets.

Sella & Mosca wines, for which the Italian market represents over 80% of sales, were up in the first half by 12.2% at constant exchange rates or 11.7% after exchange rate effects, due to increased sales volumes and an improved sales mix, with more emphasis on higher priced wines.

Riccadonna, a brand distributed on the main international markets by the Group since 1995 and acquired recently, recorded a buoyant first-half performance (+33.3% at constant exchange rates, or +28.2% at real exchange rates), due to particularly good results in Australia and Denmark.
Sales of Riccadonna in Italy, managed since the beginning of 2004 by Barbero 1891 S.p.A., did not come under the Group's basis of consolidation last year.
In keeping with past policy, "external growth" in this analysis refers solely to that generated by owned or distributed brands that have entered the basis of consolidation for the first time.
Growth deriving from the extension of distribution activities to new markets, as in the case of Riccadonna in Italy, is not classified as external growth.

Soft drinks

Soft drink sales, almost entirely recorded on the Italian market, reached € 77.7 million in the first half of 2004, up 3.0% on the first half of 2003.
The performance of this business was affected by less favourable weather conditions than in 2003, when May and June temperatures were far hotter than the seasonal average.
In particular, sales of **Lemonsoda, Oransoda and Pelmosoda** were down 5.3%, while mineral water sales were down 6.6%.

The soft drinks segment was, however, generally positive, thanks to a good performance from the aperitif Crodino (+8.7%), which benefited from soft drink sales being less dependent on weather conditions and its strong brand, supported by an effective and coherent marketing mix.
Sales of Lipton Ice Tea (a third-party label distributed in Italy) were up 4.3% due to the positive impact of Green, a new green tea line.

Other Sales

Other sales include minor revenues from non-core activities such as co-packing and sales to third parties of raw materials and semi-finished products.

For the first half of 2004, other sales totalled € 4.4 million, an increase of 44.9% on the first half of 2003, entirely due to newly consolidated companies.

Following the acquisition of Barbero 1891 S.p.A., this category now includes the production of Frangelico for the Cantrell & Cochrane Group, which owns the brand, while sales consolidated previously suffered a significant downturn due to the suspension of third party production in Brazil.

Consolidated profit and loss account

Introduction on the effects of exchange rate changes

A summary of the results achieved by the Group in the first half of the year is shown in the table below. Real percentage changes (i.e. at effective exchange rates) compared with last year are shown, while for sales and profitability indicators the change at constant exchange rates is also given.
Stripping out the negative exchange rate effect resulting from the revaluation of the euro, the Group achieved double-digit growth on all its operating results, with the sole exception of EBIT, which showed more modest growth of 7.3% due to goodwill amortisation in respect of Barbero 1891 S.p.A.

First-half figures	at effective exchange rates 2004 € million	% change compared with 2003	at constant exchange rates 2004 € million	% change compared with 2003	exchange rate effect %
Sales net of discounts and excise duties	367.4	10.4%	377.0	13.3%	–2.9%
Trading profit	104.1	13.8%	107.4	17.5%	–3.7%
EBITDA	84.7	7.4%	89.2	13.1%	–5.7%
EBITA	75.9	7.1%	78.7	11.0%	–3.9%
EBIT	58.3	2.4%	61.1	7.3%	–4.9%
Profit before tax and minority interests	55.0	7.0%	58.2	13.1%	–6.1%
Profit before tax relating to the Group	48.7	11.8%	51.2	17.5%	–5.7%
Net attributable profit	30.9	10.7%	33.0	18.0%	–7.3%

As can be seen from the figures in the last column, the exchange rate effect has a greater negative impact on operating results than on sales.
This is due to two factors.
The main reason is the fact that there are two different types of exchange rate effect: "translation" and "transaction".
The former relates to the conversion into euro of financial statements prepared in foreign currencies by Group companies with expenses and income in foreign currencies, such as Skyy Spirits, LLC and Campari do Brasil Ltda, while the latter relates to Group companies which prepare their financial statements in euro having costs in euro but sales in foreign currencies.
Only translation effects show a corresponding effect on each line of individual companies' profit and loss accounts.

Transaction effects, on the other hand, have a greater impact on the company's operating results than on sales, since movements in sales are not offset by corresponding movements in costs.
Secondly, restricting our analysis to the translation effect only, the higher profit margins shown on the individual profit and loss accounts of Group companies affected by this can artificially inflate the exchange rate effect on consolidated operating results compared with sales.
The table below shows translation and transaction exchange rate effects for sales, EBIT and EBITA, a comparison with the previous six–month period and the transaction effect as a proportion of the total exchange rate effect.

Analysis of exchange rate effect	Net sales	EBIT	EBITA
First half 2004 figures (€ million)	367.4	58.3	75.9
First half 2003 figures (€ million)	332.7	56.9	70.9
Exchange rate effect compared with first half 2003:			
total exchange rate effect (€ million)	–9.6	–2.8	–2.8
– of which translation effect (€ million)	–8.3	–1.8	–1.8
– of which transaction effect (€ million)	–1.3	–1.0	–1.0
Total exchange rate effect (%)	–2.9%	–4.9%	–3.9%
– of which translation effect (%)	–2.5%	–3.1%	–2.5%
– of which transaction effect (%)	–0.4%	–1.7%	–1.4%
Transaction effect as a percentage of total exchange rate effect	13.5%	35.0%	36.0%

In order to offset the transaction effect, the Group entered into hedging contracts in the first half which had a positive effect of € 0.2 million on sales and, as a result, boosted EBIT and EBITA.

Reclassified profit and loss account

The table below shows the consolidated profit and loss accounts for the first half of 2003 and the first half of 2004, reclassified in accordance with internationally accepted accounting principles.

Reclassified profit and loss account	First half 2004		First half 2003		change
€ million	Value	%	€ million	%	2004 / 2003
Net sales	**367.4**	**100.0%**	**332.7**	**100.0%**	**10.4%**
Cost of materials	(122.4)	–33.3%	(113.9)	–34.2%	7.5%
Production costs	(26.5)	–7.2%	(20.7)	–6.2%	27.8%
Total cost of goods sold	**(148.9)**	**–40.5%**	**(134.6)**	**–40.5%**	**10.6%**
Gross margin	**218.5**	**59.5%**	**198.1**	**59.5%**	**10.3%**
Advertising and promotion	(71.5)	–19.5%	(69.2)	–20.8%	3.3%
Sales and distribution expenses	(42.9)	–11.7%	(37.4)	–11.2%	14.9%
Trading profit	**104.1**	**28.3%**	**91.5**	**27.5%**	**13.8%**
General and administrative expenses	(26.4)	–7.2%	(23.7)	–7.1%	11.9%
Other operating income	0.3	0.1%	3.5	1.1%	–91.0%
Goodwill and trademark amortisation	(17.6)	–4.8%	(13.9)	–4.2%	26.3%
Operating income = EBIT before non-recurring costs	**60.4**	**16.4%**	**57.4**	**17.3%**	**5.1%**
Non-recurring costs	(2.1)	–0.6%	(0.5)	–0.2%	289.7%
EBIT	**58.3**	**15.9%**	**56.9**	**17.1%**	**2.4%**
Net financial income (charges)	(3.9)	–1.1%	(5.0)	–1.5%	–20.1%
Net exchange rate gains (losses)	0.0	0.0%	(0.5)	–0.2%	
Other non-operating income (charges)	0.6	0.2%	0.0	0.0%	
Profit before tax	**55.0**	**15.0%**	**51.4**	**15.5%**	**7.0%**
Minority interests	(6.3)	–1.7%	(7.8)	–2.4%	–19.9%
Group profit before tax	**48.7**	**13.3%**	**43.6**	**13.1%**	**11.8%**
Tax	(17.8)	–4.8%	(15.6)	–4.7%	13.7%
Net profit	**30.9**	**8.4%**	**28.0**	**8.4%**	**10.7%**
Depreciation of tangible fixed assets	(7.6)	–2.1%	(6.8)	–2.0%	12.7%
Amortisation of intangible fixed assets	(18.8)	–5.1%	(15.2)	–4.6%	23.7%
Total depreciation and amortisation	**(26.4)**	**–7.2%**	**(22.0)**	**–6.6%**	**20.3%**
EBITDA before non-recurring costs	86.8	23.6%	79.4	23.9%	9.3%
EBITDA	**84.7**	**23.1%**	**78.9**	**23.7%**	**7.4%**
EBITA before non-recurring costs	78.0	21.2%	71.4	21.5%	9.2%
EBITA	**75.9**	**20.7%**	**70.9**	**21.3%**	**7.1%**

The **net sales** performance, boosted by the consolidation of Barbero 1891 S.p.A., is covered in detail in the previous section.
The other items in the profit and loss account are discussed below, with particular reference to their effect on net sales in percentage terms, rather than their change in absolute terms.

The **cost of goods sold** in the first half of 2004 remained unchanged on last year, at 40.5% of sales. However, the two items under this heading showed quite different results.
The cost of materials performed well, falling from 34.2% to 33.3% as a percentage of sales, while production costs increased by one percentage point on sales.
These two opposing trends were primarily caused by the production of vermouth and Cinzano sparkling wines being undertaken internally at the new Novi Ligure facility, which started operating in the second half of 2003.
This generated increased production costs, only partially offset by the decrease in bottling fees (recorded under cost of materials) previously paid to third parties.
With respect to production costs, note also that:

– running costs for the new Novi Ligure plant were only partly offset by the decrease in expenses at the Termoli site when production was transferred to the new plant in the second half of 2003.
– the Group will only benefit fully from the expected synergies when production lines are transferred to the Novi Ligure plant from Sesto San Giovanni in the second half of 2005, as part of the industrial restructuring plan currently nearing completion.

The cost of materials did not increase significantly as the unit costs of key raw materials, such as glass, alcohol and PET remained broadly flat.

Advertising and promotional costs increased by 3.3% in absolute terms, but fell as a percentage of sales from 20.8% in the first half of 2003 to 19.5% in the first half of 2004.
This slight decline was due partly to the deferral of marketing activities from the first to the second half of the year, and partly to reduced spending on promoting Campari Mixx on the German market.

Sales and distribution expenses rose slightly as a proportion of sales, from 11.2% in the first half of 2003, to 11.7% in 2004.
The increase was mainly due to the consolidation of Barbero 1891 S.p.A., whose sales and distribution expenses are higher as a percentage of sales than those of the Group's own brands.

The Group's **trading profit** for the first half increased by 13.8% compared to the first half of 2003 to € 104.1 million.
At constant exchange rates, and on a same structure basis, trading profit registered organic growth of 9.0%.
The acquisition of Barbero 1891 S.p.A. contributed a further 8.5% to overall growth, although this was offset by a negative exchange rate effect (–3.7%).

General and administrative expenses as a percentage of sales remained broadly unchanged, increasing from 7.1% to 7.2%.
However, they were sharply up in absolute terms, jumping 11.9%.
One of the most significant items under this heading was the leasing cost of the building in Via Filippo Turati, Milan, since expenses were higher than the depreciation of the building, which had a negative impact on the profit and loss account before its sale in July 2003.
The item also incorporated a decrease in windfall gains compared with the first half of 2003.

Other operating income in the first half of 2004 compared badly with the first half of last year, registering a figure of only € 0.3 million compared with € 3.5 million in 2003.
This item was boosted last year by € 2.3 million in royalties paid by SABMiller to Skyy Spirits, LLC for the ready-to-drink SKYY Blue, produced and distributed by SABMiller in the United States; by € 0.2 million for other royalties received by the Group and by € 1.0 million in respect of other operating income.

The € 0.3 million generated in the first half of 2004 only includes royalties not relating to Skyy Spirits, LLC.

Under the terms of the agreement between Skyy Spirits, LLC and SABMiller, which has this year been extended to the new SKYY Sport brand, the brand owner Skyy Spirits LLC receives royalties in proportion to the product's net US sales, while the licensee SABMiller receives a fee to help finance promotional and advertising expenses (which in any event may not exceed the value of the royalties accrued).
For the first two years of the agreement (2002 and 2003), Skyy Spirits, LLC collected a guaranteed minimum of US$ 5 million per year in royalties.

Goodwill and trademark amortisation stood at € 17.6 million, a rise of € 3.7 million compared to the first half of last year.
The net change in this item is due to two factors: € 3.5 million relates to the higher goodwill amortisation costs in respect of the acquisition of Barbero 1891 S.p.A., while the remainder is due to goodwill and trademark amortisation for Riccadonna and Coutsicos S.A., recently acquired by the company.

The first half closed with **EBIT before non-recurring costs** of € 60.4 million, up by 5.1% on last year.

Non-recurring costs of € 2.1 million, including € 1.5 million in extraordinary legal expenses and € 0.6 million in extraordinary personnel costs, were incurred during the period.
In the first half of last year these costs amounted to only € 0.5 million and related to personnel.
Note that the non-recurring personnel costs do not relate to the industrial restructuring plan currently under way.
A provision of € 10.0 million was made during 2002 for the restructuring programme, of which € 4.1 million had been used as of 30 June 2004.

Earnings after non-recurring expenses (**EBIT**) in the first half stood at € 58.3 million, or 15.9% of sales. This represents a 2.4% increase on last year.

Both **EBITA** and **EBITDA** displayed higher growth than **EBIT**, for the following reasons:

– earnings before goodwill and trademark amortisation (EBITA), were up 7.1% at € 75.9 million; this growth was 4.7 percentage points higher than that shown by EBIT, which suffered from higher goodwill amortisation costs relating to the acquisition of Barbero 1891 S.p.A.
– earnings before depreciation and amortisation (EBITDA) rose 7.4% compared with the first half of 2003, to € 84.7 million; the fact that EBITDA grew by 0.3 percentage points more than EBITA was due to increased depreciation costs in respect of the new Novi Ligure plant.

EBITA and EBITDA before non-recurring costs show higher growth in absolute and percentage terms than when shown net of non-recurring charges, since in the first half of 2004 non-recurring costs were significantly higher than those recorded in 2003.

Financial charges, exchange rate movements and other non-operating income (charges) are discussed below.
Net **financial charges** stood at € 3.9 million this half, down on the figure of € 5.0 million recorded in the same period of last year.
Although net debt rose year on year, the Group benefited from significantly lower interest rates than in the first half of 2003.
Specifically, the debt relating to the private placement carried out by Redfire Inc. in July 2002 was still subject to fixed rates in the first half of 2003, while variable rates were applied to most Group debt in the first half of 2004.

To take advantage of low interest rates, the Group took out an interest rate swap contract in the second half of 2003, moving the private placement portion of the debt onto a variable rate.

Exchange rate movements showed a nil balance as gains and losses were completely offset in the period.
In the same period last year, the figure of –€ 0.5 million related to operating losses realised.

Other non-operating income and charges showed a positive balance of € 0.6 million for the period compared to a nil balance last year when income and charges were offset.

These three non-operating income items show an aggregate total of –€ 3.3 million, but charges were down by € 2.2. million compared with the first half of 2003.
As a result, **profit before tax and minority interests** (€ 55.0 million) grew by 7.0%, a rate significantly higher than EBIT growth.

Minority interests in the first half were € 6.3 million, much lower than the figure of € 7.8 million last year. The difference is due to the slight decrease in profit posted by Skyy Spirits, LLC, and to the negative exchange rate effect which further reduced its profit figure.
Minority interests in Skyy Spirits LLC remained unchanged during the period.

The **Group's profit before taxes** was € 48.7 million, up by 11.8% on last year's figure thanks to lower minority interests.

After deduction of **taxes** of € 17.8 million for the period, the **Group's net profit** stood at € 30.9 million, a rise of 10.7% on the first half of last year.

Profitability by business area

First-half consolidated trading profit was € 104.1 million, a 13.8% increase on the first half of 2003 (€ 91.5 million).

Profitability by business area is presented showing each brand's trading profit, which is calculated using directly attributable revenues and costs for each of the Group's four business segments.
The new Novi Ligure facility, which should be fully operational from the second half of 2005 when it is set to take over production of Campari and CampariSoda (currently produced at Sesto San Giovanni), generated indirect costs (mainly depreciation and amortisation) of € 1 million in the first half of 2004.
These costs cannot be allocated to Cinzano, Cynar, Jägermeister and Biancosarti production.
Trading profit before non-allocated or indirect production costs (which are included on the consolidated profit and loss account shown above) of each business area provides a more accurate representation of actual profitability trends.
At the end of the current transitional phase these costs will be allocated to Campari and CampariSoda production.

The overall trading profit for the four business areas combined was € 105.1 million, a 14.9% increase on the first half of 2003.

The table below shows trading profit performance for each business area and for the Group as a whole.

Trading profit	First half 2004		First half 2003		2004 / 2003
	€ million	% of total	€ million	% of total	% change
Spirits	82.2	78.2%	71.6	78.3%	14.7%
Wines	6.0	5.7%	6.2	6.8%	–3.5%
Soft drinks	16.1	15.3%	13.5	14.7%	19.7%
Other	0.8	0.8%	0.2	0.2%	382.4%
Trading profit - all segments	**105.1**	**100.0%**	**91.5**	**100.0%**	**14.9%**
Indirect production costs	(1.0)		(0.0)		
Consolidated trading profit	**104.1**		**91.5**		**13.8%**

Two tables are given below for each business segment.
The first sets out changes in profitability between the two periods, the percentage contribution to net sales and the percentage change versus the previous period.
The second table shows percentage changes in organic and external growth, and shows the effect of exchange rate movements.
The profitability of each business segment is summarised in the following tables in terms of three profit and loss account items:

– net sales;
– gross profit (net sales minus the cost of goods sold);
– trading profit (gross profit minus the cost of advertising and promotions, and sales and distribution costs).

Spirits

	First half 2004		First half 2003		
	€ million	% contribution to segment sales	€ million	% contribution to segment sales	% change
Net sales	240.6	100.0%	217.8	100.0%	10.4%
Gross profit	162.3	67.5%	146.8	67.4%	10.5%
Trading profit	82.2	34.2%	71.6	32.9%	14.7%

Breakdown of % change in profitability of spirits	total % change	of which organic growth before exchange rate effect	of which exchange rate effect	of which external growth
Net sales	10.4%	3.8%	–4.1%	10.7%
Gross profit	10.5%	2.4%	–3.8%	12.0%
Trading profit	14.7%	8.6%	–4.1%	10.2%

The trading profit for spirits in the first half of 2004 was € 82.2 million, up 14.7% on the first half of 2003, equivalent to 34.2% of net sales.
As the second table shows, organic growth was 8.6% at constant exchange rates, while the additional trading profit generated by Barbero 1891 S.p.A. spirits can be quantified at 10.2%.
Negative exchange rate movements reduced the trading profit by 4.1%.

As for the organic part of the business, the most significant contribution to profitability growth came from CampariSoda and SKYY Vodka, which delivered growth before exchange rate effects.
Overall, the profitability of Barbero 1891 S.p.A. spirits is in line with the high levels of the Group's organic spirits business.
The 10.7% external growth in net sales is reflected in the almost identical increase in trading profit (10.2%).

Wines

	First half 2004		First half 2003		% change
	€ million	% contribution to segment sales	€ million	% contribution to segment sales	
Net sales	44.7	100.0%	36.4	100.0%	22.9%
Gross profit	20.1	44.9%	17.4	47.7%	15.7%
Trading profit	6.0	13.3%	6.2	17.0%	–3.5%

Breakdown of % change in profitability of wines	total % change	of which organic growth before exchange rate effect	of which exchange rate effect	of which external growth
Net sales	22.9%	14.9%	–1.7%	9.7%
Gross profit	15.7%	12.1%	–2.8%	6.4%
Trading profit	–3.5%	–3.4%	–6.1%	6.0%

Trading profit for wines for the first half of 2004 was € 6.0 million (13.3% of net sales), slightly down (–3.5%) on the first half of 2003.
This was due to a similar organic percentage decrease (–3.4%); while external growth boosted trading profit by 6.0%, this was completely cancelled out by the exchange rate effect.
As for the organic business, the profit and loss account for wines over the period benefited from the start up of Cinzano sparkling wines and vermouth production at the new Novi Ligure plant, despite the natural cost increases involved in such a complex operation.
Cinzano production was undertaken entirely by third parties in 2003, and bringing this production in-house has meant switching from a variable cost structure defined contractually on an average annual basis to a fixed cost structure.
This has affected results in the first half of the year, when traditionally sales and production volumes are lower than later in the year.
As a result, organic growth at gross profit level was limited to 12.1%, compared with a net sales increase of 14.9%.
The 3.4% drop in trading profit relates to a more than proportional increase in advertising and marketing investment, particularly for Cinzano vermouth and Sella & Mosca wines.
External growth generated by Barbero 1891 S.p.A. wines, mostly due to Mondoro and Enrico Serafino wines, is lower in terms of profitability than for the Group's existing portfolio of wines.

Soft drinks

	First half 2004		First half 2003		% change
	€ million	% contribution to segment sales	€ million	% contribution to segment sales	
Net sales	77.7	100.0%	75.5	100.0%	3.0%
Gross profit	36.0	46.4%	33.7	44.6%	7.1%
Trading profit	16.1	20.8%	13.5	17.8%	19.7%

Breakdown of % change in profitability of soft drinks	Total % change	of which organic growth before exchange rate effect	of which exchange rate effect	of which external growth
Net sales	3.0%	3.0%	0.0%	0.0%
Gross profit	7.1%	7.1%	0.0%	0.0%
Trading profit	19.7%	19.7%	0.0%	0.0%

Trading profit for soft drinks was 19.7% higher than in the first half of 2003, at € 16.1 million, or 20.8% of net sales.
This positive result was mainly due to a good performance from Crodino, which is the most profitable brand in this business area.
Overall net sales growth for this segment came to 3.0%, following a solid performance from Crodino and a slowdown in soft drinks (with the exception of Lipton Ice Tea).
As for first half promotional and advertising costs, the amount set aside for Crodino (which increased in absolute terms) accounted for a lower proportion than in 2003, while spending on other soft drinks decreased in absolute terms.

Other sales

	First half 2004		First half 2003		% change
	€ million	% contribution to segment sales	€ million	% contribution to segment sales	
Net sales	4.4	100.0%	3.0	100.0%	44.9%
Gross profit	1.0	22.4%	0.2	5.4%	501.7%
Trading profit	0.8	17.9%	0.2	5.4%	382.4%

First-half 2004 profitability of "other sales" benefited from additional profit from the Frangelico brand, produced by Barbero 1891 S.p.A. on behalf of the Cantrell & Cochrane group, which owns the brand.

The fall in sales due to the suspension of production for third parties in Brazil has been fully offset by external growth.

Cash flow statement

The table below shows a summary of the Group's reclassified cash flow statement (the full version is in the section containing the financial statements), which highlights the items that had a significant impact on the consolidated financial position rather than on the item "cash and bank": unlike the full cash flow statement, therefore, the summary table does not show financial flows relating to changes in short- or long-term debt, or investments in marketable securities.

	30 June 2004 same structure basis	30June 2003	31 December 2003
Profit before tax	48.8	43.5	120.2
Depreciation and amortisation	26.4	22.0	47.0
Gains on sales of fixed assets	(0.4)	(0.4)	(34.4)
Other items (provisions, use of funds, staff severance fund)	3.9	0.9	5.8
Tax for the period and deferred taxes	(16.7)	(17.3)	(37.2)
Changes in tax payables and receivables	(15.4)	10.9	5.3
Cash flow from operations before changes in net working capital	**46.6**	**59.5**	**106.7**
Net working capital	(0.0)	(37.9)	(30.8)
Cash flow from operations	**46.6**	**21.5**	**75.9**
Purchase of tangible fixed assets	(8.8)	(16.5)	(28.4)
Payables to suppliers (Novi Ligure)	(0.0)	(17.0)	(17.0)
Purchase of intangible fixed assets	(1.6)	(4.2)	(7.4)
Gains on sales of tangible fixed assets	1.0	1.0	40.3
Cash flow from investments	**(9.4)**	**(36.7)**	**(12.5)**
Free cash flow	**37.2**	**(15.2)**	**63.4**
Acquisitions and changes in the basis of consolidation	(14.1)	(0.0)	(155.6)
Other investments	0.6	(4.7)	0.3
Dividends	(24.7)	(24.7)	(24.7)
Cash flow from other activities	**(38.2)**	**(29.4)**	**(180.0)**
Exchange rate differences and other changes	(4.9)	10.4	18.4
Change in net debt	**(5.9)**	**(34.2)**	**(98.3)**

Cash flow from operations before changes in net working capital declined to € 46.6 million, from € 59.5 million in the first half of 2003 owing to changes in tax payables.
In particular, in the first half of last year, at the time of payment of taxes for 2002 and payments on account for 2003, the Parent Company and Campari-Crodo S.p.A. were able to use surplus tax credits from payments on account (generated by the "Tremonti bis" and Dual Income Tax breaks) to offset payments on account due for that year.
This reduced outgoings for tax payments.
However, cash flows in the first half of 2004 were hit by the payment of taxes for 2003 and pre-payments for 2004.

The change in net working capital had a positive effect on cash flows in the first half of this year: at the end of June 2004, the level of operating working capital was unchanged on December 2003, whereas the figure at the end of June 2003 was € 37.9 million higher than at December 2002.

Total cash flow from operations, at € 46.6 million, was therefore sharply up on the € 21.5 million generated in the same period of 2003.

The Group made investments totalling € 9.4 million in the first half of 2004, compared with € 36.7 million in the first half of 2003.
Investments in fixed assets, which in 2003 related chiefly to the completion of the facility at Novi Ligure, decreased significantly in the first half of this year.

Group free cash flow was therefore positive at € 37.2 million, thanks to the combined effect of increased cash flow from operations and reduced investment.
In the same period of last year, the Group absorbed cash of € 15.2 million.

The item "acquisitions and changes in the basis of consolidation" was negative to the tune of € 14.1 million.
This was due mainly to the acquisition of the Riccadonna brands for € 11.3 million, while the remainder was due to the acquisition of Coutsicos S.A. and to the effects of the consolidation of Qingdao Sella & Mosca Winery Co. Ltd. and Société Civile Immobilière du Domaine de la Margue.

Finally, the € 24.7 million in dividends distributed to the Parent Company's shareholders, together with the exchange rate effect of converting sums in foreign currency, caused the sum of all cash flow amounts for the period to decrease by € 5.9 million: this corresponds to the increase in Group net debt.
At the end of the first half of 2003, the change in the sum of all cash flow amounts was negative at € 34.2 million.

Net debt

At 30 June 2004, the Group had net debt of € 303.0 million, and its financial position comprised the following items:

	30 June 2004	30 June 2003	31 December 2003
Cash and bank	173.5	55.6	133.6
Marketable securities	7.8	1.9	1.9
Payables to banks	(49.8)	(120.3)	(30.1)
Real estate lease payables	(3.1)	(2.1)	0.0
Interest on private placement	(4.5)	(2.9)	(4.4)
Short-term financial position	**123.9**	**(67.8)**	**101.0**
Payables to banks	(4.2)	(4.4)	(3.9)
Real estate lease payables	(23.2)	(10.3)	0.0
Bonds	(258.0)	–	(258.0)
Private placement	(139.9)	(148.8)	(134.6)
Other financial payables	(1.6)	(1.6)	(1.6)
Medium-long-term debt	**(426.9)**	**(165.1)**	**(398.1)**
Net debt	**(303.0)**	**(232.9)**	**(297.1)**
Financial position of Qingdao Sella & Mosca Winery Co. Ltd. and Société Civile Immobilière du Domaine de la Margue		(1.0)	(0.9)
Net debt	**(303.0)**	**(233.9)**	**(298.0)**

For ease of comparison, in the table above the financial positions at 30 June 2003 and 31 December 2003 respectively have been adjusted to include the results for Qingdao Sella & Mosca Winery Co. Ltd. and Société Civile Immobilière du Domaine de la Margue, both of which were consolidated from 1 January 2004.
The financial position shown for the three periods does not include own shares held by the Parent Company, recorded under financial fixed assets.

The increase in debt registered at 30 June 2004 was partly due to the rise in the value of the US dollar compared with 31 December 2003; this led to a rise in the value of the long-term debt of Redfire, Inc. (private placement), which is denominated in US dollars and was converted into euro at the exchange rate at 30 June 2004.

With respect to the breakdown of debt, please note that leasing debt at 30 June 2004 related to the contract signed by Campari-Crodo S.p.A. during the period on the facility at Novi Ligure, while in the same period of last year the same item referred to the lease on the building at Via Filippo Turati in Milan, held by Davide Campari-Milano S.p.A.
This last was terminated early, in July 2003, and the building was subsequently sold to a third party.

Balance sheet

The table below shows the reclassified consolidated balance sheet, which highlights the Group's financing sources and how they have been employed.

	30 June 2004	30 June 2003	31 December 2003
Inventories	125.7	104.2	106.4
Receivables from customers	177.9	164.7	174.2
Payables to suppliers	(147.6)	(117.0)	(127.6)
Net working capital	**156.0**	**151.9**	**153.0**
Other short-term assets and liabilities	(29.1)	(30.1)	(34.1)
Working capital	**126.9**	**121.8**	**118.9**
Staff severance fund	(15.3)	(13.3)	(15.6)
Balance of pre-paid and deferred taxes	2.0	1.8	(0.2)
Other non-current liabilities	(19.0)	(17.8)	(21.8)
Other net liabilities	**(32.3)**	**(29.3)**	**(37.6)**
Net tangible fixed assets	158.9	154.2	152.4
Intangible fixed assets	567.0	442.5	571.6
Financial fixed assets	35.8	42.1	44.7
Total fixed assets	**761.7**	**638.8**	**768.7**
Invested capital	**856.3**	**731.3**	**850.0**
Shareholders' equity	**(550.3)**	**(494.2)**	**(548.2)**
Minority interests	(3.0)	(4.2)	(4.7)
Net debt	**(303.0)**	**(232.9)**	**(297.1)**
Net invested capital	**(856.3)**	**(731.3)**	**(850.0)**

For a clearer comparison between the three periods, please note that the results at 30 June 2003 did not include Barbero 1891 S.p.A., which was acquired in December of that year.

At the time of publication of this report, the Group had net invested capital of € 856.3 million, shareholders' equity of € 550.3 million and net debt of € 303.0 million.
Net invested capital was up by € 6.3 million compared with 31 December 2003, as a result of the following:

- net working capital rose by € 3.0 million, but this was due solely to the change in the basis of consolidation (€ 2.4 million) and exchange rate differences (€ 0.6 million); on a same structure basis, as the reclassified cash flow statement above shows, there was no change in net working capital, since the seasonal increase in stocks of finished products and, to a lesser extent, receivables from customers, were offset by a corresponding increase in payables to suppliers; as a result, the twelve-month moving average of net working capital over net sales fell from 22.1% at 30 June 2003 to 20.8% at 30 June 2004;
- other short-term liabilities fell by € 5.0 million, owing to the payment of taxes from last year and the payment on account of taxes for this year;
- other net liabilities declined by € 5.3 million, owing to the reclassification by the Parent Company of € 2.7 million of risk provisions as current payables, and to changes in deferred taxes;
- the value of fixed assets fell by € 7.0 million in total: this followed investments of € 21.7 million made during the period, and depreciation of € 26.4 million; changes in the basis of consolidation led to a rise of € 7.3 million in tangible and intangible fixed assets, and a reduction of € 7.0 million in financial fixed assets; note that until 31 December 2003, this item included the Group's shareholdings in Qingdao Sella & Mosca Winery Co. Ltd. and Société Civile Immobilière du Domaine de la Margue.

Looking now at the Group's financing sources, in addition to the changes in net debt already discussed above, please note:

- a € 2.1 million increase in the Group's shareholders' equity: this was the combined effect of a dividend payout of € 24.7 million, net profit of € 30.9 million and changes in the reserve for the conversion of accounts in foreign currency;
- a reduction in the value of minority interests following the advance payment of dividends for this year by Skyy Spirits, LLC.

Investments

Investments in tangible and intangible fixed assets totalled € 21.7 million during the period.
In particular, investments in tangible assets came in at € 8.8 million, with € 4.4 million relating to Campari-Crodo S.p.A. (which invested € 3.7 million mainly on plant and machinery at the new facility of Novi Ligure), and € 1.7 million to Sella & Mosca S.p.A. for wine-making equipment and vineyards.
The Group invested € 12.9 million in intangible fixed assets; the figure includes € 11.3 million for the purchase of the Riccadonna brands (as described above), while the remainder was invested by Group companies in IT systems and SAP software.

Research and development

Research and development related solely to ordinary production and commercial activities; costs were therefore spread throughout the year.

Other information

Parent Company

The Parent Company generated a net profit of € 113.2 million in the first six months of 2004. This was a significant increase on the result a year earlier, thanks to financial income, particularly from equity investments.
The table below shows the main figures for the first half of 2004, compared with those for the same period of last year:

	30 June 2004	30 June 2003
Value of production	47.8	53.0
Production costs	45.9	47.6
Difference between value of production and production costs	1.9	5.4
Total financial income and charges	107.8	(1.0)
Extraordinary items	1.8	0.7
Profit before tax	111.6	5.0
Corporate income tax	(1.7)	0.9
Net profit	113.2	4.2

The key factors affecting these results are summarised as follows:

- financial income and charges were positive, at € 107.8 million; a significant share of this was due to income from equity investments resulting from dividends of € 47.0 million paid to Group subsidiaries, and from the total capital gains of € 66.8 million from the sale of the shareholdings in Campari Schweiz A.G. and Campari Finance Teoranta to DI.CI.E.Holding B.V.;
- operating profit stood at € 1.9 million, a decrease on the same period of last year; this was principally due to lower value of production following the restructuring and reorganisation of the Group, which has entailed shifting some production away from Sesto San Giovanni to other plants;
- extraordinary income came in at € 1.8 million, and was the combined result of € 1.9 million in income and € 0.1 million in charges;
- finally, the Group paid € 1.7 million in income tax, as a result of pre-paid taxes on the tax loss for the period, recorded in view of the imminent merger with Campari-Crodo S.p.A., which has a tax credit.

Campari on the stock market

Shares and shareholders

The share capital of Davide Campari-Milano S.p.A. totals € 29,040,000, and is divided into 29,040,000 shares with a nominal value of € 1.00 each.

At 30 June 2004, the main shareholders were:

Shareholder (1)	Number of ordinary shares	% held
Alicros S.p.A.	14,809,600	50.997%
Morgan Stanley Investment Management	1,616,187	5.565%
Cedar Rock Capital	1,009,378	3.476%
Davide Campari-Milano S.p.A. (2)	940,941	3.240%
Lazard Asset Management	603,687	2.079%

(1) *No shareholders other than those indicated above have notified Consob and Davide Campari-Milano S.p.A. (as per article 117 of Consob regulation 11971/99 on notification of significant holdings) of having shareholdings greater than 2%.*

(2) *Purchase of own shares for the purposes of the stock option scheme.*

Please note that following notifications received subsequent to the end of the period (on the date of the approval of the half-year report), shareholders with shareholdings of over 2% comprised the following:

Shareholder (1)	Number of ordinary shares	% held
Alicros S.p.A.	14,809,600	50.997%
Cedar Rock Capital	1,009,378	3.476%
Davide Campari-Milano S.p.A. (2)	935,191	3.220%
Lazard Asset Management	603,687	2.079%
Fidelity Investments	584,797	2.013%

(1) *No shareholders other than those indicated above have notified Consob and Davide Campari-Milano S.p.A. (as per article 117 of Consob regulation 11971/99 on notification of significant holdings) of having shareholdings greater than 2%.*

(2) *Purchase of own shares for the purposes of the stock option scheme.*

Share price performance

In the first half of 2004, Campari shares gained 5.5% on their closing price at 31 December 2003.

They underperformed the Mibtel index by 0.4% and the FTSE Eurotop 300 Beverages index by 7.8%, but outperformed the mid-cap Midex index by 3.4%.

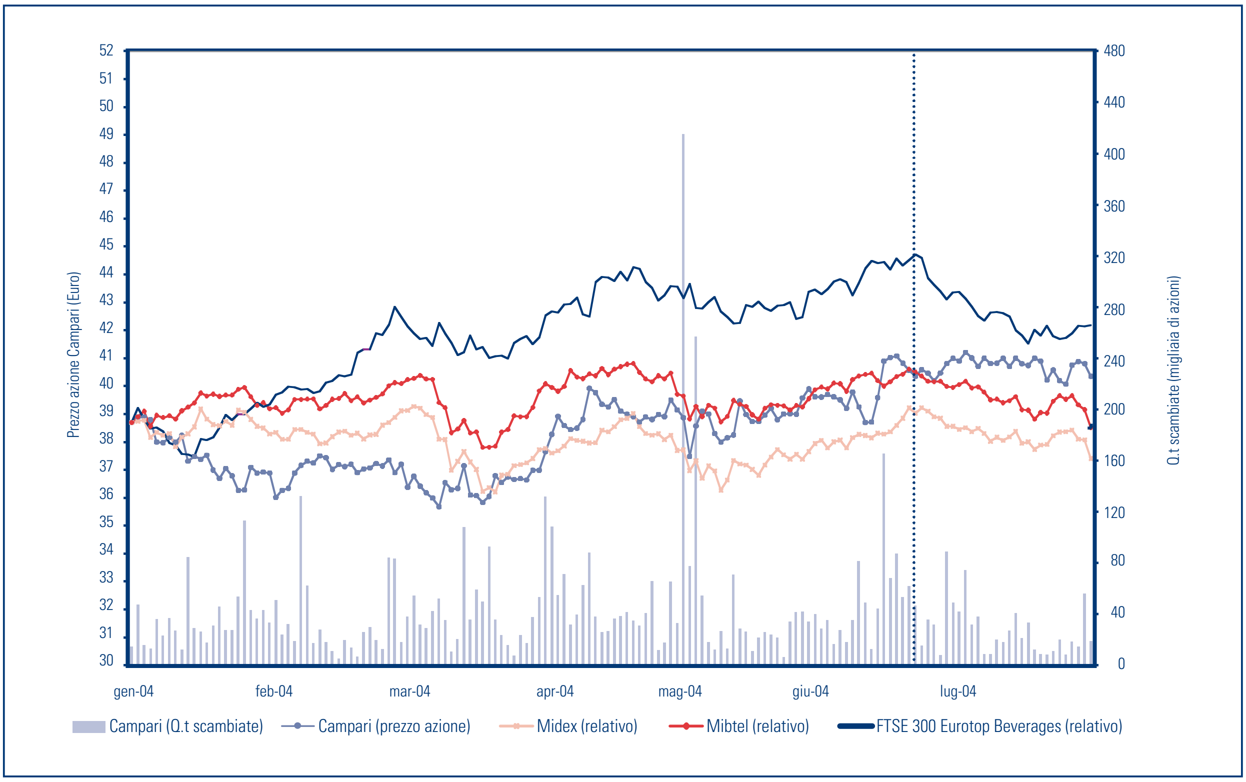
On 13 May 2004, the Group paid shareholders a dividend of € 0.88 per share, the same as in the previous year.

This dividend represents a yield of around 2.3%, calculated on the ex date of 10 May 2004.

An average of 44,587 shares were traded daily on the Milan stock market (MTA), with an average daily value of € 1.7 million.

On 30 June 2004, the Group's stock market capitalisation stood at € 1,179 million.

Performance of Campari shares from January 2004 to date



Source: Bloomberg

Share data		1st half 2004	2003	2002	2001 (2)
Closing price(1)	€	40.59	38.46	30.00	26.37
Maximum price(2)	€	41.08	38.48	37.77	31.00
Minimum price(2)	€	35.68	27.41	25.28	21.84
Average price(2)	€	38.06	33.02	31.63	27.16
Stock market capitalisation(2)	€ thousand	1,178,734	1,116,878	871,200	765,785
Average daily trading value	€ thousand	1,703	1,261	1,695	2,066
Average daily trading volume	Number of shares	44,587	37,894	53,093	72,375

Source: Bloomberg

(1) *At 31 December for 2001, 2002 and 2003; at 30 June for the first half of 2004.*
(2) *Closing price.*
(3) *Initial Public Offering on 6 July 2001 at a price of € 31 per share; average daily volumes after the first week of trading were 42,260 shares in 2001; the average daily value after the first week of trading was € 1,145,000 in 2001.*

Ownership and acquisition of own shares and those of the controlling shareholder

At 30 June 2004, the Parent Company had 940,941 own shares with a nominal value of € 1.00 each; the total value is therefore € 940,941, representing around 3.24% of the share capital.
These own shares are to be used in the Group's stock option scheme.

During the period, and at the time of publication of this report, the Group held no shares in its controlling shareholder, either directly or indirectly.

Dealings with non-consolidated subsidiaries, the controlling shareholder and affiliated companies

Pursuant to article 2428 of the Italian civil code and Consob circulars 97001574 of 20 February 1997 and 98015375 of 27 February 1998, the following table gives details of all Group dealings with non-consolidated subsidiaries, affiliated companies, main shareholders and companies controlled by the controlling shareholder, with particular reference to their effect on the Group's finances, where significant.
All the operations listed below were carried out at market prices and under market conditions.

Item	€ million	Operation
Revenues from sales	8.5	Revenues from the sale of products by Campari International S.A.M. to the affiliated companies M.C.S. S.c.a.r.l., International Marques V.o.f., Fior Brands Ltd. and Summa S.L..
Other income	0.06	Leasing charges relating to sub-letting agreements on offices forming part of the property at Via Bonaventura Cavalieri 4, 20121 Milan, and Via Filippo Turati 25, 20121 Milan, signed respectively between the Parent Company and its controlling shareholder Alicros S.p.A., and between the Parent Company and its affiliate Longhi & Associati S.r.l.
	0.01	Other revenues of Campari Italia S.p.A. from the affiliate Longhi & Associati S.r.l.
Services costs	3.0	Promotional and advertising costs incurred by affiliates M.C.S. S.c.a.r.l., International Marques V.o.f., Fior Brands Ltd. and Summa S.L., and passed on to Campari International S.A.M.
	0.3	Commissions from the purchase of advertising space charged to Campari Italia S.p.A. by affiliate Longhi & Associati S.r.l.
Financial income	0.03	Interest receivable by Campari Finance Teoranta from affiliate Fior Brands Ltd. in respect of a GBP 1.0 million loan at an interest rate tied to the GBP Libor

EVENTS TAKING PLACE AFTER THE END OF THE PERIOD

Launch of SKYY Orange in the United States

In July, the Group, via Skyy Spirits, LLC, announced the launch of SKYY Orange, a SKYY Vodka line extension which joins the existing lines SKYY Berry, SKYY Citrus, SKYY Melon, SKYY Spiced and SKYY Vanilla.
The new product strengthens the company's position in the flavoured vodka segment.

OUTLOOK

Forecasts for the second half of the year more than ever reflect a generally cautious view.

All the main brands in Italy are again expected to put in a solid performance, with an outstanding contribution forecast from Aperol, which became a Campari Group brand in December 2003 following the acquisition of Barbero 1891 S.p.A.
It should however be noted that the macroeconomic climate is becoming increasingly difficult: consumer confidence is low and is having serious repercussions on the propensity to spend.

In Europe, the Group continues to experience problems on the important German market.
After a positive performance in the second half of 2003, the market had a difficult start to 2004, owing to both the continuing unfavourable economic backdrop and the weather, which unlike last year, did not help boost drinks sales in spring and summer.
Forecasts for the other main European markets are moderately optimistic, as recent distribution agreements have started to produce solid results.

In the United States, the usual uncertainty surrounding exchange rates has intensified in the run-up to the presidential elections.
In the core business of Skyy Spirits, LLC, the SKYY Vodka brand remains healthy despite increasingly tough competition in the premium vodka segment in which it operates, as can be seen from the rapid growth in depletions.

In Brazil, leaving aside the unavoidable concerns over the outlook for the real given that the economy cannot yet be considered completely stable, the performance of Campari do Brasil Ltda. raises no cause for particular concern.
Furthermore, in the second half of 2004, the third-party licensing rights to the Cynar brand on the Brazilian market will expire; as a result, the brand, which is category leader on the Brazilian market, will be produced and distributed locally by the Group via Campari do Brasil Ltda.

Attachments

RECLASSIFIED CONSOLIDATED BALANCE SHEET

(€ thousand)	30 June 2004	30 June 2003	31 December 2003
Assets			
Cash and bank	173,491	55,568	133,583
Marketable securities	7,790	1,864	1,910
Short-term financial receivables	258	256	781
Receivables from customers	177,914	164,691	174,238
Receivables from tax authorities	10,645	6,004	9,893
Pre-paid tax	15,102	11,388	15,792
Inventories	125,713	104,234	106,363
Other current assets	25,660	22,337	28,963
Total current assets	**536,573**	**366,342**	**471,523**
Net tangible fixed assets	158,864	154,156	152,427
Consolidation differences, net of depreciation	536,477	427,616	552,198
Other intangible fixed assets, net of depreciation	30,495	14,866	19,379
Equity investments	69	7,598	7,822
Own shares	29,958	31,000	31,000
Other assets	5,801	3,461	5,771
Total non-current assets	**761,664**	**638,697**	**768,597**
Total assets	**1,298,237**	**1,005,039**	**1,240,120**
Liabilities and shareholders' equity			
Payables to banks	49,754	120,300	30,112
Property leases, current portion	3,148	2,101	0
Payables to other financial organisations	0	0	1
Payables to suppliers (*)	147,606	116,985	127,580
Corporate income tax	4,095	5,168	14,186
Payables to tax authorities	17,671	22,566	18,737
Other current liabilities	48,405	33,833	45,206
Total current liabilities	**270,679**	**300,953**	**235,822**
Staff severance fund	15,311	13,277	15,628
Non-current payables to banks	4,199	4,401	3,863
Property leases, less current portion	23,218	10,290	0
Payables to bondholders	257,954	0	257,954
Private placement	139,860	148,770	134,600
Non-current payables to other financial organisations	1,625	1,636	1,625
Non-current payables to tax authorities	2,132	2,314	2,018
Deferred tax	13,143	9,573	15,979
Other non-current liabilities	16,842	15,515	19,752
Minority interests	3,019	4,153	4,668
Total non-current liabilities	**477,303**	**209,929**	**456,087**
Share capital	29,040	29,040	29,040
Reserves	521,215	465,117	519,171
Total shareholders' equity	**550,255**	**494,157**	**548,211**
Total liabilities and shareholders' equity	**1,298,237**	**1,005,039**	**1,240,120**

(*) *Please note that from 31 December 2003, trade receivables and payables to affiliated companies were reclassified under "Receivables from customers" and "Payables to suppliers" respectively; for ease of comparison, these items have also been reclassified for 30 June 2003.*

RECLASSIFIED CONSOLIDATED PROFIT AND LOSS ACCOUNT

€ thousand	30 June 2004	30 June 2003	31 December 2003
Net sales	**367,377**	**332,681**	**714,148**
Cost of materials	(122,432)	(113,901)	(256,330)
Production costs	(26,499)	(20,743)	(44,907)
Total cost of goods sold	**(148,931)**	**(134,644)**	**(301,237)**
Gross margin	**218,446**	**198,037**	**412,911**
Advertising and promotion	(71,459)	(69,206)	(143,748)
Sales and distribution costs	(42,932)	(37,365)	(76,077)
Trading profit	**104,055**	**91,466**	**193,086**
General and administrative expenses	(26,383)	(23,583)	(46,851)
Other operating income	317	3,519	6,912
Goodwill and trademark amortisation	(17,605)	(13,942)	(28,458)
EBIT before non-recurring costs	**60,384**	**57,460**	**124,689**
Non-recurring costs	(2,069)	(531)	(2,477)
EBIT	**58,315**	**56,929**	**122,212**
Net financial income (charges)	(3,946)	(4,938)	(8,843)
Net exchange rate gains (losses)	16	(538)	1,622
Other non-operating income (charges)	614	(38)	23,130
Profit before tax	**54,999**	**51,415**	**138,121**
Minority interests	(6,273)	(7,829)	(17,851)
Group profit before tax	**48,726**	**43,586**	**120,270**
Tax	(17,772)	(15,629)	(40,448)
Net profit	**30,954**	**27,957**	**79,822**
EBITDA before non-recurring costs	**86,815**	**79,426**	**171,674**
EBITDA	**84,745**	**78,895**	**169,197**
EBITA before non-recurring costs	**77,990**	**71,402**	**153,147**
EBITA	**75,920**	**70,871**	**150,670**

CONSOLIDATED CASH FLOW STATEMENT

€ thousand	30 June 2004 same structure basis	30 June 2003	31 December 2003
Cash flow from operations			
Profit before tax	48,784	43,533	120,171
Depreciation and amortisation	26,430	21,966	46,984
Gains on sales of fixed assets	(430)	(448)	(34,447)
Other non-cash items	356	29	10,512
Use of funds	(579)	0	(4,080)
Current tax	(17,830)	(15,576)	(40,349)
Changes in staff severance fund	(317)	140	(63)
Deferred tax	1,178	(1,767)	3,180
Changes in tax payables and receivables	(15,377)	10,884	5,297
Other changes in payables and receivables, excluding working capital	4,406	691	(522)
Cash flow from operations before changes in working capital	**46,621**	**59,452**	**106,682**
Receivables from customers	(2,785)	(27,977)	(19,013)
Inventories	(16,893)	(9,861)	(6,339)
Payables to suppliers	19,675	(64)	(5,409)
Changes in net working capital	**(3)**	**(37,902)**	**(30,761)**
Cash flow from operations	**46,618**	**21,550**	**75,921**
Cash flow from investments			
Purchase of tangible fixed assets	(8,801)	(16,488)	(28,414)
Change in payables to suppliers in respect of fixed assets (Novi Ligure)	0	(17,020)	(17,020)
Gains on sales of tangible fixed assets	961	966	40,332
Purchase of intangible fixed assets	(12,924)	(4,188)	(7,447)
Acquisition of new subsidiaries	(2,828)	0	(155,604)
Net change in equity investments	736	1,076	270
Purchase and sale of own shares	1,042	0	0
Net change in marketable securities	(5,880)	2,371	2,325
Change in financial receivables	493	42	58
Change in minority interests	(1,649)	(5,831)	745
Cash flow from investments	**(28,850)**	**(39,072)**	**(164,756)**
Cash flow from financing operations			
New leasing contracts	27,564		
Payment of lease instalments	(1,198)	(994)	(14,208)
Net change in short-term bank debt	19,642	193	(89,995)
Interest on bonds and private placement	94	(475)	1,074
Bonds	0	0	257,954
Net change in financial payables (non-current portion)	336	(511)	(1,060)
Dividends	(24,675)	(24,675)	(24,675)
Cash flow from financial operations	**21,763**	**(26,462)**	**129,090**
Effect of exchange rate differences on net working capital	(563)	(583)	4,120
Other exchange rate differences and changes	940	(3,345)	(14,273)
Exchange rate differences and other changes	**377**	**(3,928)**	**(10,153)**
Net increase (decrease) in cash and bank	**39,908**	**(47,912)**	**30,103**
Cash and bank at start of period	133,583	103,480	103,480
Cash and bank at end of period	**173,491**	**55,568**	**133,583**

CAMPARI

Davide Campari – Milano S.p.A.
Half-year report as at 30 June 2004

Consolidated
and Parent Company accounts

PREPARATION CRITERIA

This half-year report has been prepared in accordance with Consob resolution 11971 of 14 May 1999 and subsequent amendments.
Specifically, notes to the Parent Company accounts have also been prepared pursuant to article 81, paragraph 2 of the resolution, in order to provide a complete and more accurate picture.
Again in compliance with article 81 of Consob resolution 11971, the items on the balance sheet are limited to those preceded by Roman numerals and items on the profit and loss account to those preceded by Arabic numerals (article 81, paragraph 4); furthermore, net profit is indicated after tax (article 81, paragraph 7).
The accounts and tables included in the notes to the accounts are expressed in thousand euro, while the comments are expressed in million euro at consolidated level and in thousand euro for the Parent Company.
Every individual balance sheet and profit and loss item is shown together with the corresponding figures for the first half of 2003 and those at 31 December 2003.
The accounting principles and valuation criteria, guided by prudence and competence, are the same as those used to prepare the accounts to 31 December 2003 (see annual report for 2003), and to those used in the first-half report of 2003.

BASIS OF CONSOLIDATION

The basis of consolidation to 30 June 2004 includes the Parent Company and all Italian and foreign subsidiaries in which the Parent Company controls, directly or indirectly, the majority of votes that may be exercised at shareholders' meeting.
The following changes have been made to the Group's basis of consolidation since 31 December 2003.

- Qingdao Sella & Mosca Winery Co. Ltd. and Société Civile Immobilière du Domaine de la Margue, subsidiaries of Sella & Mosca S.p.A. (held 93.66% and 100% respectively), are now consolidated on a line-by-line basis, while they were previously consolidated at equity;
- Coutsicos S.A., acquired in January from N. Kaloyannis Bros. A.E.B.E., has been consolidated since the acquisition date;
- Sovinac S.A. is no longer included in the basis of consolidation following its sale.

Compared to the same period last year, note too that Barbero 1891 S.p.A. was acquired in December 2003 and this company was not therefore included in the basis of consolidation at 30 June 2003.

Currency conversion criteria and exchange rates applied to the accounts

The exchange rates applied for the conversion into euro of accounts expressed in foreign currencies not belonging to the eurozone are given below.

	period ending					
	30 June 2004		30 June 2003		31 December 2003	
	Average rate	Final rate	Average rate	Final rate	Average rate	Final rate
US dollar	1.2277	1.2155	1.1050	1.1427	1.1309	1.2630
Swiss franc	1.5533	1.5242	1.4921	1.5544	1.5208	1.5579
Brazilian real	3.6418	3.7838	3.5693	3.2961	3.4712	3.6627
Uruguayan peso	35.9127	35.9727	30.8109	29.7959	31.1722	36.0649
Chinese renminbi	10.1651	10.0643	9.1447	9.4615	9.3615	10.4576

Consolidated accounts

FINANCIAL STATEMENTS

BALANCE SHEET

(€ thousand)		30 June 2004	30 June 2003	31 December 2003
Assets				
A	Capital contributions due from shareholders	–	–	–
B	Fixed assets (leased assets are shown separately)			
I	Intangible fixed assets	566,972	442,482	571,577
II	Tangible fixed assets	158,864	154,156	152,427
III	Financial fixed assets	31,918	41,047	41,050
Total fixed assets		**757,754**	**637,685**	**765,054**
C	Current assets			
I	Inventories	125,713	104,234	106,363
II	Receivables	224,741	199,707	229,407
III	Financial assets not listed under fixed assets	7,790	1,864	1,910
IV	Cash and bank	173,491	55,568	133,583
Total current assets		**531,735**	**361,373**	**471,263**
D	Accrued income and deferred charges	**11,436**	**5,981**	**9,289**
Total assets		**1,300,925**	**1,005,039**	**1,245,606**
Liabilities and shareholders' equity				
A	Shareholders' equity			
I	Share capital	29,040	29,040	29,040
II	Share premium reserve	0	0	0
III	Revaluation reserve	0	0	0
IV	Legal reserve	5,808	5,808	5,808
V	Statutory reserves	0	0	0
VI	Reserve for own shares in portfolio	29,958	31,000	31,000
VII	Other reserves	453,453	400,352	402,541
VIII	Profit (loss) carried forward	1,042	0	0
IX	Profit (loss) for the period	30,954	27,957	79,822
Total shareholders' equity - Group		**550,255**	**494,157**	**548,211**
	Minorities			
	Share capital and reserves	–3,254	–3,675	–13,182
	Profit (loss) for the period	6,273	7,828	17,850
Total shareholders' equity - minorities		**3,019**	**4,153**	**4,668**
Total shareholders' equity		**553,274**	**498,310**	**552,879**
B	Reserve for risks and charges	**32,117**	**27,402**	**37,749**
C	Staff severance fund	**15,311**	**13,277**	**15,628**
D	Payables	**677,682**	**457,344**	**618,141**
E	Accrued liabilities and deferred income	**22,541**	**8,706**	**21,209**
Total liabilities		**1,300,925**	**1,005,039**	**1,245,606**
Memorandum accounts				
1	Guarantees to other companies	44,853	27,880	37,007
2	Pledges to other companies	18,559	11,186	18,514
3	Risks in respect of other companies	38	0	87
Total memorandum accounts		**63,450**	**39,066**	**55,608**

PROFIT AND LOSS ACCOUNT

(€ thousand)	30 June 2004	30 June 2003	31 December 2003
A Value of production			
1 Revenues from sales and services	427,760	397,310	851,991
2 Change in work in progress, semi-finished and finished products	13,787	4,611	2,113
4 Increases in fixed assets for internal work	428	425	845
5 Other revenues and income (contributions to operating account = 0)	13,804	18,433	36,513
Total value of production	455,779	420,779	891,462
B Production costs			
6 Raw materials, supplies, consumables and goods for resale	159,051	143,834	297,801
7 Services	119,709	111,388	228,465
8 Rental and leasing charges	4,048	2,020	5,439
9 Personnel	38,027	34,644	68,458
10 Depreciation and amortisation	26,987	22,457	47,440
11 Change in inventories of raw materials, supplies, consumables and goods for resale	–3,097	–5,115	–4,621
12 Risk provisions	0	1	1,075
13 Other provisions	35	28	0
14 Miscellaneous operating expenses	53,658	56,012	127,334
Total production costs	398,418	365,269	771,391
Difference between value of production and production costs	57,361	55,510	120,071
C Financial income and charges			
15 Income from equity investments	0	71	71
16 Other financial income	20,630	5,685	21,001
17 Interest and financial charges	–24,553	–10,587	–27,311
17 bis Exchange rate gains and losses	14	–538	–828
Total financial income and charges	–3,909	–5,369	–7,067
D Adjustments in value of financial assets			
18 Write-backs	0	0	33
19 Write-downs	–732	–492	–643
Total adjustments to the value of financial assets	–732	–492	–610
E Extraordinary income and charges			
20 Income	4,887	2,769	38,028
21 Charges	–2,550	–1,057	–12,401
Total extraordinary income and charges	2,337	1,712	25,627
Profit before tax	55,057	51,361	138,021
22 Corporate income tax for the period	17,830	15,575	40,349
23 Profit for the period	37,227	35,786	97,672
Net profit attributable to minorities	6,273	7,829	17,850
Net profit	30,954	27,957	79,822

Notes to the accounts

ASSETS

Intangible fixed assets

	30 June 2004	30 June 2003	31 December 2003
Start-up and expansion costs	2,393	26	2,665
Industrial patents and intellectual property rights	1,573	1,874	1,749
Concessions, licences, trademarks and similar rights	21,619	10,952	11,160
Consolidation differences	536,477	427,616	552,198
Intangible assets in progress and payments on account	349	8	787
Other	4,561	2,006	3,018
Total	**566,972**	**442,482**	**571,577**

The following changes occurred over the first half of 2004:

	Start-up and expansion costs	Industrial patents and intellectual property rights	Concessions, licences, trade-marks and similar rights	Consolidation differences	Intangible assets in progress and payments on account	Other	Total
Opening value	4,294	5,268	23,518	639,975	787	12,088	685,930
Depreciation reserve	(1,629)	(3,519)	(12,358)	(87,777)		(9,070)	(114,353)
Opening balance	**2,665**	**1,749**	**11,160**	**552,198**	**787**	**3,018**	**571,577**
Change in basis of consolidation		18		1,040		113	1,171
Investments	16	281	11,300		756	571	12,924
Disposals		(2)					(2)
Depreciation	(289)	(477)	(843)	(16,762)		(452)	(18,823)
Reclassification of intangible assets in progress		18			(1,211)	1,306	113
Exchange rate differences and other changes	1	(14)	2	1	17	5	12
Closing balance	**2,393**	**1,573**	**21,619**	**536,477**	**349**	**4,561**	**566,972**
Closing value	4,312	5,514	33,285	641,016	349	13,819	698,295
Depreciation reserve at the end of the period	(1,919)	(3,941)	(11,666)	(104,539)		(9,258)	(131,323)

The change in the basis of consolidation relates to the newly-consolidated companies Qingdao Sella & Mosca Winery Co. Ltd., Société Civile Immobilière du Domaine de la Margue and Coutsicos S.A.; the change in the consolidation difference is due to Coutsicos S.A.
The increase in the "concessions, licences, trademarks and similar rights" item relates to the purchase of the Riccadonna brand for € 11.3 million; this brand is now owned by Barbero 1891 S.p.A.
Other increases relate to the purchase by Italian companies of software and SAP licences, as well as upgrades to the SAP R/3 system and the launch of the SAP R/3 system at Skyy Spirits, LLC in the first half of the year.

The table below shows a breakdown of net brand values and consolidation differences by acquisition at the end of June 2004:

	30 June 2004		30 June 2003		31 December 2003	
	Concessions, licences, trademarks and similar rights	Consolidation difference	Concessions, licences, trademarks and similar rights	Consolidation difference	Concessions, licences, trademarks and similar rights	Consolidation difference
Former Bols brands	1,808	3,136	2,210	6,087	1,941	4,612
Ouzo 12	7,182	8,638	7,665	9,233	7,418	8,936
Cinzano	746	49,751	797	53,162	823	51,457
Brazilian acquisition	–	64,011	–	67,871	–	65,941
Skyy Spirits, LLC	–	219,858	255	232,421	75	226,140
Zedda Piras S.p.A. and Sella & Mosca S.p.A.	16	55,667	26	58,842	24	57,254
Barbero 1891 S.p.A.		134,397	–	–	–	137,859
Riccadonna	11,017	–	–	–	–	–
Other	850	1,017	–	–	880	–
	21,619	**536,477**	**10,952**	**427,616**	**11,160**	**552,198**

Tangible fixed assets

	30 June 2004	30 June 2003	31 December 2003
Land and buildings	78,920	52,526	76,975
Plant and machinery	62,191	38,654	59,993
Industrial and commercial equipment	2,953	6,326	2,137
Other tangible fixed assets	6,026	4,878	4,768
Fixed assets in progress and payments on account	8,774	51,772	8,554
Total	**158,864**	**154,156**	**152,427**

The following changes occurred over the period:

	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other tangible fixed assets	Tangible assets in progress and payments on account	Total
Opening value	118,160	166,089	35,834	19,264	8,554	347,901
Depreciation reserve	(41,185)	(106,096)	(33,697)	(14,496)		(195,474)
Opening balance	**76,975**	**59,993**	**2,137**	**4,768**	**8,554**	**152,427**
Change in basis of consolidation	3,253	703	1,028	1,014	171	6,169
Investments	221	1,678	281	1,089	5,532	8,801
Disposals	52	(324)	(106)	(52)	(101)	(531)
Depreciation	(1,783)	(4,530)	(405)	(889)		(7,607)
Reclassification of tangible assets in progress	10	4,948	72	238	(5,381)	(113)
Exchange rate differences and other changes	192	(277)	(54)	(142)	(1)	(282)
Closing balance	**78,920**	**62,191**	**2,953**	**6,026**	**8,774**	**158,864**
Closing value	122,580	169,985	37,091	21,331	8,774	359,761
Depreciation reserve at the end of the period	(43,660)	(107,794)	(34,138)	(15,305)	0	(200,897)

The inclusion of newly-consolidated companies in the basis of consolidation added € 6.2 million to the tangible fixed assets figure, of which € 4.5 million related to Société Civile Immobilière du Domaine de la Margue, € 1.0 million to Qingdao Sella & Mosca Winery Co. Ltd. and € 0.7 million to Coutsicos S.A.

Investments during the first half totalled € 8.8 million, of which € 4.4 million related to Campari-Crodo S.p.A. and € 1.7 million to Sella & Mosca S.p.A..
Specifically, investments at the plant in Novi Ligure totalled € 3.7 million and chiefly relate to plant and machinery, while Sella & Mosca S.p.A. invested in vineyard and wine-making equipment.

The property lease contract for the production facility in Novi Ligure by Campari-Crodo S.p.A. generated € 27.4 million for the company and led to a corresponding increase in assets at consolidated level as the operation was classified as a finance lease.
The operation had no effect on the company's finances, except for the adjustments resulting from this classification; sales and repurchase changes of equal amounts therefore offset each other in the table above.

At 30 June 2004, leased assets reclassified using this method totalled € 27.6 million, almost all of which related to the Novi Ligure production facility.
The corresponding outstanding debt on the same date was € 26.4 million, and is included under the "payables to banks" item.
At the end of the first half, write-downs of tangible fixed assets totalled € 9.3 million, excluding the related depreciation, and break down as follows:

	Land and buildings	Plant and machinery	Other tangible assets	Total
Law 576 of 2 December 1975	78	250		328
Law 72 of 19 March 1983	710	2,276	98	3,084
Law 413 of 30 December 1991	5,898			5,898
Total	**6,686**	**2,526**	**98**	**9,310**

Financial fixed assets

	30 June 2004	30 June 2003	31 December 2003
Equity investments			
– subsidiaries		7,081	7,026
– affiliated companies	(148)	349	584
– other companies	217	168	212
Receivables from other companies			
due within 12 months	258	256	554
due after 12 months	1,633	1,966	1,447
Other securities			
due within 12 months			227
due after 12 months		227	
Own shares	29,958	31,000	31,000
Total	**31,918**	**41,047**	**41,050**

The following changes occurred over the period:

	Subsidiaries	Affiliates	Other companies	Receivables due within 12 months	Receivables due after 12 months	Other securities	Own shares
Balance at 31 December 2003	**7,026**	**584**	**212**	**554**	**1,447**	**227**	**31,000**
Change in basis of consolidation	(7,026)						
Increases			5		186		4,606
Write-backs / write-downs		(732)					
Disposals				(296)		(227)	(5,648)
Balance at 30 June 2004		**(148)**	**217**	**258**	**1,633**	**0**	**29,958**
Breakdown at 30 June 2004							
MCS S.c.a.r.l.		311					
International Marques V.o.f.		57					
Longhi & Associati S.r.l.		152					
Fior Brands Ltd.		(157)					
Summa S.L.		(511)					
Other shareholdings < 10%			217				
Loanto S.I.A.M. Monticchio S.p.A.				258			
Pre-payment of taxes for staff severance fund					538		
Own shares							29,958
Other items					1,095		
Total		**(148)**	**217**	**258**	**1,633**	**0**	**29,958**

Qingdao Sella & Mosca Winery Co. Ltd. and Société Civile Immobilière du Domaine de La Margue were consolidated from 1 January 2004; these two subsidiaries of Sella & Mosca S.p.A. are therefore no longer included under investments in subsidiaries at 30 June 2004.

Compared to 31 December 2003, changes in equity investments in affiliates were due to the proportion of net profit attributable to the Group.

“Other securities” fell as a result of the redemption of bonds of Idreg Piemonte S.p.A. held by Campari-Crodo S.p.A.

Own shares (€ 30.0 million) relate to 940,941 ordinary shares, corresponding to 3.2% of the share capital, with a total nominal value of € 0.9 million.
These were purchased for the purposes of the Company’s stock option scheme.
The Company paid outgoing senior managers and directors who benefited from the plan approved in 2001, and also bought shares to service the plan. Changes over the period break down as follows:

	Number of shares	Value
Balance at 31 December 2003	**1,000,000**	**31,000**
Increases	123,133	4,606
Decreases	(182,192)	(5,648)
Balance at 30 June 2004	**940,941**	**29,958**

CURRENT ASSETS

Inventories

	30 June 2004	30 June 2003	31 December 2003
Raw materials, supplies and consumables	37,089	29,694	33,349
Work in progress and semi-finished products	25,578	20,074	21,998
Finished products and goods for resale	62,761	54,466	50,704
Payments on account	285	0	312
Total	**125,713**	**104,234**	**106,363**

In the accounts of some Italian and foreign companies, inventories have been valued using the LIFO method. The increase due to the use of the average cost method in the consolidated accounts is € 0.1 million.
The figures above do not include the inventory write-down reserve, which at 30 June 2004 totalled € 1.0 million, in line with the figure at 31 December 2003.
At 30 June 2004, the final inventories of newly-consolidated companies totalled € 2.2 million.
Exchange rate differences had a total negative impact of € 0.4 million.

Receivables

	30 June 2004	30 June 2003	31 December 2003
From customers	174,998	160,574	171,840
From affiliated companies	7,597	5,716	9,690
From parent companies	0	0	6
Tax credits	10,645	6,004	9,893
Pre-paid tax	15,102	11,388	15,792
From others	16,399	16,025	22,186
Total	**224,741**	**199,707**	**229,407**

Receivables from customers

Receivables from customers increased largely as a result of changes in the Group's levels of activity and the seasonal nature of the business, and do not include the inventory write-down reserve of € 4.6 million, which breaks down as follows:

Balance at 31 December 2003	**5,604**
Amounts used	(1,273)
Provisions	523
Other changes	(272)
Balance at 30 June 2004	**4,582**

Receivables from affiliated companies

Receivables from affiliated companies include trade receivables of Group companies in respect of affiliates, as well as a GBP 1.0 million loan granted by Campari Finance Teoranta to Fior Brands Ltd. under market conditions, at an interest rate tied to the GBP Libor.

Deferred tax

Deferred tax credits relate to the recording by Group companies of taxed reserves including provisions for stock write-downs, provisions for bad debts and risks, and costs that are partially deductible on a deferred basis, such as entertainment or maintenance expenses that are deductible because of certain tax measures in force.
They also include past losses carried forward, for which there is reasonable certainty that enough taxable revenues will be generated in future to absorb these losses.

	30 June 2004	30 June 2003	31 December 2003
Deferred tax credits on:			
– taxed reserves	6,507	8,479	8,138
– costs partially deductible on a deferred basis	4,343	959	5,131
– tax deductible costs (non-deferrable)	930	36	72
– past losses	3,322	1,914	2,451
Total deferred tax credits	**15,102**	**11,388**	**15,792**

Other receivables

At 30 June 2004, receivables from others broke down as follows:

	30 June 2004	30 June 2003	31 December 2003
Pre-payments and other receivables from suppliers	6,438	9,265	8,215
Receivables from other customers	2,714	2,309	3,491
Due from agents and distribution centres	93	1,660	2,531
Other	2,986	1,565	3,625
Other receivables due within the year	**12,231**	**14,799**	**17,862**
Due from agents and distribution centres	490	512	637
Other	3,678	714	3,687
Other receivables due after the year	**4,168**	**1,226**	**4,324**
Total other receivables	**16,399**	**16,025**	**22,186**

Financial assets not listed under fixed assets or cash and cash equivalents

	30 June 2004	30 June 2003	31 December 2003
Other securities	**7,790**	**1,864**	**1,910**
Bank and post office deposits	173,400	55,494	133,535
Cheques, cash and liquid assets	91	74	48
Cash and cash equivalents	**173,491**	**55,568**	**133,583**
Total	**181,281**	**57,432**	**135,493**

Liquid funds and consolidated net debt

Net debt totalled € 303.0 million and breaks down as follows:

	30 June 2004	30 June 2003	31 December 2003
Cash and cash equivalents	173,491	55,568	133,583
Bonds	(257,954)	0	(257,954)
Due to banks - within 12 months	(52,902)	(122,401)	(30,112)
Due to banks - after 12 months	(27,417)	(14,691)	(3,863)
Due to other financial institutions - after 12 months	(141,485)	(150,406)	(136,226)
Accrued interest on bondsand private placements	(4,517)	(2,874)	(4,423)
Total (excluding securities)	**(310,784)**	**(234,804)**	**(298,995)**
Other securities	7,790	1,864	1,910
Net debt	**(302,994)**	**(232,940)**	**(297,085)**

Please see the report on operations for comments on the change in the Group's debt over the period and its breakdown.

Accrued income and deferred charges

	30 June 2004	30 June 2003	31 December 2003
Accrued income			
– interest receivable	7	14	38
– interest on derivatives	8,019	1,532	7,747
– other accrued income	56	262	
Total accrued income	**8,082**	**1,808**	**7,785**
Deferred charges			
– insurance premiums	746	373	400
– rental payments	6	2	59
– other deferred charges	2,602	3,798	1,045
Total deferred charges	**3,354**	**4,173**	**1,504**
Total	**11,436**	**5,981**	**9,289**

LIABILITIES

Shareholders' equity

Changes to consolidated shareholders' equity

	Balance at 31 December 2003	Dividends	Transfers	Exchange rate differences and other changes	Profit for the period	Balance at 30 June 2004
Share capital	29,040					29,040
Share premium reserve	0					0
Legal reserve	5,808					5,808
Reserve for own shares	31,000			(1,042)		29,958
Other reserves	0					0
Extraordinary reserve	247,402	(4,180)				243,222
Suspended tax reserve	3,041					3,041
Merger surplus	5,687					5,687
Consolidation reserve	139,188		59,327			198,515
Reserve for conversion of results in foreign currency	7,223			(4,235)		2,988
Profit (loss) carried forward				1,042		1,042
Profit (loss) for the period	79,822	(20,495)	(59,327)		30,954	30,954
Total Group shareholders' equity	**548,211**	**(24,675)**		**(4,235)**	**30,954**	**550,255**
Minorities' share capital and reserves	(13,182)		17,850	(7,922)		(3,254)
Minorities' profit (loss)	17,850		(17,850)		6,273	6,273
Total minority shareholders' equity	**4,668**			**(7,922)**	**6,273**	**3,019**
Total shareholders' equity	**552,879**	**(24,675)**		**(12,157)**	**37,227**	**553,274**

The Parent Company shareholders' meeting approved dividends of € 20.5 million, and also voted to distribute € 4.2 million of the extraordinary reserve, making a total dividend pay-out of € 24.7 million.
At 30 June 2004, the share capital consisted of 29,040,000 ordinary shares with a nominal value of € 1 each.
The change in the reserve for the conversion of accounts in foreign currency was due to exchange rate differences on the opening shareholders' equity of subsidiaries, mainly resulting from fluctuations in the Brazilian real and the US dollar, as well as the changes resulting from the different exchange rate used to convert the balance sheet and profit and loss account for the period.

The reserve for own shares fell for the reasons outlined in the section on financial fixed assets: € 5.6 million was used to pay out part of a stock option plan for outgoing senior managers and directors, and the company bought shares totalling a further € 4.6 million to allocate to the reserve.

Shareholders' equity and profit of Parent Company Davide Campari-Milano S.p.A.

	30 June 2004		31 December 2003	
	Shareholders'	Profit for the period	Shareholders' equity	Profit for the period
Parent Company balance sheet	**433,426**	**113,212**	**344,890**	**20,975**
Difference between book value of consolidated subsidiaries and corresponding shareholders' equity	141,221	47,738	225,388	118,835
Elimination of dividends distributed by consolidated companies		(127,669)		(61,161)
Elimination of intercompany profits excluding tax effect	(12,733)	(1,092)	(11,641)	10,653
Alignment of accounting policies	(8,159)	(1,235)	(6,926)	(5,980)
Other	(3,500)	0	(3,500)	(3,500)
Consolidated balance sheet	**550,255**	**30,954**	**548,211**	**79,822**

Minorities' share capital

Relative to 30 June 2003 and 31 December 2003, minority interests changed solely owing to the consolidation of Qingdao Sella & Mosca Winery Co. Ltd. Minority interests are outlined below:

% owned by minorities	30 June 2004	30 June 2003	31 December 2003
O-Dodeca B.V.	25.00%	25.00%	25.00%
Skyy Spirits, LLC	41.10%	41.10%	41.10%
Qingdao Sella & Mosca Winery Co. Ltd.	6.33%		

The changes in minorities' share capital compared to 31 December 2003 can be summarised as follows:

	Balance at 31 December 2003	Change in basis of consolidation	Dividends (*)	Transfers	Exchange rate differences and other changes	Profit for the period	Balance at 30 June 2004
Minorities' share capital and reserves	(13,182)	120	(8,050)	17,850	8		(3,254)
Minorities' profit (loss)	17,850			(17,850)		6,273	6,273
Total minority shareholders' equity	**4,668**	**120**	**(8,050)**	**0**	**8**	**6,273**	**3,019**

(*) *includes advances on dividends paid in respect of 2004 profit*

Reserve for risks and charges

	30 June 2004	30 June 2003	31 December 2003
Pension provisions and similar obligations	4,322	2,563	3,574
Tax provisions			
– tax provisions	2,132	2,314	2,018
– deferred tax provisions	13,143	9,573	15,979
Other provisions:			
– industrial restructuring charges	5,906	9,821	6,485
– risks in respect of agents	1,151	1,538	1,151
– other	5,463	1,593	8,542
Total other provisions	12,520	12,952	16,178
Total reserves for risks and charges	**32,117**	**27,402**	**37,749**

Industrial restructuring provisions, earmarked by the Parent Company and Campari-Crodo S.p.A. in 2002 as part of the plan to overhaul the Group's production sites and transfer some operations to the new facility in Novi Ligure, were used over the period to cover personnel costs and the costs of transferring equipment (€ 0.6 million).

Other reserves fell as a result of the reclassification of € 2.7 million earmarked in 2003 to cover the costs of recruiting and replacing managers.
Following shareholder approval, this amount is now classified under payables.

Deferred tax provisions are those made in relation to tax entries present in the accounts of individual Group companies, and mainly refer to pre-paid depreciation and capital gains received in instalments, and the net balance of deferred and pre-paid taxes relating to consolidation entries.
The amount under this item comprises the following:

	30 giugno 2004	31 dicembre 2003
Pre-paid depreciation	2,629	3,516
Capital gains subject to deferred taxation	1,580	1,557
Reserves subject to taxation in the event of dividend payments	8,331	8,331
Other (including consolidation entries)	603	2,575
Total	**13,143**	**15,979**

Staff severance fund

The change to the staff severance fund compared to 31 December 2003 is shown below.

Balance at 31 December 2003	**15,628**
Provision for the period	1,147
Amounts used during the period and advances	(1,464)
Balance at 30 June 2004	**15,311**

Payables

	30 June 2004	30 June 2003	31 December 2003
Bonds – due after 12 months	257,954	0	257,954
Payables to banks – due within 12 months	52,902	122,401	30,112
Payables to banks – due after 12 months	27,417	14,691	3,863
Payables to other financial institutions – due within 12 months	0	0	1
Payables to other financial institutions – due after 12 months	141,485	150,406	136,225
Payments on account – due within 12 months	307	359	232
Payables to suppliers – due within 12 months	147,714	115,799	130,465
Payables to affiliated companies – due within 12 months	2,580	1,186	2,601
Payables to tax authorities – due within 12 months	21,766	27,734	32,923
Payables to social security and pension organisations – due within 12 months	3,967	3,362	4,437
Other payables – due within 12 months	21,590	21,406	19,328
Total	677,682	457,344	618,141

Payables to banks and other financial institutions

The breakdown and maturity of payables to banks and other financial institutions at 30 June 2004 is shown below:

	30 June 2004				31 December 2003
	due within 12 months	due after 12 months	of which after 5 years	Total	Total
Payables to banks					
– bank debt	49,754	4,199	837	53,953	33,975
– San Paolo Leasint S.p.A. for leasing of real estate	3,148	23,218	11,268	26,66	
Total payables to banks	**52,902**	**27,417**	**12,105**	**80,319**	**33,975**
Payables to other financial institutions					
Payables to bondholders			**257,954**	**257,954**	**257,954**
– private placement	–	139,860	112,986	139,860	134,600
– other loans	–	1,625	1,043	1,625	1,626
Payables to other financial institutions	**–**	**141,485**	**114,028**	**141,485**	**394,180**

Short-term bank debt consists primarily of credit lines taken out by the Parent Company and, to a lesser extent, by subsidiaries.
More specifically, Zedda Piras S.p.A. and Sella & Mosca S.p.A. have existing loans with a residual balance totalling € 4.4 million as of 30 June 2004.
These are secured by mortgages on land and buildings and by liens on machinery and plant.

Payables to other financial institutions relate almost entirely to the private placement issued by Redfire, Inc., and showed an increase compared with 31 December 2003 due to the conversion of the debt from US dollars to euro at the exchange rate at 30 June.

The amount payable to San Paolo Leasint S.p.A. relates to the capital part of the instalments falling due during the period by Campari-Crodo S.p.A. on the lease on the Novi Ligure building complex, with an expiry date of 16 February 2012, accounted for using the financing method.

The remaining instalments falling due for each year are shown below:

Year	Amount
2004	1,474
2005	2,889
2006	2,968
2007	3,049
2008	3,132
2009	3,193
After 2009	9,661
Total	**26,366**

Payables to other financial institutions relate to a loan granted to Campari-Crodo S.p.A. by the industry ministry, to be repaid in ten annual instalments commencing 15 February 2006.

Payables due to tax authorities

Payables due to tax authorities within 12 months relate to taxes payable by Group companies in their respective countries and consist of:

	30 June 2004	30 June 2003	31 December 2003
Corporate income tax	4,095	5,168	14,186
Value added tax	2,135	4,266	4,404
Tax on alcohol production	14,045	14,397	9,708
Withholding and other taxes	1,491	3,903	4,625
Total	**21,766**	**27,734**	**32,923**

Corporate income tax payable is shown net of advance payments and taxes withheld at source.

Withholding and other taxes include a payment by Campari-Crodo S.p.A. of € 2.4 million in respect of the final portion of the withholding taxes generated by the sale of shareholdings by Cinzano Investimenti e Partecipazioni S.p.A., now merged into Campari-Crodo S.p.A.

Other payables

The amount under this item comprises the following:

	30 June 2004	30 June 2003	31 December 2003
Deposits on packaging	2,973	6,746	4,234
Payroll	9,687	7,373	8,818
Commissions payable	716	1,358	1,706
Advances from customers	251	299	116
Other	7,963	5,630	4,454
Total	**21,590**	**21,406**	**19,328**

The item "other payables" increased due to the reclassification of € 2.7 million (already mentioned in the paragraph on "reserve for risks and charges"), to cover the costs incurred by the Parent Company to recruit and replace managers.

Deferred income and accrued charges

	30 June 2004	30 June 2003	31 December 2003
Accrued charges:			
– Interest on bond issue and private placement	9,293	4,406	8,927
– cross currency swap on bond issue	3,243		3,243
– other interest payable	231	96	92
– other accrued charges	565	3,245	441
Total accrued charges	**13,332**	**7,747**	**12,703**
Deferred income:			
– deferred income for plant expenses	2,355	828	1,066
– deferred income on real estate capital gains	6,176		6,588
– other deferred income	678	131	852
Total deferred income	**9,209**	**959**	**8,506**
Total deferred income and accrued charges	**22,541**	**8,706**	**21,209**

Memorandum accounts

	30 June 2004	30 June 2003	31 December 2003
Guarantees to third parties			
– customs offices for excise duty	32,449	21,970	29,899
– VAT credits and EU transits	0	69	69
– competition prizes	1,879	1,260	1,075
– multi-year contracts	0	130	0
– Campari-Crodo S.p.A. sureties for investments in Novi Ligure	0	2,343	2,343
– other	10,524	2,108	3,621
Total guarantees to third parties	**44,853**	**27,880**	**37,007**
Pledges to other companies			
– multi-year sponsorship pledges	4,229	2,497	2,771
– for deferred performance contracts	0	8,689	0
– other	14,330	0	15,743
Total pledges to other companies	**18,559**	**11,186**	**18,514**
Risks to other companies	38		87
Total memorandum accounts	**63,450**	**39,066**	**55,608**

The increase in other guarantees was due to a guarantee issued by the Parent Company in favour of Redfire, Inc., for a credit line of US$ 7.0 million.
Multi-year sponsorship pledges related to the agreements signed by Campari-Crodo S.p.A. to sponsor the World Motorcycle Grand Prix and for MTV sponsorship.
Other pledges referred to that by the Parent Company to Core One S.r.l. regarding the leasing of the office in Via Filippo Turati in Milan between 2004 and 2009, as this contract does not include a right of rescission.

PROFIT AND LOSS ACCOUNT

Value of production

A reconciliation between the net sales covered in the report on operations and revenues from sales and services is shown below:

	30 June 2004	30 June 2003	31 December 2003
Sales of core production net of excise duties	367,377	332,681	714,148
Excise duties	59,999	58,486	122,336
Sales of wines and musts for production	1,151	6,144	16,482
Production for third parties (classified under item A5)	(1,592)	(612)	(2,901)
Other revenues	825	611	1,926
Total	**427,760**	**397,310**	**851,991**

The sharp drop in revenue from the sale of wines and musts for production is due to the start-up of production of Cinzano wines at the Novi Ligure plant, a process previously undertaken by third parties.

The item "other revenues" essentially includes gifts, contributions to year-end bonuses and reimbursed transport expenses.

Please see the report on operations for more detail on the sales performance, broken down by product and geographical area.

Other income

This item comprises:

	30 June 2004	30 June 2003	31 December 2003
Advertising revenue received	7,020	9,210	15,913
Contributions to year-end bonuses receivable	805	360	691
Production services for third parties	770	582	4,047
Royalties	317	2,488	4,950
Real estate revenue	91	320	431
Miscellaneous sales	2,860	1,904	3,753
Capital grants	81	86	172
Capital gains on asset disposals	201	93	480
Other income	1,659	3,390	6,076
Total	**13,804**	**18,433**	**36,513**

Royalties received from third parties for use of the Group's brands declined sharply, since in 2003 Skyy Spirits, LLC benefited from a guaranteed minimum royalty from SABMiller on sales of SKYY Blue.
The item "other income" mainly includes windfall gains and was down in the first half of this year, since last year Campari-Crodo S.p.A. received a penalty payment from Diageo Operations S.p.A. in respect of the Smirnoff Ice production account.

Production costs

Production costs are broken down as follows:

	30 June 2004	30 June 2003	31 December 2003
Raw materials, supplies, consumables and goods for resale	159,051	143,834	297,801
Services	119,709	111,388	228,465
Use of third-party assets	4,048	2,020	5,439
Personnel	38,027	34,644	68,458
Depreciation, amortisation and write-downs:			
– amortisation of intangible fixed assets	18,823	15,217	31,565
– depreciation of tangible fixed assets	7,607	6,749	15,419
– write-downs of receivables due within 12 months and cash and cash equivalents	557	491	456
Changes in inventories of raw materials, supplies, consumables and goods for re-sale	(3,097)	(5,115)	(4,621)
Risk provisions	0	1	1,075
Other provisions	35	28	0
Other operating expenses	53,658	56,012	127,334
Total	**398,418**	**365,269**	**771,391**

In contrast to the figures for the first half of 2003, costs for the use of third-party assets include rental payments on the building at Via Filippo Turati, Milan from July 2003 after the sale of the building, which was previously leased by the Parent Company.

Services costs

Services costs comprise:

	30 June 2004	30 June 2003	31 December 2003
Advertising and promotional costs	71,426	74,773	146,795
Travel	12,070	9,547	21,667
Commission	10,031	7,839	15,421
Other services costs	26,182	19,229	44,582
Total	**119,709**	**111,388**	**228,465**

Personnel costs

Personnel costs include:

	30 June 2004	30 June 2003	31 December 2003
Wages and salaries	29,041	24,886	50,731
Social security contributions	6,573	6,016	12,422
Staff severance fund	1,147	780	1,693
Pension provisions and similar	97	105	193
Other personnel costs	1,169	2,857	3,419
Total	**38,027**	**34,644**	**68,458**

Depreciation, amortisation and write-downs

The rates, breakdown and changes in depreciation, amortisation and write-downs have already been discussed. The table below details amortisation of trademarks and consolidation differences by brand.

	30 June 2004	30 June 2003	31 December 2003
Former Bols brands	1,659	1,693	3,438
Cinzano	1,731	1,731	3,411
Ouzo 12	545	545	1,088
Brazilian acquisition	1,930	1,930	3,860
Skyy Spirits, LLC	6,359	6,526	12,908
Zedda Piras S.p.A. and Sella & Mosca S.p.A.	1,589	1,448	3,175
Barbero 1891 S.p.A.	3,461	0	577
Riccadonna	283	–	–
Other	48	–	–
Total	**17,605**	**13,873**	**28,458**

Other operating expenses

These comprise:

	30 June 2004	30 June 2003	31 December 2003
Excise duties and other taxes on alcohol	50,185	52,593	121,491
Capital gains on fixed asset sales	264	109	487
Indirect taxes and duties	714	762	1,269
Other charges	2,495	2,548	4,087
Total	**53,658**	**56,012**	**127,334**

Financial income and charges

	30 June 2004	30 June 2003	31 December 2003
Income from equity investments			
– in other companies	0	71	71
Other financial income			
from receivables listed under fixed assets	0	4	18
Other financial income			
from securities listed under current assets	6,543	300	1,536
Other income:			
– from affiliated companies	34	34	68
– from other companies	14,053	5,347	19,379
Interest and financial charges from other companies	(24,553)	(10,587)	(27,311)
Exchange rate gains and losses	14	(538)	(828)
Total	**(3,909)**	**(5,369)**	**(7,067)**

The Parent Company made short-term investments in the period generating income of € 9.6 million, of which € 6.1 million was recorded under income from securities.

It also incurred charges of € 9.5 million.

Financial charges relating to bonds and the private placement, together with financial charges and income in respect of the associated derivatives as of 30 June 2004, are shown below:

	30 June 2004				30 June 2003
	Parent Company €	Redfire, Inc. US$	€	Total €	Redfire, Inc. €
Financial charges to bondholders	(5,599)	(5,394)	(4,394)	(9,992)	(4,851)
Financial charges relating to the swap	(3,529)	0	0	(3,529)	0
Financial income from the swap	5,599	3,706	3,019	8,618	1,676
Net total	**(3,529)**	**(1,688)**	**(1,375)**	**(4,904)**	**(3,175)**

The figures for 30 June 2003 in the table refer solely to Redfire, Inc., since the bond relating to Davide Campari-Milano S.p.A. was not issued until July 2003.
With respect to Redfire, Inc., the switch from fixed to variable rate for the US$ 100 million tranche took place in the second half of 2003, and so interest charges in the first half of 2003 were higher than in the same period of 2004.

Adjustments to the value of financial assets

	30 June 2004	30 June 2003	31 December 2003
Write-backs of equity investments	0	0	33
Write-downs of equity investments	(732)	(492)	(643)
Total	**(732)**	**(492)**	**(610)**

Adjustments in the value of financial assets at 30 June 2004 were due solely to changes deriving from comparing values of equity investments in affiliated companies with the corresponding shareholders' equity.
The figures for the two periods under comparison also include the results of Qingdao Sella & Mosca Winery Co Ltd and Société Civile Immobilière du Domaine de la Margue, consolidated on a line-by-line basis from 1 January 2004.

Extraordinary income and charges

	30 June 2004	30 June 2003	31 December 2003
Capital gains on disposals	430	448	34.447
Miscellaneous income	4,457	2,321	3,581
Capital losses on disposals	6	(13)	(5)
Miscellaneous charges	(2,469)	(989)	(12,213)
Taxes relating to previous financial years	(87)	(55)	(183)
Total	**2,337**	**1,712**	**25,627**

Corporate income tax for the period

	30 June 2004	30 June 2003	31 December 2003
Profit before tax	55,057	51,361	138,021
Corporate income tax for the period			
– current	16,652	17,343	37,169
– deferred	1,178	(1,767)	3,180
Total corporate income tax	**17,830**	**15,576**	**40,349**

OTHER INFORMATION

Results by business area

Please see the report on operations for the results by business area and related comments.

Headcount

The average number of employees working for the companies included in the basis of consolidation is as follows:

	30 June 2004	30 June 2003	31 December 2003
Category			
Managers	76	64	62
Clerical	831	761	773
Manual	618	545	555
Total	**1,524**	**1,370**	**1,390**
By region			
Italy	862	726	747
Abroad	663	644	643
Total	**1,524**	**1,370**	**1,390**

List of equity investments

pursuant to article 126 of Consob resolution 11971 of 14 May 1999 and subsequent amendments

Parent Company

Name, location, activity	Share capital at 30 June 2004 currency	Amount
Davide Campari-Milano S.p.A. - Milan Holding company and manufacturer	€	29,040,000

Fully consolidated companies

Name, location, activity	Share capital at 30 June 2004 Cur-rency	amount	% owned by the Parent Company direct	indirect	direct shareholder
Italy					
Barbero 1891 S.p.A. Manufacturing and trading company - Canale	€	22,350,000	100.00		
Campari Italia S.p.A. Trading company - Milan	€	1,220, 076		100.00	Campari-Crodo S.p.A.
Campari-Crodo S.p.A. Holding company and manufacturer - Milan	€	61,000,000	100.00		
S.A.M.O. S.p.A. Trading company - Milan	€	104,000		100.00	Campari-Crodo S.p.A.
Sella & Mosca S.p.A. Manufacturing and trading company - Alghero	€	13,838,916		100.00	Zedda Piras S.p.A.
Zedda Piras S.p.A. Manufacturing and trading company - Cagliari (production facilities in Alghero)	€	3,276,000		100.00	Campari-Crodo S.p.A.
Europe					
Campari Deutschland GmbH Trading company - Munich	€	5,200,000		100.00	DI.CI.E. Holding B.V.
Campari Finance Teoranta Financing company - Dublin	€	1,000,000		100.00	DI.CI.E. Holding B.V.
Campari France S.A. Manufacturing company - Nanterre	€	2,300,000		100.00	DI.CI.E. Holding B.V.
Campari International S.A.M. Trading company - Monaco	€	100,000,000		100.00	DI.CI.E.Holding B.V.
Campari Schweiz A.G. Trading company - Zug	CHF	2,000,000		100.00	DI.CI.E. Holding B.V.
Coutsicos S.A. Manufacturing company - Piraeus	€	1,438,150		75.00	N. Kaloyannis Bros. A.E.B.E.
DI.CI.E. Holding B.V. Holding company - Amsterdam	€	15,015,000	100.00		
Lacedaemon Holding B.V. Holding company - Amsterdam	€	10,465,000		100.00	Campari Schweiz A.G.
N, Kaloyannis Bros. A.E.B.E. Trading company - Argiropoulis, Attika	€	325,500		75.00	O-Dodeca B.V.
O-Dodeca B.V. Holding company - Amsterdam	€	2,000,000		75.00	Lacedaemon Holding B.V.
Prolera LDA Services company - Funchal	€	5,000	100.00		
Société Civile Immobilière du Domaine de la Margue Manufacturing and trading company Saint Gilles (France)	€	4,793,184		100.00	Sella & Mosca S.p.A.

Fully consolidated companies (continued)

Name, location, activity	Share capital at 30 June 2004 Currency	amount	% owned by the Parent Company direct	indirect	direct shareholder
Americas					
Campari do Brasil Ltda. Manufacturing and trading company Barueri	BRL	243,202,100	100.00		
Gregson's S.A. Trademark holder - Montevideo	UYP	175,000		100.00	Campari do Brasil Ltda.
Redfire, Inc. Holding company - Wilmington, Delaware	US$	115,450,000	100.00		
Skyy Spirits, LLC Trading company - Wilmington, Delaware (head office in San Francisco)	US$	15,348,729		58.90	Redfire, Inc.
Other					
Qingdao Sella & Mosca Winery Co. Ltd. Manufacturing and trading company Qingdao (China)	US$	3,000,000		93.67	Sella & Mosca S.p.A.

Other holdings

Name, location, activity	Share capital at 30 June 2004 Currency	amount	% owned by the Parent Company direct	Indirect	direct shareholder	book value € thousand	Valuation method
Affiliated companies							
Fior Brands Ltd. Trading company - Stirling	GBP	100		50.00	DI.CI.E. Holding B.V.	–157	equity
International Marques V.o.f. Trading company - Harleem	€	210,000		33.33	DI.CI.E. Holding B.V.	57	equity
Longhi & Associati S.r.l. Services company - Milan	€	10,400		40.00	Lacedaemon Holding B.V.	152	equity
M.C.S. S.c.a.r.l. Trading company - Brussels	€	464,808		33.33	DI.CI.E. Holding B.V.	311	equity
SUMMA S.L. Trading company - Madrid	€	342,000		30.00	DI.CI.E. Holding B.V.	–511	equity

Financial statements for the Parent Company Davide Campari-Milano S.p.A.

FINANCIAL STATEMENTS

BALANCE SHEET

€ thousand	30 June 2004	30 June 2003	31 December 2003
Balance sheet - assets			
A) Capital contributions due from shareholders	0	0	0
B) Fixed assets (leased assets are shown separately)			
I. Intangible fixed assets	3,072	1,860	3,057
II. Tangible fixed assets	11,480	13,540	12,106
III. Financial fixed assets	859,418	470,823	912,239
Total fixed assets	**873,970**	**486,223**	**927,402**
C) Current assets			
I. Inventories	7,320	11,010	7,593
II. Receivables	50,415	76,087	44,260
III. Financial investments not listed under fixed assets	0	0	0
IV. Cash and cash equivalents	58,794	230	22,423
Total current assets	**116,529**	**87,327**	**74,276**
D) Accrued income and deferred charges	**5,717**	**3,198**	**5,029**
Total assets	**996,216**	**576,748**	**1,006,707**
Balance sheet – liabilities			
A) Shareholders' equity			
I. Share capital	29,040	29,040	29,040
II. Share premium reserve	0	0	0
III. Revaluation reserve	0	0	0
IV. Legal reserve	5,808	5,808	5,808
V. Statutory reserves	0	0	0
VI. Reserve for own shares	29,958	31,000	31,000
VII. Other reserves	254,366	258,067	258,066
– extraordinary reserve	243,222	247,403	247,402
– reserve for transfer of equity interests pursuant to legislative decree 544/92	3,041	3,041	3,041
– Merger surplus	5,687	5,687	5,687
– Pre-paid depreciation reserve	1,883	1,931	1,931
– Pre-paid depreciation reserve (taxed)	533	5	5
VII. Profit (loss) carried forward	1,042	0	0
IX. Profit (loss) for the year	113,212	4,156	20,975
Total shareholders' equity	**433,426**	**328,071**	**344,889**
B) Reserve for risks and charges	**4,912**	**6,165**	**8,238**
C) Staff severance fund	**4,971**	**5,534**	**5,483**
D) Payables	**538,115**	**236,552**	**632,999**
E) Accrued liabilities and deferred income	**14,792**	**426**	**15,098**
Total liabilities	**996,216**	**576,748**	**1,006,707**
Memorandum accounts			
2) Total pledges given to third parties	189,323	167,438	175,805
Total memorandum accounts	**189,323**	**167,438**	**175,805**

PROFIT AND LOSS ACCOUNT

€ thousand	30 June 2004	30 June 2003	31 December 2003
A) Value of production			
1) Revenues from sales and services	37,301	40,389	81,063
2) Change in inventories of work in progress, semi-finished and finished products	908	1,952	198
5) Other income	9,626	10,635	21,441
Total value of production	**47,835**	**52,976**	**102,702**
Production costs			
6) Raw materials, supplies and consumables	26,790	30,333	55,760
7) Services	6,447	6,169	13,000
8) Use of third party assets	2,001	2,037	3,845
9) Personnel costs	7,755	7,715	15,580
10) Depreciation, amortisation and write-downs	1,363	1,874	4,033
11) Changes in inventories of raw materials, supplies and consumables	1,181	–876	788
12) Risk provisions	0	0	70
14) Miscellaneous operating expenses	407	360	756
Total production costs	**45,944**	**47,612**	**93,832**
Difference between value of production and production costs (A – B)	**1,891**	**5,364**	**8,870**
C) Financial income and charges			
15) Income from equity investments	113,799	1,282	1,283
16) Other financial income	16,342	762	10,594
17) Interest and financial charges	22,306	3,066	13,700
17 bis) Exchange rate gains and losses	13	10	–11
Total financial income and charges (15 + 16 –17 +/– 17 bis)	**107,848**	**–1,012**	**–1,834**
D) Adjustments in the value of financial assets			
Total adjustments in the value of financial assets (18 – 19)	**0**	**0**	**0**
E) Extraordinary income and charges			
20) Extraordinary income	1,947	744	25,717
21) Extraordinary charges	125	65	3,580
Total extraordinary items (20 – 21)	**1,822**	**679**	**22,137**
Profit before tax (A – B +/– C +/– D +/– E)	**111,561**	**5,031**	**29,173**
Corporate income tax	–1,651	875	8,198
Net profit	**113,212**	**4,156**	**20,975**

NOTES TO THE ACCOUNTS

ASSETS

Intangible fixed assets

	30 June 2004	30 June 2003	31 December 2003
Intangible fixed assets	3,072	1,860	3,057

Total change in intangible fixed assets

Description	Value 31 December 2003	Increases financial year	Decreases financial year	Depreciation and amortisation financial year	Value 30 June 2004
Start-up and expansion costs	0	4			4
Software licences	240	145		87	298
Assets in progress and payments on account	305	155	214		246
Other intangible fixed assets	2,512	328		316	2,524
Total	**3,057**	**632**	**214**	**403**	**3,072**

The most significant part of this item relates to the company's investment in SAP R/3 software applications.
Software licences include purchases of updates to e-mail software to the value of € 49,000; SAP licences for € 30,000 and miscellaneous expenditure of € 66,000.
The item "other intangible fixed assets" includes costs of € 125,000 for the development of new packaging and costs of € 178,000 for upgrading the leased premises at Via Filippo Turati in Milan.

Revaluations of intangible fixed assets

No financial or exceptional revaluations were made pursuant to the valuation criteria set out in article 2423 *bis,* paragraph 2, of the Italian Civil Code.

Tangible assets in progress and payments on account

The item "assets in progress" includes software costs for the ongoing development and upgrading of the company's IT system, together with work on upgrading security at the building in Via Filippo Turati, Milan.

	30 June 2004	30 June 2003	31 December 2003
Tangible assets in progress and payments on account	246	8	305

Accumulated depreciation, amortisation, write-downs and write-backs

The historical cost of assets at the beginning of the year is shown below:

Description	Historical cost	Depreciation reserve	Write-backs	Write-downs	Value
Start-up and expansion costs	3,256	3,256			
Software licences	1,739	1,499			240
Assets in progress and payments on account	305				305
Other intangible fixed assets	9,641	7,129			2,512
Total	**14,941**	**11,884**	**0**	**0**	**3,057**

Tangible fixed assets

	30 June 2004	30 June 2003	31 December 2003
Tangible fixed assets	11,480	13,540	12,106

Land and buildings

Land and buildings include property used for the company's operations and buildings leased to third parties.

Description	Amount
Historical cost	12,929
Write-back	2,763
Accumulated depreciation	–9,775
Balance at 31 December 2003	**5,917**
Depreciation for the period	–229
Balance at 30 June 2004	**5,688**

Plant and machinery

Description	Amount
Historical cost	18,457
Write-back	2,367
Accumulated depreciation	–16,261
Balance at 31 December 2003	**4,563**
Acquisitions	5
Disposals	–168
Write-back on disposals	–2
Depreciation write-offs on disposals	135
Depreciation	–413
Balance at 30 June 2004	**4,120**

Industrial and commercial equipment

Acquisitions related mainly to the purchase of printing equipment for advertising material.

Description	Amount
Historical cost	665
Accumulated depreciation	–423
Balance at 31 December 2003	**242**
Acquisitions	128
Disposals	–3
Depreciation write-offs on disposals	3
Depreciation	–53
Balance at 30 June 2004	**317**

Other assets (furniture, electronic equipment and vehicles)

The most significant acquisitions relate to electronic equipment: specifically, the development and expansion of the IT system at a cost of € 81,000 and the acquisition of PCs, printers and miscellaneous electronic equipment for € 103,000.
Furniture was also purchased for the company's offices at a cost of € 22,000.

Description	Amount
Historical cost	7,193
Accumulated depreciation	–5,905
Balance at 31 December 2003	**1,288**
Acquisitions	206
Depreciation	–264
Balance at 30 June 2004	**1,230**

Assets in progress and payments on account

The balance at 30 June 2004 chiefly consists of assets not yet brought into use at the Sesto San Giovanni production plant and the offices in Milan.

Description	Amount
Balance at 31 December 2003	**96**
Increase	122
Decrease	–93
Balance at 30 June 2004	**125**

Write-backs on tangible fixed assets at the end of the period

Write-backs made on the company's tangible fixed assets at 30 June 2004 are listed below.

Description	Land and buildings	Plant and machinery	Total
Law 576 of 2 December 1975	6	250	256
Law 72 of 19 March 1983	134	2,115	2,249
Law 413 of December 1991	2,623	0	2,623
Total	**2,763**	**2,365**	**5,128**

Financial fixed assets

	30 June 2004	30 June 2003	31 December 2003
Financial fixed assets	859,418	470,823	912,239

Equity investments

Description	31 December 2003	Increase	Decrease	30 June 2004
Subsidiaries	880,901	122	51,845	829,178
Other companies	49			49
Total	**880,950**	**122**	**51,845**	**829,227**

Description	31 December 2003	Increase	Decrease	30 June 2004
Subsidiaries				
– Campari do Brasil Ltda.	114,738			114,738
– Prolera LDA	5			5
– Campari Schweiz A.G.	552		552	
– Campari Finance Teoranta	51,293		51,293	
– DI.CI.E. Holding B.V.	25,024			25,024
– Redfire, Inc.	153,824			153,824
– Barbero 1891 S.p.A.	222,415	122		222,537
– Campari-Crodo S.p.A.	313,050			313,050
	880,901	**122**	**51,845**	**829,178**
Other companies	49			49
	880,950	**122**	**51,845**	**829,227**

As part of the wider rationalisation and restructuring programme, the shareholdings in Campari Finance Teoranta and Campari Schweiz A.G., amounting to € 58,700,000 and € 59,900,000 respectively, were sold to the subsidiary DI.CI.E. Holding B.V. during the period, resulting in a capital gain of € 66,755,000.
The sale values were determined on the basis of a valuation of the companies in accordance with current accounting practice.

Finally, the figure for Barbero 1981 S.p.A. includes additional costs incurred for its acquisition in December 2003.

Other companies

Name	Currency	Balance sheet value
Istituto ricerche biomediche Marxer	€	41
Ecolombardia 18	€	8
Total		**49**

Other assets receivable

Description	31 December 2003	Increase	Decrease	30 June 2004
From others - due after 12 months	289	3	59	233
Total	**289**	**3**	**59**	**233**

The item "from others – due after 12 months" relates to tax credits for the staff severance fund.

Own shares

	30 June 2004	30 June 2003	31 December 2003
Own shares	29,958	31,000	31,000

182,192 of the company's own shares were sold during this period to outgoing directors and managers benefiting from the stock option scheme approved in 2001.
The Company also acquired a further 123,133 own shares to be included in the stock option scheme.
The movement of shares in the period is analysed below.

	Number of shares	€
Balance at 1 January 2004	1,000,000	31,000
Increase	123,133	4,606
Decrease	–182,192	–5,648
Total	**940,941**	**29,958**

CURRENT ASSETS

Inventories

	30 June 2004	30 June 2003	31 December 2003
Inventories	7,320	11,010	7,593

The value of inventories based on purchase costs came out lower than that calculated using the current costs method (average cost for the period).
Differences between the two valuations are shown below:

	Purchase cost	Current costs	Difference
Raw materials	1,916	2,052	136
Packaging	905	940	35
Work benches	107	108	1
Advertising materials	84	86	2
Semi-finished products	2,570	3,171	601
Finished products	1,738	1,794	56
Total	**7,320**	**8,151**	**831**

Receivables

	30 June 2004	30 June 2003	31 December 2003
Receivables	50,415	76,087	44,260

The increase in receivables compared with 31 December 2003 was principally due to receivables from the tax authorities and to deferred tax credits for the period.
The sharp decrease in receivables compared with 30 June 2003 was due to a decline in intercompany cash flow.
The figure breaks down as follows.

Description	Due within 12 months	Due after 12 months	Due after 5 years	Total
From subsidiaries	34,211			34,211
From affiliates	2			2
Tax credits	5,523			5,523
Pre-paid tax	7,168			7,168
Due from others	615	2,896		3,511
Total	**47,519**	**2,896**	**0**	**50,415**

The breakdown by region is as follows:

Receivables	Italy	Other EU	Rest of Europe	Rest of the world	Total
From subsidiaries	28,955	4,450	57	749	34,211
From affiliates	2				2
Tax credits	5,523				5,523
Pre-paid tax	7,168				7,168
Due from others	3,511				3,511
Total	**45,159**	**4,450**	**57**	**749**	**50,415**

Receivables due from subsidiaries comprise the following:

Company	Trade receivables	Centralised treasury management	Group VAT	Other receivables	Total
Campari Italia S.p.A.	3,463		656	307	4,426
Campari-Crodo S.p.A.	17		182	889	1,088
S.A.M.O. S.p.A.			6	3	9
Zedda Piras S.p.A.		12,981	44	77	13,102
Sella & Mosca S.p.A.		10,164	26	60	10,250
Barbero 1891 S.p.A.	80				80
Campari International S.A.M.	4,192			152	4,344
Campari France S.A.				3	3
Campari Schweiz A.G.				57	57
Campari Deutschland GmbH				97	97
Campari do Brasil Ltda.				431	431
O-Dodeca B.V.				1	1
N. Kaloyannis Bros.				5	5
Skyy Spirits, LLC				318	318
Total	**7,752**	**23,145**	**914**	**2,400**	**34,211**

The Group manages the receipts and payments of its Italian companies using a centralised treasury management system, paying or charging them market interest rates tied to the 3-month Euribor rate on the day before the end of each calendar quarter.
The item "other receivables" includes interest, royalties, telephone bills, insurance, re-invoicing for IT services and miscellaneous revenues.
Receivables from affiliates relate to the company Longhi & Associati S.r.l.

Receivables due from others comprise the following:

Receivables from employees	77
Receivables from social security and pension funds	153
Receivables from suppliers	85
Receivables from other customers	2,968
Bad debts	104
minus provisions for write-downs on other receivables	–104
Receivables from agricultural levies	142
Other receivables	86
Total	**3,511**

The change in deferred tax credits was € 2,212,000, and broke down as follows:

Opening balance	4,956
Increase in deferred tax credits for the period - IRES	3,479
Use for deferred taxes - IRES	–1,236
Increase in deferred tax credits for the period - IRAP	2
Use for deferred taxes - IRAP	–33
Total	**7,168**

The change in deferred taxes was due purely to temporary factors, and related principally to the recording by the Group of taxed reserves including provisions for stock write-downs, provisions for bad debts and risks, entertainment and expenses and costs that are deductible according to particular tax laws, such as taxes, directors' remuneration and auditing fees, as well as the effect of tax credits on the tax loss for the period.
The tax rates applied to these items are those applied in accordance with current law: i.e. IRES at 33% and IRAP at 4.25%.
Amounts credited to and debited from this item are entirely transferred over from the profit and loss account for the period.

Tax credits break down as follows:

Credits due from tax authorities for miscellaneous taxes and not yet received	23
Credits due from tax authorities for IRPEG and not yet received	1,095
VAT credits from tax authorities	650
IRES credits from tax authorities	3,529
IRAP credits from tax authorities	72
Withholding tax on staff remuneration	5
Withholding tax on interest from banks	149
Total	**5,523**

Cash and cash equivalents

	30 June 2004	30 June 2003	31 December 2003
Cash and cash equivalents	58,794	230	22,423

Description	30 June 2004	31 December 2003
Term deposits	53,300	16,051
Bank and post office deposits	5,484	6,363
Cash and liquidity	10	9
Total	**58,794**	**22,423**

Accrued income and deferred charges

	30 June 2004	30 June 2003	31 December 2003
Accrued income and deferred charges	5,717	3,198	5,029

The amount under this item comprises the following:

Description	Amount
Accrued income	
Cross currency swap on bond issue	5,155
	5,155
Deferred charges	
Various maintenance	290
Insurance	161
Taxes and other duties	15
Insurance commissions	37
Membership and subscription fees	36
Other miscellaneous	23
Total	**5,717**

LIABILITIES

Sharholders' equity

	30 June 2004	30 June 2003	31 December 2003
Shareholders' equity	433,426	328,071	344,889

Shareholders' equity	31 December 2001	Increases	Decreases	31 December 2002	Increases	Decreases	31 December 2003	Increases	Decreases	30 June 2004
Share capital	29,040			29,040			29,040			29,040
Legal reserve	5,808			5,808			5,808			5,808
Reserve for own shares	31,000			31,000			31,000	4,606	5,648	29,958
Extraordinary reserve	7,982			7,982	239,420		247,402		4,180	243,222
Reserve for transfer of equity interests pursuant to Legislative Decree 544/92	3,041			3,041			3,041			3,041
Depreciation reserve	666	688		1,354	577		1,931	480	528	1,883
Depreciation reserve (taxed)	0	5		5			5	528		533
Merger surplus	5,687			5,687			5,687			5,687
Profit carried forward	123,361	7,042		130,403		130,403	0	5,648	4,606	1,042
	206,585	**7,735**	**0**	**214,320**	**239,997**	**130,403**	**323,914**	**11,262**	**14,962**	**320,214**
Net profit	**32,410**	**134,270**	**32,410**	**134,270**	**20,975**	**134,270**	**20,975**	**113,212**	**20,975**	**113,212**
	238,995	**142,005**	**32,410**	**348,590**	**260,972**	**264,673**	**344,889**	**124,474**	**35,937**	**433,426**

Shareholders' equity at 30 June 2004		Origin: Paid to shareholders	Origin: Profit	Usable: free	Usable: subject to conditions	Distributable: free	Distributable: subject to conditions
Share capital	29,040	7,499	21,541		29,040		29,040
Legal reserve	5,808	1,500	4,308		5,808		5,808
Reserve for own shares	29,958		29,958		29,958		29,958
Extraordinary reserve	243,222		243,222	243,222		243,222	
Reserve for transfer of equity interests pursuant to Legislative Decree 544/92	3,041		3,041	3,041		3,041	
Depreciation reserve	1,883		1,883		1,883		1,883
Depreciation reserve (taxed)	533		533	533		533	
Merger surplus	5,687	1,508	4,179	5,687		5,687	
Profit carried forward	**1,042**		**1,042**	**1,042**		**1,042**	
	320,214						
Net profit	**113,212**						
	433,426	**10,507**	**309,707**	**253,525**	**66,689**	**253,525**	**66,689**

The shareholders' meeting of 29 April 2004 voted to allocate the net profit of € 20,975,000 as follows:

– € 480,000 to the depreciation reserve;
– € 20,495,000 to shareholders in the form of dividends.

The meeting also voted to distribute € 4,180,000 of the extraordinary reserve in the form of dividends, making a total dividend payout of € 24,675,000.
During the period, the Group used € 5,648,000 of its reserve for own shares to pay out part of a stock option plan to outgoing senior managers and directors.
Moreover, following the completion of the previous stock option plan, the Group bought a further € 4,606,000 of shares to allocate to the reserve for own shares, using profits carried forward from previous years.

The share capital at 30 June 2004 comprised the following:

Shares	Number	Nominal value (€)	€
Ordinary	29,040,000	1	29,040

The total number of shares, excluding own shares, consisted of 28,099,059 ordinary shares.

Reserve for risks and charges

	30 June 2004	30 June 2003	31 December 2003
Reserve for risks and charges	4,912	6,165	8,238

Description	31 December 2003	Increase	Decrease	30 June 2004
Pension provisions	177		9	168
For deferred taxes	927	77	299	705
Other				
– for industrial restructuring	4,096		273	3,823
– future charges	2,700		2,700	0
– miscellaneous	50		39	11
– for current disputes	288		83	205
Total	**8,238**	**77**	**3,403**	**4,912**

The change in deferred taxes was € 222,000, and broke down as follows:

Opening balance	**927**
Increase in deferred taxes for the period - IRES	68
Use of deferred taxes for the period - IRES	–269
Increase in deferred taxes for the period - IRAP	9
Use of deferred taxes for the period - IRAP	–30
Total	**705**

The temporary differences in the deferred tax reserve relate principally to depreciation and to the deferral of capital gains generated in previous years.
The tax rates applied to these items are those applied in accordance with current law.
Use of funds from the deferred tax reserve is shown on the balance sheet, but not on the profit and loss account for the period.
Other risk funds include potential liabilities arising from disputes still ongoing at the end of the period.
The outcome of these disputes was uncertain at the end of the period, and therefore the amounts recorded in the reserves constitute a prudent estimate of the possible charges arising therefrom.

In particular, the reserve for industrial restructuring includes funds earmarked for the purposes of the programme approved in 2002, entailing the transfer of production from the facility at Sesto San Giovanni to the new plant at Novi Ligure, recorded in the balance sheet of Campari-Crodo S.p.A.

Use of funds during 2004 related mainly to personnel costs.

The reserve for future charges, at € 2,700,000, relates to the process of recruiting and replacing managers within the current management structure following a vote by the shareholders' meeting.
These costs have now become certain, and have therefore been recorded as liabilities on the balance sheet under the item "other payables".

Staff severance fund

	30 June 2004	30 June 2003	31 December 2003
Staff severance fund	4,971	5,534	5,483

The change in the staff severance fund breaks down as follows:

Change	Amount
Increases for the period	332
Decreases for the period	–844
	–512

The funds earmarked represent the sum actually owed by the Company to its current employees at 30 June 2004, minus € 251,000 in advances paid pursuant to current law, and the sums transferred over to the supplementary pension fund capitalised by Alifond.

Payables

	30 June 2004	30 June 2003	31 December 2003
Payables	538,115	236,552	632,999

The sharp drop in debt compared with 31 December 2003 was due chiefly to the repayment of € 105,700,000 of a loan from DI.CI.E. Holding B.V.
Tax payables also fell, as shown in the balance sheet under assets.
The significant rise in debt compared with 30 June 2003 was due to the issue of a US$ 300,000,000 bond aimed at US institutional investors.
Debts are recorded at their nominal value and are not supported by real guarantees.

A breakdown of payables by maturity is shown below:

Description	Due within 12 months	Due after 12 months	Due after 5 years	Total
Bonds			257,954	257,954
Payables to banks	43,500			43,500
Payables to suppliers	9,115			9,115
Payables to subsidiaries	220,698			220,698
Payables to tax authorities	1,455			1,455
Payables to social security organisations	880			880
Other payables	4,513			4,513
Total	**280,161**		**257,954**	**538,115**

The breakdown by region is as follows:

Payables	Italy	Other EU	Rest of Europe	Rest of the world	Total
– bonds				257,954	257,954
– due to banks	43,500				43,500
– due to suppliers	8,922	193			9,115
– due to subsidiaries	68,212	152,478	8		220,698
– due to tax authorities	1,455				1,455
– due to social security organisations	880				880
– due to others	4,513				4,513
Total	**127,482**	**152,679**	**0**	**257,954**	**538,115**

Payables to subsidiaries are shown below:

Company	Trade payables	Centralised treasury management	Other	Total
Campari-Crodo S.p.A.	53	44,487		44,540
Campari Italia S.p.A.	86	5,324	86	5,496
S.A.M.O. S.p.A.		292	5	297
Barbero 1891 S.p.A.	24	17,662	182	17,868
Sella & Mosca S.p.A.			11	11
Lacedaemon Holding B.V.			40,000	40,000
Campari International S.A.M.	1		7	8
Campari France S.A.	4,178			4,178
DI.CI.E. Holding B.V.			108,300	108,300
Total	**4,342**	**67,765**	**148,591**	**220,698**

Please see the comments relating to receivables from subsidiaries for details on the Group's centralised treasury management system.
The heading "other" includes the loan taken out with Lacedaemon Holding B.V., renewable within 12 months, that taken out with DI.CI.E. Holding B.V., due on 12 December 2004, interest payable on centralised treasury amounts and other miscellaneous payables.

Tax payables break down as follows:

Description	
– employee income tax	229
– withholding tax for external staff	124
– withholding tax on liquidated companies	38
– withholding tax on staff severance fund	8
– withholding tax on invoices from suppliers	102
– manufacturing tax due to customs finance office (UTF)	914
– taxes and other duties	40
Total	**1,455**

The withholding taxes shown relate to the salaries, liquidated companies and supplier invoices for June.

Payables to social security organisations are shown below:

INPS	826
Other social security organisations	54
Total	**880**

Other payables include additional monthly salaries, holiday pay and expenses refunds payable to employees, and other miscellaneous payables.

Accrued liabilities and deferred income

	30 June 2004	30 June 2003	31 December 2003
Accrued liabilities and deferred income	14,792	426	15,098

Description	Amount
Accrued charges:	
Bond loan – interest payable to bondholders	5,156
Cross currency swap on bond issue	3,242
Interest payable on bank credit lines	218
	8,616
Deferred income	
Core One S.r.l. - capital gain on the sale of fixed assets	6,176
	6,176
Total	**14,792**

Memorandum accounts

Description	30 June 2004	30 June 2003	31 December 2003
Pledges given to third parties	189,323	167,438	175,805
	189,323	**167,438**	**175,805**

The memorandum accounts are shown below:

Pledges given to third parties

Sureties to third parties:	
– SNAM for payment of gas bills	42
– Milan customs office for payment of customs duties	1
– Milan customs office for EU transit rights	413
– Milan customs for excise duties on goods in the tax authority depot	5,521
– Overseas trade ministry for export duties	317
– Industry ministry for export duties	1,625
– SAC for the purchase and sale of building in Via Oderisi da Gubbio 13, Rome	103
– Milan customs office for payment of customs charges	5
– Milan customs office for imported, taxed bottles	800
– Lombardy region for well rental payments	4
– ENEL Trade for supply of electricity to Sesto San Giovanni facility	52
– San Paolo for credit line to Redfire, Inc.	5,759
– San Paolo for credit line to Coutsicos S.A.	500
	15,142
Sureties to Group companies:	
– Campari-Crodo S.p.A. for various guarantees to third parties	15,950
– Campari-Italia S.p.A. for various guarantees to third parties	1,879
– S.A.M.O. S.p.A. for various guarantees to third parties	69
	17,898
Pledges to third parties	
– Core One S.r.l. for leasing contract for office in Via Filippo Turati, Milan	14,330
– MTV for TV sponsoring	1,350
	15,680
Guarantees to third parties	
– Redfire, Inc. for private placement	139,860
– Core One S.r.l. for leasing contract for office in Via Filippo Turati, Milan	743
	140,603
Total	**189,323**

PROFIT AND LOSS ACCOUNT

Value of production

	30 June 2004	30 June 2003	31 December 2003
Value of production	47,835	52,976	102,702

Value of production breaks down as follows:

Description	30 June 2004	30 June 2003	Change
Revenues from sales and services	37,301	40,389	–3,088
Changes in product inventories	908	1,952	–1,044
Other revenues and income	9,626	10,635	–1,009
Total	**47,835**	**52,976**	**–5,141**

Sales revenues include excise duties and other taxes on alcohol of € 7,249,000.

Sales by region

Area	Sales
Italy	23,156
EU	8,943
Non-EU	5,202
Total	**37,301**

Other income breaks down as follows:

Miscellaneous sales	461
Advertising revenue received	1,622
Revenues from real estate	216
Royalties	987
Services provided to Group companies	5,319
Reimbursed production and personnel costs	137
Reimbursed additional costs from overseas	44
Reimbursed transport costs	55
Other revenues and income	784
Capital gains on the disposal of fixed assets	1
Total	**9,626**

Miscellaneous sales refer to the sale of work benches, filler material and other materials.
Other revenues and income include refunds on agricultural taxes and re-invoicing to Group companies of the costs of using telephone lines and network connections.

Costs of production

	30 June 2004	30 June 2003	31 December 2003
Costs of production	45,944	47,612	93,832

Description	30 June 2004	30 June 2003	Change
Raw materials, supplies, consumables and goods for resale	26,790	30,333	–3,543
Services	6,447	6,170	277
Use of third party assets	2,001	2,037	–36
Wages and salaries	5,458	5,395	63
Social security contributions	1,764	1,780	–16
Staff severance fund	412	360	52
Other personnel costs	121	179	–58
Amortisation of intangible assets	403	791	–388
Depreciation of tangible assets	960	1,083	–123
Changes in inventories of raw materials	1,181	–876	2,057
Other operating expenses	407	360	47
Total	**45,944**	**47,612**	**–1,668**

Services costs

This item includes maintenance expenses of € 575,000, consultancy fees of € 638,000, IT costs of € 417,000, directors' and auditors' remuneration of € 1,405,000, transport costs of € 211,000, utilities costs of € 785,000, advertising costs of € 445,000 and production and administrative expenses totalling € 1,971,000.

Use of third-party assets

This item comprises leasing charges for the office in Via Filippo Turati, Milan, of € 1,664,000, car hire and photocopier leasing charges of € 286,000, and other leasing charges of € 51,000.

Personnel costs

This heading comprises all employee costs, including performance-related pay, productivity bonuses, promotions, untaken holiday leave, and provisions required by law and national collective contracts.

Depreciation of tangible fixed assets

Depreciation is calculated on a straight-line basis according to the useful life of the asset and how it is used in production.

The annual rates applied are those applied in accordance with current law, as detailed below:

Buildings	3%
Vats	10%
Plant	10%
Temporary buildings	10%
Furniture	12%
Office equipment	12%
Minor equipment	20%
Electronic equipment	20%
Motor vehicles	20%
Cars	25%

Other operating expenses

Other operating expenses are shown in the table below:

Deductible taxes and duties	56
Non-deductible taxes and duties	57
Management costs for rented properties	4
Utilities charges	66
Membership fees	31
Newspaper and magazine subscriptions	36
Entertainment expenses	18
CONAI payments on purchases	40
Other expenses	99
	407

Financial income and charges

	30 June 2004	30 June 2003	31 December 2003
Financial income and charges	107,848	–1,012	–1,834

Description	30 June 2004	30 June 2003	Change
Income from equity investments			
Dividends from subsidiaries	47,044	1,212	45,832
Capital gains on the disposal of shareholdings in subsidiaries	66,755		66,755
	113,799	1,212	112,587
Other			
Capital gains on the disposal of shareholdings in other companies		70	–70
		70	–70
Total	**113,799**	**1,282**	**112,517**

Description	30 June 2004	30 June 2003	Change
From securities listed under current assets			
– dividends	5,612	0	5,612
– income from the disposal of securities	490	0	490
	6,102	0	6,102
Income other than the above			
From subsidiaries			
– Interest from centralised treasury management	500	649	–149
	500	649	–149
From others			
– interest on term deposits	519	14	505
– interest on derivatives	5,599	55	5,544
– financial income from derivatives	3,542	0	3,542
– other financial income	4	8	–4
– interest receivable	43	18	25
– interest from bank and post office deposits	33	18	15
	9,740	113	9,627
Total	**16,342**	**762**	**15,580**

Description	30 June 2004	30 June 2003	Change
Interest and other financial charges			
Due to subsidiaries			
– interest from centralised treasury management	848	579	269
– interest on loans	2,351	692	1,659
	3,199	1,271	1,928
Due to others			
– interest payable on loans	404	1,301	–897
– interest payable to banks	2	62	–60
– interest payable on bonds	5,599		5,599
– other financial charges	7	190	–183
– interest payable on derivatives	3,559	221	3,338
– financial charges on derivatives	5,598		5,598
– losses from the disposal of securities	3,890		3,890
– other	48	21	27
	19,107	1,795	17,312
Total	**22,306**	**3,066**	**19,240**

Description	30 June 2004	30 June 2003	Change
Exchange rate gains and losses			
– gains on commercial exchange rates	19	14	5
– gains on financial exchange rates	55	9	46
– losses on commercial exchange rates	–6	–7	1
– losses on financial exchange rates	–55	–6	–49
Total	**13**	**10**	**3**

Extraordinary income and charges

	30 June 2004	30 June 2003	31 December 2003
Extraordinary income and charges	1,822	679	22,137

Description	30 June 2004
Windfall gains	1,535
Capital gains on the disposal of fixed assets	412
	1,947
Windfall losses	125
	125
Total	**1,822**

Income tax

	30 June 2004	30 June 2003	31 December 2003
Income tax	–1,651	875	8,198

Profit before income tax for the period is shown below:

	30 June 2004	31 December 2003
Profit before tax	111,561	29,173
Income tax		
Current portion	484	11,432
Deferred	77	257
Pre-paid	–2,212	–3,491
Total	**–1,651**	**8,198**

OTHER INFORMATION

Headcount	30 June 2004	30 June 2003	Change
Managers	23	21	2
Clerical	154	165	–11
Manual	69	88	–19
Other	1	1	0
	247	**275**	**–28**

The Company applies the national collective work contract for the food industry, except in the case of the porters at its own buildings, who are bound by the contract for employees of building owners.

CASH FLOW STATEMENT

(€ thousand)	30 June 2004
Cash flow from operating activities	
Net profit	**113,212**
Adjustments to reconcile net profit with cash flow generated (absorbed) by operating activities	
Pre-paid and deferred taxes	(2,434)
Depreciation and amortisation	1,363
Transfers to staff severance fund	87
Transfers to reserve for bad debts and risks	0
Risk provisions	–
(Use of risk and tax reserve)	(3,095)
(Gains) losses on the disposal of fixed assets and equity investments	1
Staff severance payments	(598)
Net change in tax credit for staff severance fund	
	56
Changes in operating assets and liabilities	
Receivables from main shareholders	6
Inventories	273
Receivables from subsidiaries (excluding treasury amounts)	3,365
Tax credits	(4,415)
Other receivables	(191)
Accrued income and deferred charges	(689)
Accrued liabilities and deferred income	(307)
Payables to suppliers	(618)
Payables to subsidiaries (excluding treasury amounts)	6,289
Other payables	(7,337)
Cash flow generated (absorbed) by operating activities	**104,968**
Cash flow from investments	
Purchase of tangible fixed assets	(368)
Sale of tangible fixed assets	33
Purchase of intangible fixed assets	(418)
Sale of intangible fixed assets	–
Purchase of equity investments	(122)
Sale of equity investments	51,845
Purchase of own shares	(4,606)
Sale of own shares	5,648
Cash flow from investments	**52,012**
Cash flow from financing activities	
Net change in short-term debts	19,500
Net change in treasury amounts due to/from subsidiaries	(9,735)
Net change in loans due to/from subsidiaries	(105,700)
Net change resulting from bond loan	–
Dividend payments	(24,675)
Cash flow absorbed by financing activities	**(120,610)**
Net increase (decrease) in cash and equivalents	**36,370**
Cash and equivalents at the start of the period	22,424
Cash and equivalents at the end of the period	**58,794**

The Chairman
of the Board of Directors
Luca Garavoglia

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AUDITORS' REPORT ON THE REVIEW OF THE MANAGEMENT REPORT FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2004 OF DAVIDE CAMPARI - MILANO S.p.A.

(Translation from the original Italian version)

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

1. We have performed the review of the Balance Sheets and the Statements of Income and related Notes of Davide Campari - Milano S.p.A (the "Parent Company Statements") and of the Davide Campari - Milano Group (the "Consolidated Statements") included in the Management Report of Davide Campari - Milano S.p.A. for the six months period ended June 30, 2004. The Management Report is the responsibility of the Davide Campari - Milano S.p.A.'s management. Our responsibility is to issue the present report based on our review. We have also reviewed that part of the financial information presented by the Board of Directors in the Management Report with respect of their discussions and analyses of the operations, solely for the purpose of evaluating its consistency with the remaining part of the Management Report.

2. Our review was conducted in accordance with auditing standards governing review of interim financial statements recommended by CONSOB (the Italian Stock Exchange Regulatory Agency) in its resolution No. 10867 of July 31, 1997. A review consists mainly of obtaining information with respect to the accounts included in the Parent Company Statements and in the Consolidated Statements and the consistency of the accounting principles applied through discussions with appropriate members of management, and analytical procedures applied to the financial data presented in such Parent Company Statements and Consolidated Statements. A review does not include performing auditing procedures such as tests of compliance of internal controls and substantive procedures on assets and liabilities. Consequently, the scope of a review engagement provides significantly less assurance than a full scope audit performed in accordance with generally accepted auditing standards. Accordingly, we do not express an audit opinion on the Management Report of Davide Campari - Milano S.p.A. as of and for the six months period ended June 30, 2004, as we do in connection with reporting on our full scope audits of the annual Parent Company financial statements and consolidated financial statements of Davide Campari - Milano S.p.A..

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3. With respect to the Parent Company and the consolidated comparative data as of and for the year ended December 31, 2003 and for the six months period ended June 30, 2003, reference should be made to our audit and review reports issued on April 8, 2004 and on September 24, 2003 respectively.

4. Based on our review, we did not become aware of any significant modifications that should be made to the Parent Company Statements, Consolidated Statements and related Notes, identified in paragraph 1. of this report, in order for them to be in conformity with the criteria for the presentation of the six months period Management Report, stated by CONSOB regulations as approved in its resolution No. 11971 of May 14, 1999 and subsequent modifications.

Milan, September 22, 2004

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

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